

Report of the: Director of Policy and
Resources

Agenda
Item No:
Meeting: 16 April 2013

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

INTERNAL AUDIT PROGRESS REPORT

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 The Internal Audit Section delivers an annual programme of audit work designed to raise standards of governance, risk management and internal control across the council.
- 1.2 This work culminates in the Internal Audit's Annual Report that is used to inform the Annual Governance Statement. This report summarises key issues arising from work undertaken in the 2012/13 audit plan year.

2. BACKGROUND INFORMATION

2012/13 Audit Plan Progress

- 2.1 An effective Internal Audit Service, and the delivery of the audit plan, is a key aspect in obtaining assurance that a reliable control environment is in place. Completion of the Internal Audit Plan is monitored and reported regularly to this Committee. The latest position is provided in appendix A. Although some additional audits were required during the year due to emerging risks, there were other planned audits which were no longer required in 2012/13 due to the lessening of the risk or changes in implementation dates of key changes to the control environment. Some audits have been deferred due to the shortfall in resources as work has been reprioritised. However there is adequate plan cover overall to ensure there will be a sufficient level of completed planned work to provide an opinion on the adequacy of the control environment.
- 2.2 The shortfall in resources due to vacancies and serious illness suffered by one of the team was reported in January. Unfortunately the situation worsened due to further illness although it is anticipated the team will be back to full strength in April. Temporary backfill arrangements to cover vacancies have been reviewed and extended where possible.

2013/14 Audit Plan

- 2.3 Audit planning meetings have taken place with Directors/Assistant Directors and key financial officers during January and February. Useful discussions have also taken place with the council's new external auditors KPMG to ensure reliance on internal audit's work continues to be maximised. The draft 2013/14 audit plan is presented elsewhere on this agenda for Members to consider.

Significant Audit Findings – 2012/13 Audit Plan

- 2.4 Audits of fundamental financial systems, risk management and corporate governance are nearing completion and the outcome will be reported in Internal Audit's Annual Report in June 2013. No significant issues have been identified so far.
- 2.5 Internal audit has provided intensive data quality advice in support of the NHS self assessment Information Governance toolkit. The outcome of this work has provided independently verified evidence of adequate compliance with NHS standards in handling and securing data relating to Public Health services.

Unplanned work

- 2.6 Requests for unforeseen and irregularity work continue to be received and the allocation set aside in the 2012/13 Audit Plan of 165 days has been exceeded (234 days spent). In addition to work carried out on income collection procedures in Adults services, which were reported to the Committee in January, 8 investigations have been carried out. Four referrals received involve potential cases of personal internet access during work hours. Other investigations include timesheet/mileage claim investigations and 2 cases involving inappropriate access of data for personal use.
- 2.7 Referrals received via the Whistleblowers' hotline have increased steadily over the last few years:

Year	Referrals received
2008/09	194
2009/10	256*
2010/11	221
2011/12	373**
2012/13	343

(high number of spurious calls: 67* 2009/10 & 78** 2011/12)

All referrals are either investigated by Internal Audit or information is passed on to the Benefits Fraud Team for investigation. Over £54k Council Tax or Housing Benefits overpayments were referred through the whistleblowers' hotline.

Proactive work

- 2.8 Proactive counter fraud work has included the following income reviews: community meals, markets, registrars, leisure facilities and car parking and enforcement. Building control and commercial property income audits

are currently underway. The National Fraud Initiative (NFI) data matching exercise has identified savings in excess of £208k so far (£175k benefits related; £20k council tax single residents discount; and £13k duplicate payments). Further matches were released late February and are currently being investigated.

Response to External Audit Recommendations

- 2.9 Progress in implementing external audit recommendations are regularly reported to this Committee. In September Members received confirmation that all external audit recommendations had been implemented. No further reports have been issued containing recommendations for the council to consider.

3. OPTIONS FOR CONSIDERATION

- 3.1 The Committee is asked to consider whether or not the report provides sufficient assurance on the adequacy of internal control arrangements. The Committee is invited to consider the report and seek clarification on its contents as necessary.
- 3.2 If the Committee considers that the report does not provide sufficient assurance on the adequacy of internal control arrangements further clarification may be sought and appropriate action considered.

