

Bath & North East Somerset Council

MEETING:	Corporate Audit Committee	
MEETING DATE:	3 rd December 2013	AGENDA ITEM NUMBER
TITLE:	Internal Audit 2013/14 Plan – Six Month Performance Update	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendices 1 & 2 - Audit & Risk Dashboard Quarters 1 & 2 2013/14		

1 THE ISSUE

1.1 The Annual Internal Audit Plan for 2013/14 was presented to the Corporate Audit Committee on the 20th May 2013. This report has been compiled to provide an update to the Committee on progress against the Plan and the results of Internal Audit work completed.

2 RECOMMENDATION

2.1 The Corporate Audit Committee is asked to note progress made against the Internal Audit Plan for 2013/14.

3 FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications relevant to this report.

4 THE REPORT

Current Performance

4.1 Robust performance measurement and reporting is vital to ensure that timely and effective decisions can be made. To aid and inform the Committee Appendices 1 & 2 provides detail on current key performance information related to the Audit and Risk function.

4.2 As at the end of Quarter 2, the Audit & Risk Team had completed or had work in progress amounting to 40% of the planned work. Therefore, at the half way stage through the financial year the Audit & Risk Team are behind on completing the 'planned' work for 2013/14 (target 50%). This is not wholly unexpected and can be explained as follows.

4.3 - Level of unplanned work – To the end of quarter 2 a total of 101 days or 7.7% of annual productive days had been spent on unplanned work. This is primarily on investigation work which will be referred to on the Fraud Report which is on the Committee's agenda.

- Resources – A member of staff left the team in July, replacing resources are picked up later in this report in section 4.7.

- Completion of 2012/13 reviews – A number of audit reviews from 2012/13 which were still work in progress at the end of March 2013 required additional work to be carried out increasing the audit days allocated.

4.4 The second part of the Dashboard records the 2013/14 Audit Plan and those reviews finalised, drafted or 'Work-In-Progress' as at the end of September 2013. This records that 18 Audit Reports had been finalised and another 5 were in 'draft' form. It is pleasing to note that all of the 'finalised' Audit Reviews were assessed at an Assurance Level of 3 or above (Adequate to Good Framework of Internal Control).

4.5 Only two of the 'finalised' audits were assessed at Level 3 'Adequate Control Framework'. These were:

1) School Theme – Personnel & Payroll. This is one of the twelve School Theme reviews which replaced the establishment audits at schools. For each of these reviews at least six schools are visited to test the framework of internal controls. The selection of schools is carried out in liaison with colleagues in the People Directorate (Children Services). An individual report is sent to each school included in the review recording any specific findings / recommendations. In addition, an overall 'Theme' report is produced and its recipients include all schools who are advised to consider the action plan and 'best practice' guidance. This review was assessed as 'adequate' and high risk weaknesses reported included:

- a). One School had not completed the Verification Form to confirm identity and right to work in the UK until after the commencement of employment.
- b) 4 out of the 6 Schools visited did not evidence adequate procedures in respect of collecting references.
- c) One School had copy DBS certificates held on file which were in excess of 6 months old.
- d) Two Schools visited did not retain evidence to support action taken to clear all un-reconciled items following the monthly payroll reconciliation process.

2) Planning Enforcement. There were only 'Medium' and 'Low' risk weaknesses reported in this audit. All of the recommendations were agreed by management. It was acknowledged that the management team had undertaken a considerable amount of work in order to try to establish consistent working practices and ensure a good quality enforcement service. Areas for improvement included:

- a) Complete information to be recorded on the Uniform computer system.
- b) Procedural manuals need to be updated to reflect current processes.

- c) Production of regular management information to effectively review outstanding case progress and performance.
- 4.6 It has been reported to Committee previously that the Audit & Risk Team have been successful in being appointed to provide the necessary support to the School's assigned "Responsible Officer" (School Governor) for a number of Academy Schools. At the beginning of the year we had annual renewable agreements with 9 Schools requiring an annual allocation of 36 audit days. For the 2013/14 Academic Year we will have 11 Schools. Three Ways converted to Academy in September 2013 and Fosseway Trust was formed in October requiring our support role for Hayesdown School in Frome.

Resources & Partnership Development

- 4.7 As was previously reported to the Committee over the past two years the service has been assessing its future and looking at alternative service delivery options. In June of this year the committee again reviewed and re-confirmed in principle that a Local Authority form of Partnership is recommended.
- 4.8 Additionally it has also been reported to the Committee that the team had a number of vacancies which it was finding difficulty in replacing.
- 4.9 Since the summer a number of positive developments can now be reported which it is hoped will put the service on a sound footing for the medium to long term.
- 4.10 Firstly we have agreed a joint working arrangement with North Somerset where Bath and North East Somerset will provide a lead in managing their Audit & Assurance functions in combination with those in this Council. The scope of the activities includes, Audit, Risk, Information Governance and Business Continuity. The plan would be to integrate the two teams into a full partnership at some point over the next 12 to 18 months.
- 4.11 Secondly we have also agreed a contractual arrangement with the South West Audit Partnership to replace the audit posts which currently cannot be recruited. Whilst the arrangement is initially short-term it is hoped again to look at the potential to blend this into the new arrangement with North Somerset in the future. This arrangement does provide significant flexibility in future working by allowing us to source specialist skills at a reasonable cost, i.e. IT Auditors, where it is difficult to recruit and retain.
- 4.12 It is further hoped that the potential for a full partnership will also encompass growth both in terms of additional services and partners over the medium term and the opportunities and benefits should be substantial.
- 4.13 Integrating resources from different organisations is not without its challenges and therefore it is important that all partners and staff are fully engaged.
- 4.14 This will mean additional time needing to be set aside over the next six to nine months to allow this activity to be completed and there is likely to be a small impact on the plan. It is however felt that the long-term benefits significantly outweigh the short-term impacts on audit coverage.
- 4.15 A work plan has been developed to help create a single way of working over the activities of both Councils. This covers four key work streams and activity and joint sessions have commenced to start work in these areas, which are as follows –

- a) Methodology & Systems
- b) Innovation & Culture
- c) Resources & Partnership Development
- d) Stakeholders & Relationships

4.15 Regular updates will of course continue to be given to the Committee as these positive developments hopefully move the service on to a more sound long term footing.

5 RISK MANAGEMENT

5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

6 EQUALITIES

6.1 A proportionate equalities impact assessment has been carried out in relation to this report. There are no significant issues to report to the Committee.

7 CONSULTATION

7.1 The report was distributed to the S151 Officer for Consultation.

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Background papers	<i>Report to Corporate Audit Committee – 20th May 2013 – Internal Audit - Annual Report</i>
Please contact the report author if you need to access this report in an alternative format	