

AUDIT COMMITTEE

Agenda Item 32

Brighton & Hove City Council

Subject: Audit & Assurance Services Progress Report

Date of Meeting: 30th September 2008

Report of: Director of Finance & Resources

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Wards Affected: All

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 This report details the outcome of internal audit work completed for the first five months (April to August) of 2008/09. It includes the position against the Internal Audit Plan for 2008/09.
- 1.2 The Accounts and Audit Regulations 2006 require every local authority to maintain an adequate and effective system of internal audit. Audit & Assurance Services carries out the work to satisfy this legislative requirement.
- 1.3 The terms of reference of the Audit Committee include the requirement to consider the outcomes of audit work of both internal and external audit
- 1.4 This report does not include fraud and irregularities. This will be the subject of a separate report on outcomes and activities, to the November meeting.

2. RECOMMENDATION:

- 2.1 Members are asked to note the contents of this report.

3. BACKGROUND INFORMATION

- 3.1 The audits contained in the Internal Audit Plan 2008/09 are based on an assessment of risk for each system or operational area. The assessment of risk includes elements such as the level of corporate importance, materiality, service delivery/importance and sensitivity.

- 3.2 The outcome of all audit work is discussed and agreed with the lead service managers. The final reports that include agreed actions to audit recommendations made, are issued to the responsible Directors.
- 3.3 The Annual Internal Audit Plan is sufficiently flexible to meet the changing needs and emerging risks of the Council. This is reflected in the level of contingency made for unplanned audit work.

4. Progress Against Internal Audit Plan 2008-09

- 4.1 A full analysis of progress against the agreed Internal Audit Plan 2008-09 is shown at Appendix 1. This is summarised in Table 1.

Table 1: Summary of progress against Internal Audit Plan 2008-09

Audit Stage	Explanation	Number	%
Not Started	Planned but not started	62	52%
Planning	Planning of audit and agreement of Terms of Reference with client	8	7%
Fieldwork	In progress (Interviews, documenting, evaluating and testing of risks and controls)	29	24%
Draft Report	Draft audit report issued and being agreed with client	11	9%
Final Report	Audit report agreed and final issued. Audit effectively completed.	9	8%

- 4.2 During the period there has been a high staff vacancy level within the team which has impacted on the progress against the plan. Two Principal Auditors have recently been recruited and due to commence in September. We are also about recruiting for the positions of Audit Manager, Principal ICT Auditor and Auditor.
- 4.3 To limit the impact on the achievement of Internal Audit Plan 2008-09, we shall be backfilling for the vacancies in the second half year using agency and external consultants where suitable and available.

5. Final Audit Reports Issued

The nine final audit reports issued are shown in Table 2. This includes the number of agreed actions from audit recommendations made (high, medium and low priorities) and audit assurance levels. An explanation of the audit assurance levels is given at 4.3 of this report.

Table 2: Final Reports Issued

Audit	Report Status	Assurance Level	Agreed Actions and Priority		
			High	Medium	Low
Annual Governance Statement	Final	Not Applicable			
Corporate Health & Safety	Final	Reasonable	0	5	1
Health & Safety – Contractual Works to Civic Buildings	Final	Substantial	0	2	0
Adult Social Care: Financial Assessments	Final	Reasonable	0	10	0
Mobile Phones	Final	Reasonable	0	5	0
Extended Schools Services	Final	Substantial	0	3	2
New Deal in the Communities: Closure of Projects	Final	Substantial	0	3	0
Closure of Main Cashiers	Final	Reasonable	0	3	1
Local Area Agreement Grant Claim	Final	Limited	1	0	0

4.2 No major issues have arising from the final audit reports issued.

4.3 We provide five levels of audit assurance on the effectiveness of internal controls and mitigation of risks. These are summarised as follow:

FULL	There is a sound system of internal control to achieve system and service objectives. All major risks have been identified and managed effectively.
SUBSTANTIAL	Whilst there is a sound system of internal control, there are weaknesses and opportunities therefore exist, to further improve.
REASONABLE	Controls are in place but there are gaps in the process. There is therefore a need to introduce additional controls.
LIMITED	Weaknesses in the system of control and /or level of compliance are such to put the system objectives at risk.
NO	Control is significantly weak or non existent leaving the system open to high level of risk from abuse, fraud and error.

