

**Subject:** Audit & Assurance Services Progress Report

**Date of Meeting:** 4<sup>th</sup> November 2008

**Report of:** Director of Finance & Resources

**Contact Officer:** Name: **Ian Withers** Tel: **29-1323**

E-mail: [ian.withers@brighton-hove.gov.uk](mailto:ian.withers@brighton-hove.gov.uk)

**Wards Affected:** All

## FOR GENERAL RELEASE

### 1. Summary and Policy Context

- 1.1 This report details the outcome of internal audit work completed since the last meeting of the Audit Committee at the end of September 2008. The report further shows the position regarding the delivery of 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 and part of its reporting on the outcome is to the Audit Committee.
- 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.
- 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 December meeting.
- 1.5 It has been agreed that a report will be provided to the February meeting on the status of agreed management actions arising from finalised audit reports issued in 2008/09 and 2007/08.

### 2. Recommendations

That the Audit Committee notes the contents of this report, in particular the status of internal audit work since September 2008.

### 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 Director.
- 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 the 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	No.	%
Not Started	Planned but not started	49	41%
Planning	Planning of audit and agreement of Terms of Reference with client	6	5%
Fieldwork	In progress (Interviews, documenting, evaluating and testing of risks and controls)	27	23%
Draft Report	Draft audit report issued and being agreed with client	23	19%
Final Report	Final agreed audit issued and audit complete	14	12%

- 4.2 The achievement of the Annual Internal Audit Plan is based on the issue of final reports i.e. audits completed. This is still considered to be low at only 12%, although it should be noted that a large number are at draft report stage. We are making significant efforts with management to finalise these and expect the next progress report to show a significant improvement.
- 4.3 So far for 2008/09 the team has experienced a high vacancy level due to recruitment difficulties for the first half year. Although this has improved recently with two new members of staff commencing, we will be seeking to backfill the vacancies in the second half year using agency staff and contractors.

## 5. Final Audit Reports Issued

5.1 The time period since the last committee meeting at the end of September has been relatively short and this is reflected in only five audits being completed to final report stage. These are shown in table 2 below which includes the assurance levels given and number of agreed actions.

**Table 2: Final Reports Issued**

Audit	Report Status	Assurance Level	Agreed Actions and Priority		
			High	Medium	Low
City Car Club	Final	Substantial	0	5	0
Penalty Charge Notice (PCN) Income	Final	Reasonable	0	2	0
Security of Council Buildings	Final	Reasonable	0	8	0
Waivers to Contract Standing Orders	Final	Substantial	0	3	0
Sports & Leisure Construction Projects	Final	Substantial	0	3	0

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

5.3 There is a best practice requirement for the Head of Audit & Assurance to provide a statement on the level of assurance on the effectiveness of internal controls and mitigation of risks, for each individual audit carried out.

5.4 There are currently five levels of audit assurance used and these are summarised as follow:

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

## 6. Advice and Support to Directorates

- 6.1 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 Contract Management, Information Security and Codes of Conduct.

## 7. Performance of Audit & Assurance Services

- 7.1 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**

<b>Performance Indicators</b>	<b>Target</b>	<b>Actual</b>
<b>Effectiveness</b>		
% of agreed recommendations	98%	100%
% implementation of agreed management actions	85%	83%
<b>CPA/CAA Use of Resources Score for Internal Control</b>	Level 4	N/A
<b>Efficiency</b>		
% of planned days delivered	100%	37%
% of productive time	71%	75%
Achievement of Annual Internal Audit Plan	95%	12%
% of draft reports issued within 10 days of fieldwork completion	90%	96%
% response by client to draft reports within 15 days	90%	92%
% of issue of final reports within 10 days of agreement	95%	98%
<b>Quality of Service</b>		
% 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.

### 8.2 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'.

### 8.3 Equalities Implications:

There are no direct equalities implications arising directly from this report

### 8.4 Sustainability Implications:

There are no direct sustainability implications arising from this report.

8.5 Crime & Disorder Implications:

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

8.6 Risk and Opportunity Management Implications:

The Internal Audit Plan and its outcome is a key part of the Council's risk management process. The internal audit planning methodology is based on risk assessments that include the use of the council's risk registers.

8.7 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	Fieldwork	
	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	Draft Report	
	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	Draft Report
		A004	Transport Fleet Management	Quarter 3	Not Started
		A260	Use of Car Club	Quarter 2	Final Report

<b>Thematic Area</b>	<b>Ref.</b>	<b>Audit</b>	<b>Planned Start</b>	<b>Current Status</b>
	A261	Buildings Security	Quarter 1	Final 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
<b>Key Financial Systems</b>	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
<b>Procurement &amp; Contract Management</b>	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	Final Report
	A192	Highways Contract	Quarter 3	Not Started
	A264	City Parks Use of Subcontractors	Quarter 3	Fieldwork

<b>Thematic Area</b>	<b>Ref.</b>	<b>Audit</b>	<b>Planned Start</b>	<b>Current Status</b>
	A049	Integrated Waste Management Contract – Finance Model	Quarter 3	Fieldwork
	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	Final 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
<b>ICT &amp; E-Government</b>	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	Draft Report
	A042	Change Controls	Quarter 2	Fieldwork
	A269	GIS System Implementation	Quarters 1 – 4	Draft Report
	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



<b>Thematic Area</b>	<b>Ref.</b>	<b>Audit</b>	<b>Planned Start</b>	<b>Current Status</b>
	A272	Development of City Council's Internet and Intranet	Quarter 1-4	Draft Report
	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
<b>Service Specific</b>	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	Fieldwork
	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	Final Report
	A283	City Clean Stores & Fuel	Quarter 3	Planning
	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

Thematic Area	Ref.	Audit	Planned Start	Current Status
	A285	Property Services – Project Management	Quarter 2	Fieldwork
	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 of 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
<b>Counter Fraud Programme</b>	F002	City Council's Anti Fraud & Corruption Framework	Quarters 1 – 4	Fieldwork
	F003	Counter Fraud Policy (Review & Update)	Quarter 3	Fieldwork
	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 4	Not Started
	F010	City Wide Anti Fraud Campaign (Refresher)	Quarter 4	Not Started

<b>Thematic Area</b>	<b>Ref.</b>	<b>Audit</b>	<b>Planned Start</b>	<b>Current Status</b>
	F012	Identity Fraud	Quarter 3	Not Started
<b>Grants and National Performance Indicators</b>	A247	Local Area Agreement (LAA)	Quarter 1	Final Report
	A017	Housing Benefit Subsidy	Quarter 3	Fieldwork
	A185	NNDR Grant	Quarter 3	Draft Report
	A290	National Performance Indicators Set	Quarter 3	Not Started

