

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 18 DECEMBER 2012

Title of report	INTERNAL AUDIT PROGRESS REPORT APRIL 2012 – NOVEMBER 2012
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Purpose of report	To inform the committee of the progress against the internal audit plan for 2012/13 and an update on the recommendations agreed and implemented.
Reason for Decision	To comply with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.
Council Priorities	Value for Money
Implications:	
Financial/Staff	None
Link to relevant CAT	None
Risk Management	The Internal Audit planning process is based on a risk assessment methodology
Equalities Impact Assessment	Not Applicable
Human Rights	None
Transformational Government	Not Applicable
Consultees	Head of Finance

Background papers	CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.
Recommendations	THAT THE COMMITTEE NOTES THIS REPORT AND COMMENTS AS APPROPRIATE.

1.0 INTRODUCTION

1.1 This report is to notify members of the progress against the Internal Audit plan for 2012/13 and an update on the recommendations agreed and implemented.

2.0 BACKGROUND

2.1 The guidance given in the 'Code of Practice for Internal Audit in Local Government in the United Kingdom (published by CIPFA) is seen to be proper and best practice in relation to Internal Audit and defines the way in which Internal Audit should undertake its functions. The Code of Practice requires a risk-based plan that is informed by the organisation's risk management, performance management and other assurances processes. It also requires that Internal Audit shall submit progress reports to the organisations Audit Committee.

2.2 A progress report highlighting the work and performance of Internal Audit from April 2012 to November 2012 is attached as Appendix 1.

INTERNAL AUDIT PROGRESS REPORT

APRIL 2012 – NOVEMBER 2012

1. INTRODUCTION

- 1.1 The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 requires the authority's Audit Committee to approve the audit plan and monitor progress and to receive periodic reports on the work of internal audit. The Audit and Standards Committee approved the Audit Plan on 28 March 2012.
- 1.2 The purpose of this report is to provide members with an update on the progress against the audit plan. The report will also highlight the audit reports issued and recommendations made during the financial year. These progress reports will enable the committee to be updated on current issues and any significant issues can be brought to the attention of the committee.

2. TERMS OF REFERENCE

- 2.1 Section 3 of Part 3 of the Constitution sets out the Terms of Reference of the Audit and Governance Committee, as set out at the extract below:
'To act as the Authority's Audit Committee, to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to be responsible for the financial reporting process'.

3. PROGRESS AGAINST THE AUDIT PLAN

- 3.1 A status report for the main and non main systems is documented in Appendix A. All Internal Audit reports are available to members on the intranet, a link is documented in Appendix A. Five audit reports have been finalised and another one audit is currently in progress. The audits of the licensing function and leisure centres have taken considerable longer time to audit than forecast due to issues arising, problems obtaining evidence and the inexperience of the auditor. Therefore it is likely than two of the non main systems audits planned will not be completed during the financial year.

4. PERFORMANCE INDICATORS

- 4.1 Quarter 2 performance for Internal Audit against the Team Plan Targets and the Performance Indicators are documented in Appendix B. An update has also been provided up to the end of November 2012 for the Performance Indicators.

5. INTERNAL AUDIT RECOMMENDATIONS

- 5.1 There is an agreed Reports and Recommendations procedure as it is important that agreed recommendations are implemented as this helps to secure and strengthen the internal control environment. The council may be exposed to a variety of risks if Internal Audit recommendations are not implemented within the timescales agreed by management. Part of this procedure requires team managers to provide Internal Audit with updates on the status of each recommendation on a quarterly basis.
- 5.2 A database of all recommendations and the current status is available to members on the intranet. A highlight report of all outstanding recommendations is attached as Appendix C.
- 5.3 Table A below provides a summary of the status of agreed recommendations including outstanding recommendations brought forward from 2011/12.