5. Advice and Support to Directorates

5.1 We have continued to be pragmatic in providing professional proactive advice and this element of our work is seen as invaluable by directorates, particularly in areas of change management. By taking this proactive approach, often problems and risks can be avoided. Specific areas include the Financial Management Standard in Schools (FMSiS), ICT Security and Codes of Conduct.

6. Effective Implementation of Agreed Actions

Implementation reviews are carried out within six months to ensure all agreed management actions are carried out, in response to audit recommendations made.

From the implementation reviews carried out during the period, the level of agreed actions being carried out is 83%.

7. Performance of Audit & Assurance Services

To achieve planned coverage and deliver a high quality service we have well established performance indicators, agreed annually as part of the Internal Audit Plan.

Table 3 provides members with an overview of the performance of Audit & Assurance Services against the key targets set.

Table 3: Performance against targets

Performance Indicators	Target	Actual
Effectiveness		
% of agreed recommendations	98%	100%
% implementation of agreed management actions	85%	83%
CPA/CAA Use of Resources Score for Internal Control	Level 4	N/A
Efficiency		
% of planned days delivered	100%	28%
% of productive time	71%	65%
Achievement of Annual Internal Audit Plan	95%	8%
% of draft reports issued within 10 days of fieldwork completion	90%	96%
% response by client to draft reports within 15 days	90%	91%
% of issue of final reports within 10 days of agreement	95%	98%
Quality of Service		
% of customer satisfaction feedback in very good or good	90%	96%

8.. FINANCIAL & OTHER IMPLICATIONS:

8.1 Financial Implications:

Sound corporate governance and proper systems of internal control are essential to the financial health and reputation of the council.

6.2 Legal Implications:

The Accounts & Audit Regulations 2006 require the Council to 'maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices'.

6.3 Equalities Implications:

There are no direct equalities implications arising directly from this report

5.4 Sustainability Implications:

There are no direct sustainability implications arising from this report.

5.5 Crime & Disorder Implications:

There no direct implications for the prevention of crime and disorder arising from this report.

5.6 Risk and Opportunity Management Implications:

The Internal Audit Plan and its outcome is a key part of the Council's risk management process.

5.7 Corporate / Citywide Implications:

Robust corporate governance arrangements are essential to the sound management of the City Council and the achievement of its objectives as set out in the Corporate Plan.

SUPPORTING DOCUMENTATION

Appendices:

1. Progress against the Internal Audit Plan 2008/09

Background Documents

1. Internal Audit Plan 2008/09
2. Code of Practice for Internal Audit in Local Government (CIPFA) 2006
3. Accounts & Audit Regulations 2003 (Amended 2006)

Appendix 1

Progress against the Internal Audit Plan 2008-09

Thematic Area	Ref.	Audit	Planned Start	Current Status	
Corporate Governance	A108	Major Projects Governance Arrangements	Quarter 2	Fieldwork	
	A059	Business Continuity	Quarter 3	Not Started	
	A248	Emergency Planning	Quarter 2	Fieldwork	
	A254	CPA Use of Resources	Quarter 1	Fieldwork	
	A169	Financial Governance	Quarter 4	Not Started	
	A213	Fire Safety Reg. Reform Orders	Quarter 3	Not Started	
	A255	Section 75 Partnership Arrangements	Quarter 4	Not Started	
	A002	Annual Governance Statement	Quarters 1	Final Report	
	A189	Partnership Governance	Quarter 1	Draft Report	
	A215	Business Planning	Quarter 3	Not Started	
	A096	Risk Management	Quarter 3	Not Started	
	A256	Constitutional Change and New Governance Arrangements (2 Audits)	Quarter 3 & Quarter 4	Fieldwork	
	A181	Corporate Health & Safety	Quarter 4	Not Started	
	A092	Members Code of Conduct – Locally Managed Framework	Quarter 2	Fieldwork	
	A249	Equalities & Diversity	Quarter 1	Final Report	
	A257	Declarations of Interest, Gifts & Hospitality	Quarter 4	Not Started	
	A258	Standards of Behaviours and associated guidance and policies	Quarter 4	Not Started	
	Cross Cutting	A259	Record and Archives Storage and Management	Quarter 2	Fieldwork
		A004	Transport Fleet Management	Quarter 3	Not Started
		A260	Use of Car Club	Quarter 2	Draft Report

