AUDIT AND GOVERNANCE COMMITTEE   **30 June 2011**

INTERNAL AUDIT SERVICES – 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 10th June 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 consider 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 exception:

- The percentage of medium risk recommendations implemented currently stands at 83% (excluding schools) against a target of 90%. The reduction in the overall implementation rate is due to two follow ups undertaken in Health Housing and Adults Services, Personal Budgets and Direct Payments. From a total of 41 recommendations (which were past their implementation date) 19 were found to be implemented (46%). Revised implementation dates have been agreed for the outstanding actions. A summary of the performance by directorate for medium risk recommendations is shown in the table below:

Directorate / Body	Implementation Rate May 2011	Implementation Rate June 2011
Children's Services (non schools)	90%	90%
City Services	87%	97%
Office of the Chief Executive	88%	88%
Commercial and Corporate Services	89%	89%
Health, Housing & Adult Services	76%	64%

Total Council Implementation Rate Excluding Schools	**86%**	**83%**
Children's Services – Schools	88%	88%
Total Council Implementation Rate	**86%**	**85%**

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 2 previous years audit work. Of the 100 planned audits, 17 have been completed to date (2 of which relate to associated bodies). The following planned audits are currently ongoing:

- Purchasing Card arrangements
- Payroll Processing and Payment (will be ongoing throughout the year)
- Accounts Payable (will be ongoing throughout the year)
- ICT Asset Management
- Children's Services Business Continuity Planning
- Adoption Service
- Access to IT Systems
- SWITCH Management
- Houghton Sports Complex
- Emergency Planning/Major Incident Plan

4.2 A planned audit in relation to the Stroke Care Grant, which required an independent verification by the internal audit service now no longer requires this verification to be undertaken. The audit is therefore shown in Appendix 2 as cancelled.

4.3 One unplanned audit has been completed and a further another 3 unplanned audits are also ongoing.

4.4 The Internal Audit Annual Report, presented to the Committee in May highlighted a small number of areas of concern where either significant recommendations had been made or the opinion had been reported as unsatisfactory. Internal audit will continue to monitor progress in relation to these areas and keep the Committee updated. An update on these issues is as follows:

- Vulnerable Adults Protection Arrangements

  The Head of Strategic Commissioning within Health, Housing and Adult Services has provided the following update.

  "Throughout last year and early this year process, documentation, Information Systems, staff guidance and training plans were made ready. There was some delay in progressing the final training schedule as the identified priority at the time was the implementation of Personal Plans. It

was not prudent to develop, agree and train staff on both activities simultaneously. Since that postponement, the Sunderland Safeguarding Adults Board (SSAB) and the overall management of the safeguarding team has developed and changed. This has led to a fresh look at the model of adult safeguarding delivery in Sunderland and further examination of the comments within the CQC report, where it was noted there was a need to 'address the risks and challenges of the widely devolved safeguarding arrangements'. The confirmation that there were significant weaknesses in relation to the current safeguarding model led to proposals going to the SSAB in May 2011 proposing a radical revision of how the business is conducted."

The Head of Strategic Commissioning will be attending the Committee to provide an update.

- HR Management / Financial Management System Consolidation

  It has been clarified with the ICT unit that they have a project plan for developing and testing the Disaster Recovery arrangements for this system, which details tasks, timescales**,** and responsibilities. The planned completion date for updating and producing standard documentation for all SAP systems is 4th July 2011, with other work and hardware testing in relation to the Finance modules by the end of August 2011. Further, all SAP modules will be tested separately by 19th January 2012 in readiness for a full system wide test at a date to be agreed. Further audit work will be required before the opinion on this key risk area can be updated, however it is pleasing to note that progress is now being made to address the issue.

- Information Governance – The opinion given for 2010/2011 for this key risk area was unsatisfactory, resulting from a number of audits in this area. Audit work undertaken so far during the year has confirmed that a proactive approach has been taken to implement the agreed recommendations in relation to the corporate arrangements and raising awareness, the Customer Contact Centre and Assessments for Personal Care. Although the implementation in all of these areas is not yet complete there is evidence of detailed actions being taken and plans to address the outstanding points. Although further detailed audit work will be required before the opinion on this key risk area can be updated, the Committee can be assured that good progress is being made to address the issues.

4.5 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 the Safeguarding Serious Case Review in Children Services has been completed. The Executive Director of Children's Services wrote to pass on his thanks for the "robust" and "helpful" work.

- 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 also being provided in relation to the new procedures being implemented in relation to the new cashiers service.

- Advice is continuing to be provided in relation to the migration of a range 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.

- A review of the accuracy of the reporting function in relation to the benefits system IBS is ongoing.

4.6   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.

- The Council's arrangements to respond to the Bribery Act 2010 which comes into force in July 2011.

- 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. Recommendations

6.1 Members are asked to consider the report.

Background Papers

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

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) Ahead of target – 35 to date
	5) Value of overpayments identified during housing benefit investigations	5) £600k	5) Ahead of target - £103,608 to end of May

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 83% (excluding 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	1) Overall average score of better than 1.5 (where 1=Good and 4=Poor)	1) On target - 1.1 to date
	2) Results of other Questionnaires	2) Results classed as 'Good'	2) Non undertaken as yet
	3) Number of Complaints / Compliments	3) No target – actual numbers will be reported	3) 4 compliments 1 complaint (not upheld but improvements identified)

Audit Coverage

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	 Cancelled Satisfactory 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	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		Unsatisfactory
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		Good
Housing Benefits	Housing Benefit Administration		Satisfactory
Schools	38 schools 11 schools audits completed – all opinions good	Good	Good