Table A: Implementation of Agreed Recommendations

	2011/12	2012/13	Total
Implemented	19	19	38
Not Yet Due	1	7	8
Overdue	5	1	6
Total	25	27	52

- 5.4 There are six recommendations which have not been implemented by the agreed date. Action is currently in progress for each recommendation and a revised implementation date has been agreed with the officers responsible for implementation.
- 5.5 Further compliance testing is completed for all implemented recommendations to ensure the recommendations have been implemented satisfactorily. Table B shows that follow-up testing revealed that the recommendations have been implemented satisfactorily for the 24 recommendations tested and follow up of the remaining 14 recommendations will be completed during December.

Table B: Follow up Testing of Implemented Recommendations

	2011/12	2012/13	Total
Testing Satisfactory	19	5	24
Testing Unsatisfactory	-	-	-
Testing Outstanding	-	14	14
Total	19	19	38

Internal Audit Plan – Progress Report April 2012 – November 2012

Audit	Current Position	Level of Assurance
Main Systems		
Capital Accounting	Final Report Issued	1
Cash and Bank	Final Report Issued	1
Creditors	Scheduled for Qtr 4	-
Debtors	Scheduled for Qtr 3	-
Main Accounting	In Progress	-
Payroll	Scheduled for Qtr 4	-
Rent Accounting	Scheduled for Qtr 4	-
Treasury Management	Scheduled for Qtr 4	-
Non Main Systems		
Ashby Tourist Information Centre	Scheduled for Qtr 2	-
Car Parking	Scheduled for Qtr 2	-
Leisure Centres	Final Report Issued	3
Licensing	Final Report Issued	2
ICT Back Up Controls	Scheduled for Qtr 3	-
Performance Indicators	Requirement for audit under review	-
Risk Register	Scheduled for Qtr 4	-
Building Control	Final Report Issued	2

Grade	Description
1	Internal controls are adequate in all important aspects
2	Internal controls require improvement in some areas
3	Internal controls require significant improvement
4	Internal controls are inadequate all important aspects

Copies of all final reports are available to members on iNET at

<http://sharepointapps/Members/Internal%20Audit%20Reports%20and%20Recommendations/Forms/AllItems.aspx>

INTERNAL AUDIT PERFORMANCE INFORMATION

Service Plan Targets – Qtr 2

Target	Qtr 2 Milestone	Qtr 2 Outcome	Qtr 2 Comments
VALUE FOR MONEY: Undertake Impact Equality Assessments.	Undertake EIAs in line with corporate timetable.	N/A	No EIA's due for completion in Quarter 2.
VALUE FOR MONEY: To ensure customers can access the services they need, we will develop a business continuity plan.	Prepare and have approved by the S151 Officer a business continuity plan for Internal Audit.	Under Control	The Senior Auditor is currently drafting a revised Business Continuity Plan for Internal Audit. The Business Continuity Plan will be completed by the end of Quarter 3.
SAFER AND HEALTHIER COMMUNITIES: Review and update Health and Safety risk assessments to ensure risks to staff and customers are controlled.	Conclude review of Health and Safety risk assessments for Internal Audit .	Under Control	The Senior Auditor has training planned for 9th October on the corporate Risk Assessment system. The Risk Assessments will be completed by the end of Quarter 3.

Performance Indicators

	Qtr 2 Target	Qtr 2 Actual	Comments	Actual as at 30.11.12	Comments
Delivery of Audit Plan - Main Systems	37%	13%	Capital Accounting audit has been finalised and Cash and Bank audit is in progress. Audits have been delayed due to time taken to complete the Licensing and Leisure Centre audits	25%	The Cash and Bank audit has now been finalised.
Delivery of Audit Plan - Non Main Systems	50%	38%	Building Control and Licensing audits have been finalised and the Leisure Centres report has been issued in draft. Ashby TIC was also scheduled for Quarter 2. Due to the time taken to complete the Licensing and Leisure Centre audits it is unlikely that all of the non main systems audits will be completed for 2012/13.	38%	The Leisure Centre audit reports have now been issued in final
% of productive time	75%	75%	Quarter 2 productive time to the target percentage.	70%	Under control
% of clients satisfied with service	95%	100%	Customer satisfaction results showed 100% satisfaction with the internal audit service.	100%	On target.
% of recommendations agreed	95%	100%	All audit recommendations have been agreed for the reports issued in final.	100%	On target.