4. ANALYSIS OF OPTIONS

- 4.1. The progress report provides the Committee with an update on key internal control issues. It complies with professional guidance and is designed to provide the Committee with the assurance required.
- 4.2. The option set out in paragraph 3.2 indicates an opportunity missed to provide an important source of assurance to assist the Committee to fulfil its role effectively if adequate clarification is not provided.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

- 5.1. There are no additional resources implications however regular reviews of internal control help safeguard the council's assets and help ensure that value for money is achieved in the use of resources.

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

- 6.1. An Integrated Impact Assessment is not required.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

7.1. Consultation takes place with Directors and key staff at all stages of audit work and comments made are incorporated wherever possible.

7.2. There are no conflicts of interests to declare.

8. RECOMMENDATION

8.1. That the Audit Committee consider the level of assurance provided by this report on the adequacy of internal control arrangements.

DIRECTOR OF POLICY AND RESOURCES

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Background Papers used in the preparation of this report: None

Appendix A

Audit Areas	Audit Reviews Completed During 2012/13		
	Planned	Unplanned	Deferred
Fundamental Financial Systems	<ul style="list-style-type: none"> • All 2011/12 fundamental audits completed • Payroll (in progress) • Creditors (in progress) • Debtors (in progress) • Income Receipting (in progress) • Main Accounting Ledger (in progress) • Council Tax and Housing Benefits (in progress) • Local Taxation (in progress) • Treasury Management (in progress) • Asset Management (not yet due) • CareFirst (in progress) • Benefits Subsidy testing (completed) <p>All awaiting year end transaction testing.</p>		
Annual Governance Statement	<ul style="list-style-type: none"> • In year monitoring and compilation of the Statement 		
Corporate management	<ul style="list-style-type: none"> • Preparing reports and Audit Committee attendance 		
Corporate Governance	<ul style="list-style-type: none"> • In year monitoring and advice. Evaluation of council arrangements against best practice standards. Revision of the council's Code of Corporate Governance (in progress) • Revised Governance Arrangements – authorisations (in progress) 		
Risk Management	<ul style="list-style-type: none"> • In year monitoring and advice. Risk Management Group work. Annual review of risk management arrangements, strategic and key operational controls. (in progress) 		
IT Audit	<ul style="list-style-type: none"> • IT Governance 11/12 (completed) • I S / I T Strategy (in progress) • Network Management and Control (completed) • Disaster Recovery and Business Continuity (in progress) • Government Connect (completed) • Remote access 11/12 (completed) 		<ul style="list-style-type: none"> • Project Management Controls (unable to resource) • IT charging policy (unable to resource)

Audit Areas	Audit Reviews Completed During 2012/13		
	Planned	Unplanned	Deferred
Contract Audit	<ul style="list-style-type: none"> Adults – Commissioning and Procurement (completed) Children’s service – Commissioning and Procurement (completed) Contracts/Procurement/E-procurement (in progress) Highways Alliance (completed) 		
Fraud Prevention and Detection	<ul style="list-style-type: none"> Responding to cases received via Whistleblowers Hotline and email (in progress) Publicity/ training/ updating the counter fraud strategy (in progress) Income audits - leisure facilities (completed), Markets (completed), Car parking & Enforcement (completed), Building Control (in progress), Commercial Property (in progress), Registrars (completed) Data Matching - NFI/IDEA (in progress) 	<ul style="list-style-type: none"> Direct Payments (draft report) 	<ul style="list-style-type: none"> Fresh Start (unable to resource)
Council-wide Systems	<ul style="list-style-type: none"> Performance Management (in progress) Data Quality (completed) Environmental Issues - CRC Energy Efficiency Scheme Return & evidence pack (completed) Partnerships (completed) New Legislation (Bribery Act completed – Localism in progress) Budgetary Control (Efficiencies completed) Health & Safety (completed) Grant Claims (completed) Data Protection and FOI (completed) Worksmart (ongoing) Social Media (in progress) Income and Corporate Charging Policy (action taken on previous recommendations followed up) 	<ul style="list-style-type: none"> Bribery Act –follow up 	<ul style="list-style-type: none"> Information Management (assurance provided in Data Protection/FOI Follow up and Performance Management/ Data Quality reviews) Project Management(council wide approach not required) Lone Working Arrangements (unable to resource) Partnership follow up (unable to resource)
People General	<ul style="list-style-type: none"> Children and Young People Budgetary Control 11/12 (completed) Adults Budgetary Control 11/12 (completed) 		

