

FINAL ACCOUNTS AND AUDIT COMMITTEE
13 December 2007

INTERNAL AUDIT PROGRESS REPORT 2007-08

Purpose of the Report

1. To present an Internal Audit Progress Report 2007-08 to the Committee and explain the position up to 31 October 2007. To provide a projection for the rest of the year and the issues arising.

Background

2. A key requirement of the Code of Practice for Internal Audit in Local Government is that the Internal Audit Team should report progress periodically to those charged with governance. This Committee has within its terms of reference the responsibility for receiving regular progress reports from the Internal Audit Team on the delivery of the Internal Audit Plan. The latest Progress Report for 2007-08 is attached as the Appendix to this report.

Main Consideration for the Committee

3. To note the content of this Internal Audit Progress Report for 2007-08, specifically:
 - That at 31 October 2007, there was a shortfall of available audit days against the original plan, due primarily to long-term sickness, and therefore by the end of the current year Internal Audit expected to achieve around 85% of the Audit Plan
 - The summary of significant issues arising from audit work carried out to date.

Environmental Impact of the Proposal

4. No environmental impact arises from issues raised in this report.

Financial Implications

5. There are no additional costs arising from this proposal.

Reasons for the Proposal

6. To present the latest Internal Audit Progress Report 2007-08 to the Committee, the current position, the projection for the rest of the year and audit issues arising.

Proposal

7. The Final Accounts and Audit Committee is asked to note the content of the Internal Audit Progress Report for 2007-08, specifically:
 - That at 31 October 2007, there was a shortfall of available audit days against the original plan, due primarily to long-term sickness, and by the end of the current year Internal Audit expected to achieve around 85% of the Audit Plan
 - The summary of significant issues arising from audit work carried out to date.

Sandra Schofield
Chief Financial Officer

Report author: Steve Memmott, Chief Auditor

Unpublished documents relied upon in the preparation of this Report:

None

APPENDIX



Internal Audit

**2007-08
Progress Report**

**Final Accounts & Audit Committee
13th December 2007**

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Chief Auditor: Steve Memmott

Date of Report: December 2007

INTERNAL AUDIT

PROGRESS REPORT

Introduction

1. This progress report presents members of the Committee with the following:
 - an overview of the actual position reached at 31 October 2007, in delivering the agreed Audit Plan for 2007-08, and a projection of the expected final outturn for 2007-08 against the original Audit Plan
 - a summary of the significant issues arising from audit work carried out over the past quarter.

Overall progress against the Audit Plan 2007-08

Productive Audit Days

2. Our Audit Plan for the year is based on being able to achieve a certain number of productive audit days throughout the year, and thereby to deliver a range of planned audits. Taken to the end of October 2007, our actual performance against the overall plan was as set out in the following table:

	No of Audit Days
Total Audit Plan for 2007-08	2,050
Target productive days to 31 October 2007	1,084
Actual productive days to 31 October 2007	859
Shortfall in productive days	225

3. The shortfall is attributable to two principal factors:
 - the long-term sickness of two team members
 - the recruitment and initial training of two new team members, which in the short term reduces the number of productive days achievable.
4. We are currently staffed up to our complement, and looking forward therefore, I would expect our final outturn for the year to be some 300 days short of our original plan, which would represent an achievement of 85% of the plan.

5. Our plan for the remainder of the year has been reassessed in relation to current risks, and as a consequence some audits in the original plan have been taken out, since the risks associated with them are not as significant as new risks emerging. Of particular importance in this respect are:

- **One Council for Wiltshire**; overseeing project management arrangements, ensuring controls remain in place during the transitional phase, and planning the development of an internal audit function for the new unitary authority.
- **Business Management Programme**; ensuring controls are integrated into new ways of working as part of the development process, through active participation in process review workshops.

Issues Arising

6. A summary of the more significant issues arising from audit work carried out over the past quarter is set out in the following paragraphs.

Local Public Service Agreement (LPSA)

7. The twelve performance targets under the LPSA are worth a total of £10.5m in performance reward grant to the County Council, if they can be achieved over the life of the LPSA. In support of this we are currently reviewing the arrangements for collecting the data which tells us whether the targets are being achieved. This involves us in assessing whether data sources are appropriate, reliable and robust, and recommending improvements where necessary. This work is well advanced, and results so far have confirmed the reliability of data in the main. In one case it has been necessary to seek clarification from central government on the exact data required.

