



GA.40 11/12

Governance & Audit
Committee

12 March 2012

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Subject: Internal Audit Plan 2011/2012 – Quarter 4 Progress Report

Report by:

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Purpose / Summary:

The report gives members an update of progress, by the Audit partner, against the annual programme agreed by the Audit Committee on the 5th April 2011.

RECOMMENDATION(S):

- 1) **Members consider the content of the report and identify any actions required.**
- 2) **Future progress reports only include outstanding recommendations where the audit resulted in 'No' or 'Limited' assurance.**

IMPLICATIONS

Legal: None directly arising from the report

Financial: None directly arises from the report.

Staffing: None.

Equality and Diversity including Human Rights:

*NB: A full impact assessment **HAS TO BE** attached if the report relates to any new or revised policy or revision to service delivery/introduction of new services.*

None arising from this report

Risk Assessment: N/A

Climate Related Risks and Opportunities: None arising from this report

Background Papers: No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

Call in and Urgency:

Is the decision one to which Rule 14 of the Scrutiny Procedure Rules apply?

Yes

No

Key Decision:

Yes

No

DISCUSSION

1. Introduction

The purpose of this report is to:

- Advise of progress being made with the Audit Plan.
- Provide details of the audit work during the period
- Provide details of the current position with agreed management actions in respect of previously issued reports.

2. Audit Work in the period December 2011 to January 2012

The following audit work has been completed and a final report issued:

(The Governance & Audit Committee should note that the assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. Definitions levels are shown in appendix A)

Full Assurance	Substantial Assurance	Limited Assurance	No Assurance
No Reports	<ul style="list-style-type: none">• Health Programme• Employment and Skills Development	<ul style="list-style-type: none">• Financial Management System Post Implementation Review	No reports

We are reporting one limited assurance audit in this quarter the management summary is at Appendix B. The Financial Service Manager will update progress on implementing agreed actions.

The annual finance audits are currently being undertaken. This year we are conducting audits of:

- Financial Management System – Post implementation review
- Treasury management
- Bank reconciliation
- Management of purchasing cards
- Budget Management
- Income
- Payroll

The following are completed to draft stage and indicative assurance levels are:

- | | |
|----------------------------------|-----------------------|
| ○ Treasury management | Limited Assurance |
| ○ Bank reconciliation | Substantial Assurance |
| ○ Management of purchasing cards | Substantial Assurance |
| ○ Budget Management | Substantial Assurance |

3. Other Significant Work

We have completed a review of the Strategy and Regeneration Directorate's arrangements for the management of the Disabled Facilities Grant (DFG) and pilot project aimed at improving the efficiency of the DFG process, and the Linden Terrace housing renovation project. This was prompted by an actual overspend on DFG, and a perceived overspend on the Linden Terrace project. We focussed on the arrangements for:

- Governance and Accountability
- Budget management
- Project and programme management

The indicative outcome of this work is Limited Assurance.

We found that these key projects for improving service delivery have been approached with an entrepreneurial spirit, but robust governance, project management and budget management practices have not been applied.

We are currently liaising with the section 151 Officer to finalise this piece of work.

4. Progress with the Implementation of Recommendations

Appendix C shows the outstanding audit recommendations as at 31st January 2012. This only records those audits where limited or no assurance was the outcome.

5. Audit Plan 2011/12

Appendix D shows the progress made against the annual audit plan as approved by the Committee on 5th April 2011.

6. Performance Information

Internal Audit performance is measured against a range of indicators. For those measures performance is shown below:

Performance Indicator	Target	Actual (April – January 2012)
1. Actual audits versus planned (by no of audits)	95%	92%*
2. % of Reports issued within 2 weeks of closure meeting	90%	89%**
3. Annual plans finalised	By March	By April
4. Quality of Service Client questionnaire scoring good to excellent	Good to excellent	Good to Excellent

*based on days amount of planned work done compared to expected by the end of January 2012

**One report issued more than 2 weeks after the closure meeting

APPENDICES (If applicable) - these are listed below and attached at the back of the report.

(if no appendices are attached, please delete this entire box)

APPENDIX A	Assurance Definitions
APPENDIX B	Management Summaries for audits with Limited Assurance
APPENDIX C	Outstanding Audit Recommendations as at 31 January 2012
APPENDIX D	Progress against the Annual Audit Plan 2011/2012

Appendix A

Internal Audit Standard Assurance Definitions

Assurance Classification	
Full Assurance	The controls are in place to manage the risks and are being effectively operated. The risk of the activity not achieving its objectives is low.
Substantial Assurance	There are some improvements needed in the application of controls to manage risks. However, the controls are in place and operating sufficiently so that the risk to the activity not achieving its objectives is medium to low.
Limited Assurance	The controls to manage the risks are not always being operated or are inadequate. Therefore, the risk of the activity not achieving its objectives is medium to high.
No Assurance	The controls to manage the risks are not being operated or are not present. Therefore the risk of the activity not achieving its objectives is high.