Thematic Area	Ref.	Audit	Planned Start	Current Status
	A261	Buildings Security	Quarter 1	Draft Report
	A005	Debt Collection and Recovery	Quarter 3	Fieldwork
	A232	Accommodation Strategy	Quarter 3	Not Started
	A021	Data Quality	Quarter 3	Not Started
	A003	Absence Management	Quarter 4	Not Started
	A262	Training & Development	Quarter 3	Planning
	A181	Health & Safety – Contractual Works to Civic Buildings	Quarter 1	Final Report
	A168	CRB Checks for Staff	Quarter 4	Not Started
Key Financial Systems	A009	Main Accounting System/General Ledger	Quarter 4	Not Started
	A010	Creditors/Accounts Payable	Quarter 4	Not Started
	A011	Debtors/Accounts Receivable	Quarter 4	Not Started
	A225	Cash Collection and Bank	Quarter 4	Not Started
	A013	Treasury Management	Quarter 4	Not Started
	A008	Revenue Budget Management	Quarter 2	Fieldwork
	A015	Council Tax	Quarter 4	Not Started
	A016	NNDR (Business Rates)	Quarter 4	Not Started
	A017	Housing & Council Tax Benefits	Quarter 4	Not Started
	A018	Housing Rents	Quarter 4	Not Started
	A012	Capital Accounting and Expenditure	Quarter 4	Not Started
	A014	Payroll	Quarter 4	Not Started
Procurement & Contract Management	A025	Education PFI	Quarter 1	Draft Report
	A157	Home to School Transport	Quarter 3	Not Started
	A262	Schools Procurement	Quarter 1	Draft Report
	A263	Leisure Construction Projects	Quarter 2	Fieldwork
	A192	Highways Contract	Quarter 3	Not Started
	A264	City Parks Use of Subcontractors	Quarter 3	Fieldwork

Thematic Area	Ref.	Audit	Planned Start	Current Status
	A049	Integrated Waste Management Contract – Finance Model	Quarter 3	Planning
	A049	Integrated Waste Management Contract – Contract Management	Quarter 4	Not Started
	A049	Integrated Waste Management Contract - Governance Arrangements	Quarter 3	Fieldwork
	A264	Commercial Property Portfolio	Quarter 2	Fieldwork
	A265	Building Cleaning Contract	Quarter 3	Not Started
	A196	Approved List	Quarter 4	Not Started
	A065	Waivers to Contract Standing Orders	Quarter 2	Draft Report
	A018	Housing Repairs (Existing Contract)	Quarter 3	Not Started
	A018	Housing Repairs (Procurement of new housing repairs contract)	Quarter 3-4	Not Started
	A266	Adult Social Care Contracts – Financial Assessments	Quarter 1	Final Report
ICT & E-Government	A251	Data Management and Security Arrangements	Quarter 3	Not Started
	A267	Electronic Payments	Quarter 1	Draft Report
	A268	Human Resource System Acquisition and Implementation	Quarter 1-4	Fieldwork
	A037	Disaster Planning and Recovery	Quarter 4	Not Started
	A034	SIMS FMS	Quarter 3	Fieldwork
	A042	Change Controls	Quarter 2	Fieldwork
	A269	GIS System Implementation	Quarters 1 – 4	Fieldwork
	A270	End User Computing	Quarter 3	Fieldwork
	A150	Disposal of IT Hardware	Quarter 1	Draft Report
	A271	Security and Access Control	Quarter 3	Not Started
	A272	Development of City Council's Internet and	Quarter 1-4	Fieldwork

