

# **Internal Audit**

## **Progress Report 2010-11**

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## **INTERNAL AUDIT PROGRESS REPORT**

### **Introduction and Background**

1. This progress report presents members of the Committee with the following:
  - A brief overview of the actual position reached at 31 August 2010, in delivering the agreed Audit Plan for 2010-11
  - A summary of the outcomes of audits completed during the period
  - The results and outcomes of follow-up reviews carried out during the period, to assess the extent and adequacy of management action taken in response to audit reports from the previous year
  - Brief details of other work undertaken during the year to date.
2. With regard to the issue of follow-up, the Audit Committee has within its terms of reference the responsibility to monitor the implementation of agreed management actions arising from Internal Audit's work, and for 2010-11 the Committee has asked for detailed assurances to be brought to each of its meetings with regard to specific management actions taken. This will therefore be included in our regular progress reports to the Committee.

### **Overall progress against the Audit Plan 2010-11**

#### **Productive Audit Days**

3. We base our Audit Plan for the year on being able to achieve an estimated number of productive audit days throughout the year, and thereby deliver a range of planned audit work. Taken to the end of August 2010, our actual performance against the overall plan was as set out in the following table:

	<b>No of Audit Days</b>
Total Audit Plan for 2010-11	2,750
Weighted target productive days to 31 August 2010	1,031
Actual productive days to 31 August 2010	1,038

4. This shows that our actual productive days have very closely matched our target over the first five months of the year, and therefore if we maintain our current level of staff resources for the rest of the year we should achieve our planned productive days for the year as a whole.

### **Outcomes of Completed Audits**

5. A full schedule of the audits we have completed during the period, incorporating specific main risks and management actions proposed, is attached as Appendix 1 to this report. A summary of the overall position on the outcomes of these completed audits is set out in the following table:

<b>Audited Activity</b>	<b>Audit Opinion</b>	<b>Risks Identified</b>
Council Tax	Substantial Assurance	3 Medium Risks
Risk Management	Substantial Assurance	3 Medium Risks
DCE Procurement	Substantial Assurance	5 Medium Risks
Purchasing Cards	Limited Assurance	1 High Risk 11 Medium Risks
Corporate Assets Management	Limited Assurance	1 High Risk 3 Medium Risks
Service Charges on Council Properties	Substantial Assurance	4 Medium Risks
Gas Servicing	Substantial Assurance	3 Medium Risks
CRB Records for Schools and Childrens' Centres	Limited Assurance	7 High Risks 3 Medium Risks
Core Financial Systems – IT Controls	Limited Assurance	5 High Risk 11 Medium Risks
Direct Payments – IT Controls	Substantial Assurance	3 Medium Risks

<b>Audited Activity</b>	<b>Audit Opinion</b>	<b>Risks Identified</b>
Adult Placements – IT Controls	Limited Assurance	1 High Risk 3 Medium Risks

### **Implementation of Agreed Management Actions**

6. A full schedule of the audits we have followed-up during the period, incorporating specific risks and management actions implemented, is attached as Appendix 2 to this report. A summary of the overall position on management actions is set out in the following table:

<b>Audited Activity</b>	<b>No of Main Risks Reported</b>	<b>Position on Management Actions</b>
Safeguarding Clauses in Contracts	1 (High)	Actions mainly implemented, remaining elements by Oct 2010
Reconciliations	2 (Medium)	Actions partially implemented
Housing Rents	3 (High)	2 actions fully implemented 1 action ongoing
Housing and Council Tax Benefits	2 (High)	Actions ongoing, progress according to plan
Car Parking	2 (High) Outstanding from previous follow-up review	1 action fully implemented 1 action ongoing
Highways Maintenance	4 (High)	2 actions fully implemented 2 actions not yet due
RFQ Pro-Contract System	1 (High)	Actions ongoing, progress according to plan

## Conclusion

7. Our follow-up work carried out during the last quarter leads us to the overall conclusion that management continues to respond properly to audit reports in the main, and is taking appropriate action to manage the risks identified. Of the audits followed up during this period, whilst some progress has been made on reconciliations, there remains further work to be done in order to implement agreed actions fully and thus achieve the required level of control. Until this is achieved, in our view the identified risks remain as medium risks.
8. We will continue to report further follow-up work and the position on agreed management actions as part of each quarterly progress report to the Audit Committee.