Audit Areas	Audit Reviews Completed During 2012/13		
	Planned	Unplanned	Deferred
People – Adult Services	<ul style="list-style-type: none"> Advice, Assessment & Affairs (Financial Assessments complete) Mental Health (completed) Meals on wheels (completed) Receiverships 11/12 (completed) 	<ul style="list-style-type: none"> Adult Income issues (complete) Assessment and Review follow up 	<ul style="list-style-type: none"> Older People – Rehabilitation (service review taking place) Pooled Budgets/Partnering
People – Specialist	<ul style="list-style-type: none"> Child protection - compliance with Public Law (draft report) Children in care – foster care (in progress) Independent Review Team (completed) Policies for Protection of Children (completed) Section 17 11/12 (completed) 		<ul style="list-style-type: none"> Social Work Service (assurance provided in Child Protection /Independent Review Team reviews) Education Welfare (unable to resource)
People – School Improvement	<ul style="list-style-type: none"> Early Years (completed) Issues from School Audits (11/12 completed – 12/13 draft report) Schools audits (21 completed.) Alternatives to Schools Education (draft report) Schools Balances - surpluses and deficits (completed) Free Schools Meals (draft report) Training for 16-19 year olds (11/12 completed) 	<ul style="list-style-type: none"> 4 school funds 	<ul style="list-style-type: none"> 6 schools (4 converted to academies) Integrated Youth Support (external assurance provided)
People – Commissioning and Localities	<ul style="list-style-type: none"> Capita one & SIMS (completed) 		<ul style="list-style-type: none"> School Admissions
Policy & Resources - Finance	<ul style="list-style-type: none"> ElIncome (completed) Housing benefits - transition to Universal credit (completed) Bank Account Changes (in progress) Finance Manual, Regs. & S.O.s (ongoing) 	<ul style="list-style-type: none"> Pensions assurance (completed) Final Accounts work (completed) 	<ul style="list-style-type: none"> Partnership working PANNEL (unable to resource)
Policy & Resources - Human Resources	<ul style="list-style-type: none"> Recruitment Verifications (completed) Casual & Agency workers (in progress) Working time directive 11/12 (completed) 		<ul style="list-style-type: none"> Professional Personnel system (deferred due to eform migration)

Audit Areas	Audit Reviews Completed During 2012/13		
	Planned	Unplanned	Deferred
Policy & Resources - Legal Services	<ul style="list-style-type: none"> • Councillors' Allowances (completed) • Legal services – Child Protection (in progress) 		<ul style="list-style-type: none"> • Democratic services (assurance provided in corporate governance and revised governance reviews)
Places - General	<ul style="list-style-type: none"> • Infrastructure budgetary control 11/12 (completed) 		
Places – Customer Services	<ul style="list-style-type: none"> • Transport – Concessionary fares (in progress) 	<ul style="list-style-type: none"> • Leisure facilities timesheets follow up (completed) 	<ul style="list-style-type: none"> • Complaints Procedures (service review in progress) • Grants – Leisure (unable to resource) • Contract Management – Leisure facilities (unable to resource)
Places – Technical & Environment	<ul style="list-style-type: none"> • Health Improvement 11/12 (completed) • Trading Standards – test purchases (completed) • Contaminated Land (draft report) • Home improvements & disabled adaptations (completed) • Home Choice Lincs (completed) 	<ul style="list-style-type: none"> • Trading Standards – seizure of assets under POCA (completed) 	<ul style="list-style-type: none"> • Safer Neighbourhoods (deferred due to service review) • Civica AP document imaging system - system controls (unable to resource)
Places – Planning and Regeneration	<ul style="list-style-type: none"> • Leader Programme (completed) • Economic Development (in progress) • BDUK Project (ongoing) • Regional Growth Grant (completed) • LEP Activity (watching brief) 		<ul style="list-style-type: none"> • Development Control (unable to resource) • Maintenance of Council Buildings (other than schools) (unable to resource) • Bees Knees (external review in progress)

Audit Areas	Audit Reviews Completed During 2012/13		
	Planned	Unplanned	Deferred
Places- Community Services	<ul style="list-style-type: none"> • Fleet Management – legislative requirements (completed) • Street Lighting (completed) • Highways Maintenance 11/12 (completed) • Adult Education 11/12 (completed) 		<ul style="list-style-type: none"> • Area improvement initiatives - Advance Crosby (unable to resource) • Flood Management (unable to resource)

<p>In addition to the above resources were deployed on :</p> <ul style="list-style-type: none"> • Advice /irregularity work • Follow up work • Audit plan performance monitoring and reporting 	
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