

AUDIT AND GOVERNANCE COMMITTEE

27 May 2011

Internal Audit Progress Report

Report of the Head of Audit, Risk and Procurement

1. Purpose of Report

- 1.1 To consider the performance of Internal Audit up to 6th May 2011, areas of work undertaken, and the internal audit opinion regarding the adequacy of the overall system of internal control within the Authority.

2. Description of Decision

- 2.1 The Audit and Governance Committee is asked to note the report.

3. Key Performance Indicators

- 3.1 Performance against the agreed KPIs to date is shown in Appendix 1.

- 3.2 All KPI's are on target with the following exceptions:

- The percentage of medium risk recommendations implemented currently stands at 85% (excluding schools) against a target of 90%. A summary of the performance by directorate for medium risk recommendations is shown in the table below:

Directorate / Body	Implementation Rate	Implementation Rate
	March 2011	May 2011
Children's Services (non schools)	90%	90%
City Services	85%	87%
Commercial and Corporate Services	89%	89%
Office of the Chief Executive	87%	88%
Health, Housing & Adult Services	76%	76%
Total Council Implementation Rate Excluding Schools	85%	86%
Children's Services – Schools	88%	88%
Total Council Implementation Rate	86%	87%

- The target set for the value of housing and council tax overpayments identified by investigators was £1m for the financial year. This target was set based on the information produced in a report from the IBS benefit system. Since the target was set it has been identified that there was an error in the report and therefore the figures produced were not accurate. The final value of overpayments identified in 2010/2011 was £590,354, therefore the target was incorrectly set and not realistic. It is suggested that this target be amended to £600,000 to represent a more realistic situation. Within April overpayments of £44,407 have been identified.

4. Summary of Internal Audit Work

4.1 The audit opinion for the audits carried out so far during the year is shown in appendix 2 along with the current overall opinion based on the current and 3 previous years audit work. The following planned audits are currently ongoing:

- Insurance Policies
- Purchasing Card Arrangements
- Payroll Processing and Payment
- Accounts Payable
- ICT Asset Management
- Information Governance at Tyne and Wear Development Company

4.2 One unplanned audit in relation to 14 – 19 funding arrangements has been completed and another in relation to SWITCH modelling is also ongoing.

4.3 Internal audit carry out proactive advice and guidance work in many areas across the Council where procedures and arrangements are being developed or changed. This work is important in helping the Council build appropriate controls into new systems or procedures and helps to provide assurance that risks are being considered and managed, where appropriate. Guidance has been provided or is ongoing in the following areas:

- A review of the implementation of the actions plans in response to a Safeguarding Serious Case Review in Children Services has been completed.
- Ongoing advice and guidance is being given through workshops in relation to the implementation of the Strategic and Shared Services Project. This work is covering the design of new procedures for transactional finance, strategic finance and strategy, policy and performance.
- Advice is continuing to be provided in relation to the migration of services to the Customer Services Network.
- Procedures are currently being developed to manage employees who are or will be working in the SWITCH team, feedback is being provided on the procedures at a draft stage.

4.4 Specific work aimed at detecting fraud, misappropriation or errors which may have resulted in financial loss is currently ongoing in the following areas:

- Follow up of the National Fraud Initiative (NFI) 2010, particularly in relation to Housing Benefit potential matches and duplicate creditor payments.
- Control and payment of agency workers.
- Management of temporary arrangements through the personnel and payroll systems such as maternity cover, acting up or honoraria.

5. Conclusions

- 5.1 This report provides information regarding progress against the planned audit work for the year and performance targets.
- 5.2 Results of the work undertaken so far during the year have not highlighted any issues which affect the opinion that overall throughout the Council there continues to be an adequate system of internal control.

6. Recommendation

- 6.1 The Committee is asked to agree to the revised council tax and benefit fraud target.

Background Papers

Internal Audit Operational Plan 2011/2012 - Audit and Governance Committee, 25th March 2011.