Thematic Area	Ref.	Audit	Planned Start	Current Status
		Intranet		
	A273	Internet Security	Quarter 1	Draft Report
	A274	Network Security	Quarter 4	Not Started
	A275	Network Security (Ethical Hacking)	Quarter 4	Not Started
	A276	Government Connect	Quarter 2	Fieldwork
	A276	CIVICA Procurement	Quarter 3	Not Started
	A176	Sussex Partnership Trust and Data Warehousing	Quarter 3	Not Started
	A031	CareFirst 6	Quarter 1	Draft Report
	A041	ICT Security Standards	Quarter 4	Not Started
	A044	Freedom of Information	Quarter 4	Not Started
	A212	Data Protection	Quarter 4	Not Started
	A277	Mobile Phones	Quarter 1	Final Report
Service Specific	A278	Portslade Community College	Quarter 2	Draft Report
	A279	Extended Schools Services	Quarter 1	Final Report
	A280	Children not in mainstream educations	Quarter 2	Fieldwork
	A023	Looked after Children	Quarter 3	Not Started
	A200	Children's Centres	Quarter 3	Planning
	A194	Brighton Centre	Quarter 4	Not Started
	A281	The Academy	Quarter 2	Fieldwork
	A282	Community Stadium	Quarter 2	Fieldwork
	A108	Major Projects Development	Quarter 2	Fieldwork
	A052	On-Street and Off Street Parking Income	Quarter 3	Not Started
	A052	On Street Penalty Charge Notices (PCNs)	Quarter 2	Fieldwork
	A283	City Clean Stores & Fuel	Quarter 3	Not Started
	A216	Design, Print and Sign Unit	Quarter 3	Planning
	A284	Horsdean Traveller Site	Quarter 2	Fieldwork
	A094	New Deal in the Community (NDC)	Quarter 1	Final Report
	A285	Property Services – Project Management	Quarter 2	Fieldwork

Thematic Area	Ref.	Audit	Planned Start	Current Status
	A075	Closure of Main Cashiers	Quarter 1	Final Report
	A286	Schools Financial Management	Quarter 3	Planning
	A287	School Funding	Quarter 3	Planning
	A077	Concessionary Fares	Quarter 4	Not Started
	A015	Council Tax Single Persons Discounts and Exemptions	Quarter 3	Not Started
	A017	Housing Benefits Recovery of Overpayments	Quarter 3	Planning
	A017	Housing Benefits Administration Costs	Quarter 3	Not Started
	A288	Housing Estates Services	Quarter 3	Not Started
	A074	Self Directed Support	Quarter 3	Not Started
	A289	Adult Social Care – Residential Care	Quarter 2	Fieldwork
	A067	Home Care Services	Quarter 4	Not Started
	A081	Housing Voids Management	Quarter 4	Not Started
	A014	Human Resources Management/Payroll – Review of changes to process flows	Quarter 3	Not Started
	A014	Human Resource Management/Payroll – Establishment control	Quarter 4	Not Started
Counter Fraud Programme	F002	City Council's Anti Fraud & Corruption Framework	Quarters 1 – 4	Fieldwork
	F003	Counter Fraud Policy (Review & Update)	Quarter 3	Planning
	F004	Whistleblowing Policy (Review & Update)	Quarter 3	Not Started
	F006	National Anti Fraud Initiative and Data Matching	Quarters 3 -4	Fieldwork
	F008	Money Laundering Arrangements	Quarter 3	Not Started
	F010	City Wide Anti Fraud Campaign (Refresher)	Quarter 4	Not Started
	F012	Identity Fraud	Quarter 3	Not Started

Thematic Area	Ref.	Audit	Planned Start	Current Status
Grants and National Performance Indicators	A247	Local Area Agreement (LAA)	Quarter 1	Final Report
	A017	Housing Benefit Subsidy	Quarter 3	Not Started
	A185	NNDR Grant	Quarter 3	Not Started
	A290	National Performance Indicators Set	Quarter 3	Not Started