

REPORT TO	DATE OF MEETING
GOVERNANCE COMMITTEE	29th January 2014

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SUBJECT	PORTFOLIO	AUTHOR	ITEM
2nd Internal Audit Interim Report as at 29th November 2013	N/A	G Barclay / D Highton	7

SUMMARY AND LINK TO CORPORATE PRIORITIES

The purposes of this report are:

- To advise Members of the progress made on the South Ribble and Shared Financial Services Internal Audit Plans for the period August 2013 to November 2013 and to comment on the outcomes;
- To give an appraisal of the Internal Audit Service's performance to date;
- To inform Members of any general developments involving or impacting upon the work or performance of the Internal Audit Service.

The report links with all of the corporate objectives, especially to be an 'efficient, effective and exceptional council'.

RECOMMENDATION

That the report be noted.

DETAILS AND REASONING

Background

This is the second progress report for the 2013/14 financial year and covers the period from 1st August 2013 to 29th November 2013.

Internal Audit Plans

Appendix 1 provides a "snapshot" of the overall progress made in relation to the 2013/14 Internal Audit Plans, indicating which audits have been completed and their control rating, those that are in progress and those that have yet to start. Appendix 1 also shows the time planned and actually spent on individual audits. Members will note that at this stage, the Internal Audit Plans are on target to be achieved.

The table below provides a summary of the audit work completed since the last meeting together with any control issues identified.

Audit Area	Control Rating	Comments
System Interrogations	Not applicable	<p>IDEA software was utilised to identify unusual activity within the Creditors Payments System, for example payment runs completed outside the normal processing periods.</p> <p>All payment runs were included in the tested data for the period October 2012 to October 2013 and incorporated Creditors, Benefits, Council Tax and NNDR refunds.</p> <p>No unusual activity was identified.</p>
Software Licences	Adequate	<p>The main objectives of the audit were to review software licence management arrangements, focusing on desktop software applications. This included controls over software purchase and installation, reviewing the arrangements for recording and retaining software and monitoring licence compliance arrangements.</p> <p>Management actions were agreed to strengthen the arrangements for the retention of licence documentation and update the Information Security Policy.</p>
Health and Safety	Adequate	<p>The purpose of the review was to assess the effectiveness of the current health and safety arrangements including roles and responsibilities, ensuring compliance with legislative requirements and review of monitoring and reporting arrangements.</p> <p>A number of management actions to improve awareness in relation to roles and responsibilities and revised policies and procedures were agreed. In addition, a planned audit / inspection programme for all service areas will be devised.</p>
Cash and Bank	Substantial	<p>The aims of the review were to determine that the banking service was being delivered as stated in the new contract and to ensure that the banking arrangements are working as intended.</p> <p>There were no key control issues identified.</p>

Internal Audit Performance

Appendix 2 provides information on Internal Audit performance as at 29th November 2013.

We are pleased to report that all the indicators with the exception of two have either been achieved or exceeded. The exceptions are only just below targets and are not areas of concern at this stage.

General Developments

Audit Planning

Internal Audit will shortly commence the process for compiling the Annual Audit Plan for 2014 / 2015. The Plan will be compiled following a risk assessment which considers a range of risk factors, such as items in the Corporate Risk Register, significant changes in staffing, systems and procedures and the length of time since an area was last audited. There will also be consultation within each Service Group and with SMT.

If there are any topics which members would like to be included in the next Audit Plan, please inform Dawn Highton on either dhighton@southribble.gov.uk or 01772 625251 by **12th February** and these will be taken into account as part of the overall risk assessment.

WIDER IMPLICATIONS

In the preparation of this report, consideration has been given to the impact of its proposals in all the areas listed below, and the table shows any implications in respect of each of these.

FINANCIAL	There are no specific financial implications arising from this report.
LEGAL	The Interim Report is a requirement of The UK Public Sector Internal Audit Standards.
RISK	The audit risk assessment forms part of the background papers to this report.
THE IMPACT ON EQUALITY	There are no equality impacts within this report

OTHER (see below)			
<i>Asset Management</i>	<i>Corporate Plans and Policies</i>	<i>Crime and Disorder</i>	<i>Efficiency Savings/Value for Money</i>
<i>Equality, Diversity and Community Cohesion</i>	<i>Freedom of Information/ Data Protection</i>	<i>Health and Safety</i>	<i>Health Inequalities</i>
<i>Human Rights Act 1998</i>	<i>Implementing Electronic Government</i>	<i>Staffing, Training and Development</i>	<i>Sustainability</i>