Fraud-related Work

8. We have investigated the data matches supplied by the Audit Commission under the National Fraud Initiative. Whilst this work is still in progress, most matches examined so far have satisfactory explanations, and the overpayments arising are due to administrative error and oversight rather than fraud. Recoveries amounting to £27,897 have been achieved from:

- payments to care homes for deceased individuals (£21,769)
- payments in respect of deceased pensioners (£2,028)
- un-abated payments to re-employed pensioners (£2,574)
- duplicated invoice payments (£1,526).

9. In addition, working jointly with management, we have carried out strategic level fraud risk assessments in all departments, with no major risk issues having been identified. We are now facilitating fraud risk assessment at a more detailed operational level in DCS, which will provide a model for other departments. This includes developing a practical approach to risk prioritisation and will lead to a programme of detailed work to review the priority risks.

Individual Budgets

10. We are working as part of the internal project group formed to develop a pilot scheme for client individual budgets. This is a high profile national initiative, which aims to bring together the various sources of funding for care (eg Direct Payments, Supporting People, DCS budgets etc) so that clients can organise their own support and choose how to spend their individual budget.

Financial Management Standard in Schools (FMSiS)

11. Our programme of reviewing schools against the FMSiS is continuing. From our assessments completed to date, we have confirmed that 24 schools, mainly secondaries, are meeting the Standard. Further assessments are currently in progress, and we expect to be able to confirm a significant number of additional schools meeting the Standard by the end of this operational year. This is part of an ongoing programme which should see all schools assessed against the Standard by 2010.

IT Developments

12. We have continued to investigate instances coming to light over the period as follows:
 - **Flexible Working (WoW Project):** We have continued work with colleagues in CICTU and Steria to ensure the WoW Project has adequate security to enable users to work flexibly. This includes the facility for accessing e-mails, business applications and network files and folders using non-WCC PCs at home or at non-WCC sites, without compromising client data or other confidential information. We found some potentially serious security flaws which have now been rectified.
 - **E-mail Security and Misuse:** E-mail is increasingly becoming the de facto medium for written communication within the Council, and with external organisations. We have investigated cases of excessive personal use of e-mail, and are helping with revised usage policies to alert staff to the risks inherent in sending e-mails which are identified with Wiltshire County Council.

- **Freedom of Information Act (Fol):** Requests for information under Fol relating to both ICT and financial matters continue to occupy staff time throughout the department. We have co-ordinated the information retrieval processes and advised on responses and exemptions on topics as diverse as the annual cost of bottled water, and investments in companies with links to Sudan, as well as more predictable areas including IT contracts and expenditure on the One Council bid.
- **Internet Usage:** We are currently reviewing personal use of internet facilities (which is allowed provided it is reasonable and does not adversely affect productivity). Access to inappropriate sites is very rare, although we have investigated some cases of excessive use during working hours, resulting in disciplinary action at various levels. Following a report on local TV news, alleging that Council employees were spending a significant amount of work time editing articles on Wikipedia, we investigated the matter and were satisfied there was no substance to the allegations.

Proactive Advisory Work

13. We have continued to be regularly involved in a number of important developments, to provide advice and ensure controls are considered at the appropriate time. These include:

- Business Management Programme
- Corporate Procurement and Commissioning Board
- Waterside Project
- George Ward School.

External Audit Liaison

14. We have agreed a Joint Working Protocol with the County Council's new external auditors, KPMG. As part of this, KPMG have provided a comprehensive list of the high-level controls on which they need an assurance for the purpose of their audit. In order to provide this assurance and to enable KPMG to place reliance on our work, we have incorporated a review of these controls into the following audits, which are currently in progress:

- Financial Reporting
- Accounts Receivable
- Accounts Payable
- Payroll
- Pension
- Cash, Investments & Borrowing
- IT general controls.

Training

15. A member of the Internal Audit team provided a one-day training course on “The Audit role in Care Contracts” at the Devon County Council Training Centre. This was attended by internal audit staff from authorities across the South West, and was very well received.
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