Further classification may be necessary to support any Assurance given which is not 'Full Assurance'. As a very broad guide the following may also be used as a consistency check when considering the level of assurance

Assurance Classification	
Full Assurance	Objectives of the activity are met. A few low risk recommendations.
Substantial Assurance	Objectives of the activity are generally met. There are low or medium risk recommendations.
Limited Assurance	Some of the objectives of the activity are not being met. There are low, medium and a few high risks.
No Assurance	Most or all of the objectives are not being met. Large number of medium and high risks.

End of Appendix A

Appendix B

WLDC Financial Management System Post Implementation Review – Highlight Report 01.12.2011

Introduction and scope

From September 2009 through to July 2010 the Council ran a project to update its finance system from Powersolve to Authority Financials provided by CIVICA.

It was agreed to enter into a partnership with North Kesteven DC, who already used the Authority Financial system.

In 2011 Internal Audit reviewed the new system and one of the findings from the review was that a post implementation review should be carried out. It was agreed with the Financial Services Manager that this should be an independent review so Internal Audit carried out the work.

Headlines

Limited Assurance

We found that the financial system has been implemented and is working in line with expectations. The Council has gone through year end closure of accounts and reviews by External and Internal Audit with no major findings reported.

The limited assurance relates to the findings of the post implementation review and not to the finance system.

Points of good practice included project initiation document records, including;

- Risks documented;
- Business Case;
- Committee reports and CMT approval;
- Project board meetings minuted;
- Changes to the initial plan and timetable were reported and approved at board meetings;

The following two points were noted during the review and these are the main findings.

WLDC operates a shared system and data base with NKDC but there is no valid partnership agreement in place.

It is vital to the efficient running of the finance systems that processes and protocols are in place to deal with issues that will arise from sharing a system.

WLDC project management closure processes had not been complied with, There had been a lack of governance in completing the project with no official sign off or benefits realisation reporting.

Management Response

Management recognise the need to refresh the corporate ICT framework agreement with NKDC. This needs to include specific Service Level Agreement requirements for all the shared ICT systems. The Financial Services Manager will ensure the appropriate actions are taken.

The core systems of the new system are active.

The Financial Service Manager is still evaluating the benefits of implementing several functions on the system.

The core project is now closed and appropriate closure documentation will be prepared by the Group Accountant.

The other features will be considered as part of the new strategic Financial Management programme.

End of Appendix B

Appendix C

Outstanding Audit Recommendations as at 31 January 2012

Audit Area	Date	Assurance	Number of Recs	Implem'd	Agreed date for implem't passed			Direction of Travel
					H	M	L	
Resources								
Project Management	Oct 2011	Limited assurance	16	0	10	5	0	▲

★ = Ahead of plan

● = On plan

▲ = Behind plan

End of Appendix C

Appendix D

Progress against the Annual Audit Plan 2011/2012

NOTE: This plan is indicative only – the programming of audits cannot be absolute as undertaking an audit depends on the availability of resources and the auditee (impact of leave, sickness, other service priorities for the auditee etc).

Service Area	Original Days	Status	Quarter to be initiated			
			Q1	Q2	Q3	Q4
Neighbourhoods & Health						
Health Programme	5	Completed			✓	
Revenue Contracts	5	Completed	✓			
Building Control	3	Completed	✓			
Sub Total	13					
Resources						
Use of Consultants	5	In progress			✓	
IT Audit	10	Draft report			✓	
Housing Benefit Subsidy	20	Completed		✓		
Housing Benefits	10	Completed		✓		
Planning	5	Draft report				✓
Finance Systems	25	Draft reports				✓
Sub Total	75					
Strategy & Regeneration						
Anti-Social Behaviour	5	Completed	✓			
Housing Standards	5	Draft report			✓	
Employment & Skills Development	5	Completed		✓		
Risk Management	5	In progress				✓
Sub Total	20					
Assurance						
Corporate Governance	10	Initiated				✓
Project Management	5	Complete		✓		
Sub Total	15					
Emerging Risks						
Customer First Programme	10	Replaced*			✓	
Joint Planning Unit	10	Draft report			✓	
Joint Revenue & Benefits Unit	5	c/f to 2012/13				✓
Sub Total	25					
Assurance mapping	10	Complete		✓		
Total Non-Audit	21					
Total Plan for 2011-12	179					

* Replaced with an additional audit in strategy and Regeneration as Customer First Programme has ceased.

End of Appendix D