Appendix 1

Internal Audit and Counter Fraud Unit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2011/2012			
Efficiency and Effectiveness			
Objectives	KPI's	Targets	Actual Performance
1) To ensure the service provided is effective and efficient.	1) Complete sufficient audit work to provide an opinion on the key risk areas identified for the Council	1) All key risk areas covered over a 3 year period	1) Achieved
	2) Percentage of draft reports issued within 15 days of the end of fieldwork	2) 90%	2) On target - 100% to date
	3) Percentage of audits completed by the target date (from scoping meeting to issue of draft report)	3) 80%	3) On target - 100% to date
	4) Number of sanctions and prosecutions for housing benefit investigations	4) 155	4) On target – 20 to date
	5) Value of overpayments identified during housing benefit investigations	5) £600k (revised target)	5) Below target - £44,407 to date (Profile £50,000)

Internal Audit and Counter Fraud Unit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2011/2012

Quality			
Objectives	KPI's	Targets	Actual Performance
1) To maintain an effective system of Quality Assurance	1) Opinion of External Auditor	1) Satisfactory opinion	1) Achieved
2) To ensure recommendations made by the service are agreed and implemented	2) Percentage of agreed high, significant and medium risk internal audit recommendations which are implemented	2) 100% for high and significant. 90% for medium risk	2) On target – significant 100% Below target - Medium 85% (exc. Schools)
Client Satisfaction			
Objectives	KPI's	Targets	Actual Performance
1) To ensure that clients are satisfied with the service and consider it to be good quality	1) Results of Post Audit Questionnaires 2) Results of other Questionnaires 3) Number of Complaints / Compliments	1) Overall average score of better than 1.5 (where 1=Good and 4=Poor) 2) Results classed as 'Good' 3) No target – actual numbers will be reported	1) On target - 1.1 to date 2) Non undertaken as yet 3) 1 compliment 0 complaints

Audit Coverage – 2010/2011

Key Risk Area	Planned Audits	Conclusion (audits undertaken 2011/12)	Overall Opinion
Corporate Governance	Annual Corporate Governance Review	Good	Good
Service / Business Planning	Responsive Local Services Facilities Management Reablement at Home - Adults Business Support		Satisfactory
Partnerships	Non Planned	N/A	Satisfactory
Financial Management	Corporate Budget Setting and Management Adoption Allowances Social Care Resource Agency Personal Budgets - Adults Port Governance Arrangements Treasury Management 1 Leisure Centre Accounts Payable Accounts Receivable - Collection Periodic Income - Recovery and Enforcement Cash Receipting - Central System Council Tax - Setting Council Tax - Billing Council Tax - Valuation Council Tax - Recovery Business Rates – Recovery & Enforcement BACS Arrangements Management of employees in SWITCH Charging for Services - HHA Stroke Care Grant Future Jobs Fund Grant Deprived Areas Fund Grant 14 – 19 funding arrangements (unplanned)	Satisfactory	Satisfactory

Key Risk Area	Planned Audits	Conclusion (audits undertaken 2011/12)	Overall Opinion
Risk Management	Port Governance Arrangements 1 Leisure Centre Insurance Policies		Satisfactory
Programme and Project Management	Project Management Information Governance (Project Server)		Good
Local Taxation	Council Tax - Setting Council Tax - Billing Council Tax Valuation Council Tax - Recovery Business Rates - Recovery and Enforcement		Good
Procurement and Contract Management	Procurement of ICT Equipment Purchasing Card Arrangements Capital Procurement Revenue Procurement		Satisfactory
Human Resource Management	Corporate Training and Development Arrangements Personnel Administration Arrangements Management of Employees in SWITCH		Satisfactory
Asset Management	Asset Management (including Property Asset Database) Asset Register/Capital Accounting		Satisfactory
ICT Strategy and Delivery	Implementation of the ICT Strategy ICT Remote Access Threats Information Technology Infrastructure Library		Satisfactory
Fraud and Corruption	Counter Fraud Testing (including in schools) Access to IT systems - with movement of employees Social Care Resource Agency 1 Leisure Centre Asset Management - ICT Equipment		Satisfactory

Key Risk Area	Planned Audits	Conclusion (audits undertaken 2011/12)	Overall Opinion
Information Governance	Corporate Information Governance (including procedures for remote working) Email Security Smarter Working - Employees Working Remotely within Children's Services Document Management		Satisfactory
Business Continuity and Emergency Planning	Major Incident Planning Business Continuity Planning - Children's Services		Satisfactory
Performance Management	Responsive Local Services Corporate Performance Management Facilities Management Port Governance Arrangements Customer Services Network Reablement at Home - Adults Social Care Resource Agency		Satisfactory
Payroll	Payroll Processing and Payment		Satisfactory
Housing Benefits	Housing Benefit Administration		Satisfactory
Schools	38 schools		

