

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 27 MARCH 2013

Title of report	INTERNAL AUDIT PROGRESS REPORT APRIL 2012 – FEBRUARY 2013
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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 February 2013 is attached as Appendix 1.

INTERNAL AUDIT PROGRESS REPORT

APRIL 2012 – FEBRUARY 2013

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. Ten audit reports have been issued and another four audits are 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 3 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 February 2013 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	21	23	44
Not Yet Due	-	3	3
Overdue	2	3	5
Superseded by 2012-13 Report	2	-	2
Total	25	29	54

- 5.4 There are five 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 43 recommendations tested and follow up of the remaining one recommendation will be completed during March.

Table B: Follow up Testing of Implemented Recommendations

	2011/12	2012/13	Total
Testing Satisfactory	21	22	43
Testing Unsatisfactory	-	-	-
Testing Outstanding	-	1	1
Total	21	23	44

Internal Audit Plan – Progress Report April 2012 – February 2013

Audit	Current Position	Level of Assurance
Main Systems		
Capital Accounting	Final Report Issued	1
Cash and Bank	Final Report Issued	1
Creditors	Final Report Issued	1
Debtors	Draft Report Issued	3
Main Accounting	Final Report Issued	2
Payroll	In Progress	-
Rent Accounting	Draft Report Issued	2
Treasury Management	In Progress	-
Non Main Systems		
Ashby Tourist Information Centre	In Progress	-
Car Parking	No Progress	-
Leisure Centres	Final Report Issued	3
Licensing	Final Report Issued	2
ICT Back Up Controls	Draft Report Issued	2
Performance Indicators	Audit no longer required	-
Risk Register	In Progress	-
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 3

Target	Qtr 3 Milestone	Qtr 3 Outcome	Qtr 3 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 3.
SAFER AND HEALTHIER COMMUNITIES: Review and update Health and Safety risk assessments to ensure risks to staff and customers are controlled.	Set action plan and timescale to deliver improvements where highlighted in reviews (Internal Audit)	N/A	No improvements required.

Performance Indicators

	Qtr 3 Target	Qtr 3 Actual	Comments	Actual as at 28.02.13	Comments
Delivery of Audit Plan - Main Systems	62%	25%	All of the main systems will be completed by March 2013. The target has not been achieved for Qtr 3 as the Internal Auditor was based at Blaby between September - December and the Senior Auditor was also involved in testing for the implementation of a new revenues system at Blaby.	75%	Treasury Management and Payroll audits to be completed during March 2013.
Delivery of Audit Plan - Non Main Systems	75%	38%	The target will not be achieved for 2012-13 due to the audits of the licensing function and leisure centres taking considerable longer time to audit than forecast due to issues arising, problems obtaining evidence and the inexperience of the auditor.	50%	The audits of the Ashby TIC and Strategic Risk Register are currently in progress.
% of productive time	75%	79%	Quarter 2 productive time to the target percentage	79%	Above target
% 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%	93%	Two recommendations within the leisure centre reports were disagreed by the Team Manager	93%	

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 Revised: December 2013	Financial Systems Manager	In Progress (Overdue)

Report No: 11/12-12

Report Name: Payroll

Rec No	Recommendation	Priority	Agree/ Disagree	Implementation Date Agreed	Officer(s) Responsible	Status
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 Revised: March 2013	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 Revised: March 2013	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 Revised: June 2013	ICT Manager	In Progress (Overdue)

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	April 2013	Leisure Services Team 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	April 2013	Leisure Services Team Manager	In Progress

Report No: 12/13-7**Report Name: Main Accounting**

Rec No	Recommendation	Priority	Agree/ Disagree	Implementation Date Agreed	Officer(s) Responsible	Status
1	The redundant users on the TASK system should be deactivated immediately.	High	Agree	February 2013	Finance Team Manager	In Progress (Overdue)
2	The officer with the responsibility of Systems Administrator for the TASK system should be trained to undertake the role as a matter of urgency.	High	Agree	April 2013	Finance Team Manager	No Progress