RECOMMENDATIONS DATABASE – HIGHLIGHT REPORT

Report No: 11/12-9

Report Name: Housing Rents

Rec No	Recommendation	Priority	Agree/ Disagree	Implementation Date Agreed	Officer(s) Responsible	Status
1	A full review of user access permissions on CAPITA OPEN Housing should be completed as soon as possible and regular maintenance should be undertaken as least quarterly.	High	Agree	March 2012 Revised September 2012 Revised December 2012	Financial Systems Manager	In Progress (Overdue)

Report No: 11/12-10

Report Name: Creditors

Rec No	Recommendation	Priority	Agree/ Disagree	Implementation Date Agreed	Officer(s) Responsible	Status
2	A review should be undertaken of all non electronic order invoices paid and where applicable, the relevant departments instructed to raise an electronic order in future.	High	Agree	September 2012 Revised December 2012	Procurement and Partnerships Manager	In Progress (Overdue)

Report No: 11/12-11

Report Name: Sundry Debtors

Rec No	Recommendation	Priority	Agree/ Disagree	Implementation Date Agreed	Officer(s) Responsible	Status
4	Performance data should be collected and monitored by management.	Medium	Agree	September 2012 (dependent on upgrade) Revised: December 2012	Senior Exchequer Services Officer	In Progress (Overdue)
5	A review should be undertaken of the outstanding older debts and appropriate recovery action should be undertaken or the debt written off if appropriate i.e. statute barred, debtor gone away etc.	High	Agree	September 2012 Revised: December 2012	Senior Exchequer Services Officer	In Progress (Overdue)

Report No: 11/12-12**Report Name: Payroll**

Rec No	Recommendation	Priority	Agree/ Disagree	Implementation Date Agreed	Officer(s) Responsible	Status
1	The Exchequer Services Assistant should review the procedure notes available and document any processes not covered.	High	Agree	December 2012	Exchequer Services Assistant	In Progress
5	Following the upgrade of the TASK system, Finance should commission the creation of a suspense account to hold rejected payroll costs.	High	Agree	September 2012 Revised: December 2012	Finance Team Manager	In Progress (Overdue)

Report No: 12/13-1**Report Name: Building Control**

Rec No	Recommendation	Priority	Agree/ Disagree	Implementation Date Agreed	Officer(s) Responsible	Status
3	Debts identified by Legal Services as statute barred or uneconomical to pursue should be written off.	High	Agree	August 2012 Revised: November 2012	Building Control & Land Charges Manager	In Progress (Overdue)
4	A review should be undertaken of the access rights to the CAPS Uniform Database.	High	Agree	December 2012	ICT Manager	In Progress

No: 12/13-4**Report Name: Hermitage Leisure Centre**

Rec No	Recommendation	Priority	Agree/ Disagree	Implementation Date Agreed	Officer(s) Responsible	Status
1	All block bookings are checked to see that they are in accordance with paragraph 5 of HMRC VAT Notice 742 Land and Property June 2012.	High	Agree	01.04.13	Leisure Services Team Manager	In Progress
7	A generic log in should be created for each till and an audit log kept for each cashier and/or admin officer who use the till during the day with the exact times covered.	High	Agree	01.12.12	Administration Officer	In Progress
11	There should be a regular review of access rights to the MRM system with immediate removal of redundant users	High	Agree	01.01.13	Business Development Manager	In Progress

No: 12/13-5

Report Name: Hood Park Leisure Centre

Rec No	Recommendation	Priority	Agree/ Disagree	Implementation Date Agreed	Officer(s) Responsible	Status
1	All block bookings are checked to see that they are in accordance with paragraph 5 of HMRC VAT Notice 742 Land and Property June 2012.	High	Agree	01.04.13	Leisure Services Team Manager	In Progress
7	A generic log in should be created for each till and an audit log kept for each cashier and/or admin officer who use the till during the day with the exact times covered.	High	Agree	01.12.12	Admin Officer – HPLC	In Progress
11	There should be a regular review of access rights to the MRM system with immediate removal of redundant users.	High	Agree	01.01.13	Business Development Manager	In Progress