

AUDIT COMMITTEE

19th December 2012**INTERNAL AUDIT 2012/13 SECOND UPDATE REPORT****Purpose of the Report**

1. This progress report presents the Committee with an update on the performance of the Internal Audit (IA) Section. In particular, it provides 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
 - an update on the delivery of the 2012/13 IA Plan, including audits in-progress which should be finalised and reported to the next Committee meeting and any deferred audits.

Executive Summary

2. The attached quarterly update (Appendix A) summarises the main findings by IA. In summary, the Service has started 96 audits – 63 completed, 8 in draft awaiting finalisation and 35 in progress. Of these 17 related to audits carried forward from 2011/12 of which 14 are now complete, 2 deferred and 1 at draft stage.
3. Overall IA concluded as per its assurance definitions at page 8 of SWAP report at Appendix A of this report, that the majority of its findings were that there is reasonable or substantial assurance:

Assurance (per definitions at Appendix A)	Percentage – Update 1	Percentage – Update 2
Substantial	6%	5%
Reasonable	57%	62%
Partial	14%	18%
None	0%	1%
Advice / Follow up audits	23%	14%

The detail by each audit for update 2 is set out at Appendix B of the IA report.

4. From this work one significant 'corporate' risk have been identified (Sickness Absence which was a partial assurance). Of the total 12 reviews resulting in a partial assurance in 2012/13 to date (definition at page 8 of SWAP summary report at Appendix A of this report), eight of the reviews relate to audits completed this quarter and are reported on in this report (the others were carried forward from 2011/12 and were reported to the Audit Committee on 19th September 2012). Further to this there was 1 audit area that received "No Assurance" – that relates to the audit at Clarendon College.
5. Two of the partial assurance findings related to schools. The remaining six partial assurance findings related to operational areas within the Council and are shown in more detail at Appendix D and relate to:
 - Contract Management
 - Financial Regulations & Contract Standing Orders
 - Sickness Absence
 - Business Continuity
 - Imprest & Petty Cash Year End Accounts
 - Partnerships
6. All of these reports have been agreed as final and management responses and actions agreed to address the issues raised. The majority of reports were issued in September and October so responses have progressed and comments on the Council's areas of operational activity, actions and progress since these were issued is set out below:

Issues raised by IA	Management responses and actions
Contract Management	
Information and guidance on procurement is not user friendly.	<p>The CPU have recently issued revised guidance and held training sessions for all buyers. The new guidance is on The Wire:http://thewire.wiltshire.council/index/dce-homepage/business-services-procurement.htm</p> <p>Further work is ongoing to develop this into a similar format and style to HRDirect.</p>

Issues raised by IA	Management responses and actions
Only 30% of purchases tested complied with quotation requirements.	A review has been undertaken of the cases referred to and in these cases the alternative procurement route did identify a lower cost than could have potentially been obtained via a contract. Going forward the CPU is working with managers to improve awareness, such as training and a SAP development for 2013/14 will introduce an automated control to prevent this.
The Corporate Procurement Unit (CPU) have not undertaken spot checks or verification work.	CPU will undertake spot checks within the new category management structure currently being recruited to as part of a restructure of the service. This will be in place from 1 st April 2013.
Only 1 of the 12 tested was found to have been recorded in the Contract Register.	This will be included in the guidance, and there will be clearer responsibility and monitoring under the new Procurement Structure from February 2013.
Financial Regulations & Contract Standing Orders	
The procurement manual on the Wire will be identified as the Procurement Pages. These are currently incomplete although some pages are being updated. Navigating the Wire and identifying all rules and regulations pertinent to procurement staff is not user friendly, and therefore staff are likely to be only partially informed on the process to follow. However there are plans to convert the procurement manual into Finance Direct and thereby increase self service capability.	The CPU have recently issued revised guidance and held training sessions for all buyers. The new guidance is on The Wire: http://thewire.wiltshire.council/index/dce-homepage/business-services-procurement.htm Further work is ongoing to develop this into a similar format and style to HRDirect.

Issues raised by IA	Management responses and actions
<p>The Scheme of Delegation and approval limits as defined in the Consolidated Authorised Signatory list, include over 600 managers with delegated powers of spend, with thresholds which are neither in line with procurement thresholds nor in accordance with any clear demarcation or seniority. There are also over 30 different thresholds assigned which is unwieldy and unnecessary</p>	<p>The Scheme of Delegation has been reviewed once, and will be reviewed again as part of the review of financial regulations alongside an ongoing review of SAP and financial controls. The findings will be reported to Council in June 2013</p>
<p>Sickness Absence</p>	
<p>Testing found notable delays in reporting and updating sickness histories on SAP MSS, and Management intervention is often untimely and inconsistent.</p> <p>As a result, seven priority 4 recommendations have been highlighted which require corporate resolution. These are shown in Appendix C but broadly relate to the same issue so are included as one in this section of the covering report.</p>	<p>Human Resources have reminded managers of the key points of the procedure and continue to do so with the manager briefings. This has included encouraging managers to hold joint case reviews at the earliest opportunity when and where appropriate to do so.</p> <p>Further improvements such as a training package as part of induction and on-line modules are being considered.</p> <p>Forms that exist already draw manager's attention to the necessary procedure with Occupational Health. Further review of their effectiveness will continue to be monitored.</p>
<p>Business Continuity</p>	
<p>The Corporate Business Continuity Plan (BCP) and associated documentation has not been updated since 2010.</p>	<p>The council was aware that its Business Continuity (BC) arrangements needed review, this was partly due to loss of experienced staff and a number of internal service restructures. This has now been updated and training roll out begun. During the previous period no major incidents occurred with any loss to the Council or County.</p>