BACKGROUND DOCUMENTS

2013/14 Internal Audit Plans for South Ribble Borough Council and Shared Services.
Internal Audit Risk Assessment

INTERNAL AUDIT PLANS 2013/14

AUDIT AREA	QTR	PLAN (Days)	ACT (Days)	BAL (Days)	CONTROL RATING	COMMENTS
SHARED FINANCIAL SERVICES						
Main Accounting System	4	15	0	15		To commence Q4
Creditors	4	15	0	15		To commence Q4
Payroll	4	20	4.6	15.4		In progress
Treasury Management	4	15	0	15		To commence Q4
Cash & Bank / Cheque Control	3	20	20.8	-0.8	Substantial	Complete
Post Audit Reviews	ALL	10	2	8		On-going
Contingency	ALL	20	0.3	19.7		No requests received
Residual Work from 2012/13	1	20	19.7	0.3		Complete
TOTAL		135	47.4	87.6		
SOUTH RIBBLE COUNCIL						
CORPORATE AREAS						
Annual Governance Statement	1	15	14.1	0.9	N/A	Complete
Anti-Fraud & Corruption	ALL	15	3.1	11.9	N/A	On-going
National Fraud Initiative	ALL	20	12.5	7.5	N/A	In progress
System Interrogations	ALL	10	4.7	5.3	N/A	On-going
CORPORATE GOVERNANCE						
Data Quality	2	5	7.2	-2.2	Substantial	Complete
Performance Management Framework	4	10	0	10		To commence Q4
BUSINESS TRANSFORMATION & ITC						
Disaster Recovery	4	15	0	15		To commence Q4
Software Licences	3	20	20.1	-0.1	Adequate	Complete
Revenues and Benefits						
Council Tax	3	30	1	29		In progress
Non Domestic Rates	3					In progress
Housing & Council Tax Benefits	3					In progress
Debtors	3					In progress
REGEN & HEALTHY COMMUNITIES						
My Neighborhoods Forums	3/4	20	13.2	6.8		In progress
Health & Safety	2	15	12.3	2.7	Adequate	Complete
NEIGHBOURHOODS						
Refuse Collection & Recycling Contract	3/4	10	3.5	6.5	N/A	In progress
PLANNING / HOUSING / PROPERTY						
Disabled Facilities Grant	3	15	16.7	-1.7		In progress
Community Infrastructure Levy	ALL	10	0.7	9.3		On-going
Wesley Street Mill	ALL	15	2.4	12.6	N/A	On-going
HR & COMMUNICATION						
New Payroll System	ALL	15	20.3	-5.3	N/A	On-going
Absence Management	1	20	16.4	3.6	Adequate	Completed
GENERAL AREAS						
Irregularities (Contingency)	ALL	20	8.2	11.8	N/A	On-going
Post Audit Reviews	ALL	10	7.3	2.7	N/A	On-going
Residual Work from 2012/13	1	15	11.1	3.9	N/A	Complete
Unplanned Reviews (Contingency)	ALL	20	17.6	2.4	N/A	On-going
Governance Committee	ALL	20	11.2	8.8	N/A	On-going
TOTAL		345	203.6	141.4		

KEY TO CONTROL RATINGS

Substantial	The Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.
Adequate	The Authority can place only partial reliance on the controls. Some control issues need to be resolved.
Limited	The Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist.

NOTE

The above control ratings relate only to the point in time when the final audit report was issued. They represent a historic rather than a current judgement as managers are charged with implementing corrective action plans to address the control issues raised. This is in turn supported by a programme of follow-up reviews by the Internal Audit Service.

INTERNAL AUDIT PERFORMANCE INDICATORS AS AT 29th NOVEMBER 2013

	Indicator	Audit Plan	Target 2013/14	Target to Date	Actual to Date	Comments
1	% of planned time used	SS	90%	33%	35%	Target exceeded
		SRBC	90%	60%	58%	Slightly below target
2	% audit plan completed	SS	100%	25%	25%	Target achieved
		SRBC	100%	64%	64%	Target achieved
3	% management actions agreed	SS	98%	98%	100%	Target exceeded
		SRBC	98%	98%	100%	Target exceeded
4	% overall customer satisfaction rating (assignment level)	SS	90%	0%	0%	Not applicable
		SRBC	90%	90%	87%	Slightly below target

SS = Shared Services
SRBC = South Ribble