## Other Work

9. In addition to specific planned audits and follow-up work, we have undertaken additional work in a number of important areas as set out in the following paragraphs.

### Anti Fraud and Corruption

#### ***National Fraud Initiative (NFI)***

10. The majority of work on the previous NFI exercise was completed last year but a number of benefits and single person discounts investigations have been finalised this period. These have identified largely recoverable losses amounting to around £45,000 from benefits paid, and £3,000 from single person discounts granted.
11. The latest round of this nationwide exercise (NFI 2010) is now underway. We have worked closely with a number of managers across the Council to ensure that the majority of the required data will be extracted from systems in early October 2010 and uploaded to the Audit Commission's secure website. They will provide us with data matching results for investigation in January 2011. These investigations will be carried out by various sections across the authority, with Internal Audit taking a co-ordinating role for reporting and system administration purposes. Where appropriate, progress on investigations will be reported to future Audit Committee meetings.
12. This is the first NFI exercise in which Wiltshire Council has been involved, as previous exercises were managed by the five former authorities. There is therefore scope for a more consistent, co-ordinated and streamlined approach with better and more cost-effective outcomes across the county. The datasets involved in this matching exercise will be as follows:

- Payroll
- Pensions
- Housing benefits
- Housing rents
- Housing Right to Buy
- Creditors
- Insurance claims
- Private residential care home residents
- Parking permits (including Blue Badges)
- Concessionary fares
- Council tax
- Electoral register
- Market traders
- Personal alcohol licences.

### ***Contribution to National Fraud Research***

13. We have contributed to the national fraud agenda by completing a number of significant surveys and questionnaires, notably for the Audit Commission for their reports on “Protecting the Public Purse” and for the University of Portsmouth Centre for Counter Fraud Studies for their report on the resilience of the UK to fraud in major public, private and voluntary sector organisations.

### ***Investigations***

14. There have been a limited number of referrals of suspected frauds or irregularities so far this year. These have included:
- A small number of national banking ‘scams’ which have affected other councils. We have kept the Shared Services Team up to date with details of these to ensure appropriate controls are in place so that as far as possible Wiltshire Council does not become a victim.
  - A suspicion that a grant awarded to a local organisation had been used for inappropriate purposes. The organisation provided evidence to demonstrate that the grant had been properly applied but a definite conclusion was not possible because the receiving organisation was also the beneficiary of a significant number of awards from other bodies. Options for revised procedures in relation to grants are now under further consideration at a corporate level.
  - Further finalisation work was also required in this period in relation to the cheque fraud at Corsham Youth Centre, prior to the court hearing and sentencing in July.

## Schools

15. We have now assessed all schools in Wiltshire against the national Financial Management Standard in Schools (FMSiS). All but nine have achieved the Standard. We have provided the nine schools with the details of the improvements they need to make and will be reassessing them before the end of the year.
16. Under the terms of the FMSiS all schools must be reassessed formally every three years, and Internal Audit will continue to be the preferred external assessor. The reassessment programme is now underway for the first tranche of schools.

## Other Matters

### ***CIPFA Statement – The Role of the Head of Internal Audit***

17. The consultation period for this CIPFA document has now ended, and we provided input to the consultation process as part of our membership of the national County Chief Auditors' Network. It is expected that the document will be issued as a statement of best practice in the near future, and we will then benchmark our own position against its recommended approach, and bring the findings to the next available Audit Committee meeting.

### ***Seminars for Audit Committee Members***

18. In order to provide members with further background and supporting information on various aspects of the overall audit process, it has been suggested that seminars for committee members could be held between the formal meetings of the Audit Committee. This would enable topics to be discussed in more detail without the need to add these to the formal agendas, and thus keep Audit Committee meetings more focussed and effective.
19. Topics for possible inclusion in such seminars could include the following:
  - The audit planning process
  - Audit risk assessment and reporting
  - The current role of the Head of Internal Audit (against the CIPFA Statement).

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