Issues raised by IA	Management responses and actions
The templates used to create service BCPs and BIA's are over complicated and may not be of use to the Heads of service.	Wiltshire Council has worked with Swindon BC to adopt robust procedures. All existing templates have been reviewed, and training on these is being rolled out in January 2013.
Service Business Impact Assessments (BIA's) have not always been reviewed and updated since 2010. This means a few may not have taken into account recent critical changes to the structures of the services.	A reminder has gone out and a review process is to be introduced in order that spot audits by emergency planning team are carried out to ensure compliance going forward from February 2013.
Heads of service should ensure that training is provided to members of their team to develop and support Business Continuity Plans, both for service BCPs and corporate processes. No training has	Heads of service will begin delivery of training to their teams in 2013.
Imprest & Petty Cash Year End Accounts	
The records held by Technical Accountancy in regard to imprest/petty cash accounts are out of date and require reviewing and updating. There are some accounts which are not being used which could be closed and some accounts where the amount of money held could be reduced.	A separate review of petty cash/imprest accounts is currently being undertaken by Technical Accountancy. This matter will be addressed as part of this review
One imprest account had a cheque book where four blank cheques had been signed by one of the authorised signatories.	Further guidance has been provided and a review has identified ways to strengthen controls that will be implemented immediately.

Issues raised by IA	Management responses and actions
Partnerships	
<p>While definitions of Partnerships are identified in the Protocol the explanatory notes do not contain appropriate explanation which as a result may mislead officers when making informed decisions on the correct treatment for agreements. In addition the Partnership Register process needs improvement. Internal audit also identified a number of arrangements found outside of the Partnership Register and could not provide assurance that these are appropriately reviewed.</p>	<p>The Head of Legal Services in conjunction with Head of Procurement has commenced a review of the Partnership Protocol to ensure that it makes plain processes, responsibilities and definitions with a view that the revised protocol be submitted for approval by council for inclusion in the constitution in February 2013. In addition, the new protocol will identify responsibilities for promoting loading, maintenance and corporate monitoring with overall ownership and governance of the partnerships register being the responsibility of the Corporate Procurement and Commissioning Board</p>

7. Overall therefore the 309 recommendations have been made by IA to date (233 this quarter and 137 in the first quarter), broken down as follows:

Year	Priority 5	Priority 4	Priority 3	Priority 2	Priority 1	Total reported Update 2	Total reported Update 1
2011/12 carry forward audits – Accumulative Update 1	7	0	19	0	40	/	66
2011/12 carry forward audits – Accumulative Update 2	7	2	24	2	41	76	/
2012/13 audits – Accumulative Update 1	0	1	42	8	20	/	71
2012/13 audits – Accumulative Update 2	3	56	124	26	24	233	/
Total year to date	10	58	148	28	65	309	
Percentage	3%	19%	48%	9%	21%		

8. Appendix B identifies the 2012/13 audits, included in that are those that have been deferred to later in the financial year or until 2013/14. Along with the three reported at update one to this Committee (Streetscene and Temporary staff & consultant procedures audits; and Behaviours framework – the last one deferred to 2013/14). A number of other adjustments to the plan have been discussed and included in Appendix B to enable the audit plan to be delivered and maximise the added value to the Council. All these are supported and it is recommended that the 2012/13 IA plan is amended for future reporting to the Audit Committee to reflect this. There has been one additional audit – A review of Youth Centre Procurement that was agreed following a referral from the Head of Service and supported by myself.

9. Overall the performance of SWAP is on track with the partnership performance measures. Members will note that 100% of reports have been issued within the agreed timescales, however, as identified at Appendix B a review of the dates requested by Audit Committee and now included shows that in some cases there have continued to be delays between the dates reports (draft and final) were expected to be issued and when they were. Discussions with IA have identified this is due to delays in clearing reports by Wiltshire in certain cases due to;

- Absences within the IA team;
- Wide circulation for clearance; and
- Differing Opinions as to the Final Content

10. In relation to the second and third issues: a new protocol has been agreed with IA for improving the timeliness and resolution of reports. As such no issues are raised regarding performance to date.

Proposal

11. Members are asked to note the findings from IA audits to date and confirm the changes to the audit plan set out at Appendix B of this report relating to deferral of certain audits.

Reasons for Proposals

12. To ensure an effective IA function and strong control environment.

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Unpublished documents relied upon in the preparation of this Report: None.

Appendices: A – IA Second Progress Report 2012/13

B – IA detailed Audit Plan and monitoring statement 2012/13

C – Schedule of Potential Significant Risks Identified from Internal Audit Work during the period 1 August 2012 to 31st October 2012

D – Summary of audits deemed 'Partial / No' assurance