

**AUDIT AND GOVERNANCE COMMITTEE**

**10 February 2012**

**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 30<sup>th</sup> December 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 2 exceptions:

- The percentage of medium risk recommendations implemented currently stands at 78% (excluding schools) against a target of 90%. A summary of the performance by Directorate for medium risk recommendations is shown in the table below. Members will be aware that action is being taken by Health, Housing and Adult Services to improve their implementation rate, although as explained in the November progress report this will take time to filter through to the overall rate.

<b>Directorate / Body</b>	<b>Implementation Rate - Nov</b>	<b>Implementation Rate - Dec</b>
Children's Services (non schools)	83%	86%
City Services	91%	90%
Office of the Chief Executive	83%	82%
Commercial and Corporate Services	94%	94%
Health, Housing & Adult Services	54%	54% *
<b>Implementation Rate (exc. schools)</b>	<b>79%</b>	<b>78%</b>
Schools	87%	85%

<b>Total Implementation Rate</b>	<b>82%</b>	<b>81%</b>
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\* no further follow up work has been undertaken since the last progress report

- Percentage of audits completed by the target date (from scoping meeting to issue of draft report). The actual performance is 72% against a target of 80%. This is mainly due to support work being required by managers across the Council due to the amount of change that is currently underway and the availability of clients. It is not of concern.

#### **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, 67 have been completed to date (5 of which relate to associated bodies). Two have been cancelled as they are no longer required, they are Stroke Care Grant and Information Governance at Beamish Museum. The following planned audits are currently ongoing:

- Payroll Processing and Accounts Payable (ongoing throughout the year)
- Council Tax – Recovery
- Responsive Local Services
- Information Technology Infrastructure Library

4.2 Since the last progress report 2 unplanned audits have been completed, as follows:

- Technoforge (property asset database)
- Future Jobs Fund – final audit certificate

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 since the last progress report or continues to be provided in the following areas:

- A significant amount of time has been spent supporting the set up and implementation of a Local Authority Controlled Company, Care and Support Sunderland Limited. Support regarding the ongoing governance arrangements of the Company will continue as the arrangements develop.
- Internal Audit are advising the project board which is assessing options for the future delivery of care and support services to adults.
- Proposed changes to the way personal budgets are administered in relation to social care.

- The Council has purchased a replacement customer relationship management system for which support is being provided regarding its implementation.
- The Council is currently implementing a new Corporate Computing Model (CCM) involving the planning, design, and implementation of an end to end solution for server and end-user computing delivery. Internal Audit staff are working in conjunction with ICT, Risk Management and 3<sup>rd</sup> party partner organisation staff in supporting the implementation of this major project.

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:

- From the National Fraud Initiative (NFI) 2010, work has been completed in relation to blue badge permits, residential care payments, pensions to deceased pensioners, payroll to UK visas, and insurance claims, which did not identify any issues of concern. In relation to Housing Benefit matches which were received in March 2011, from a total of 3,848 matches, 618 were recommended for further review, these are currently being reviewed with 7 fraud prosecutions resulting to date with an overpayment value of £33,506.74. Recovery of these monies is to be undertaken. Further matches are to be examined and additional prosecutions are anticipated.
- Review of creditor payment information has highlighted 8 duplicate payments to date with a value of £8,608.45. Recovery of these monies is underway. Three further matches are being investigated (£16,171.23).
- Overtime / honoraria payments to ensure they are legitimate, accurate and appropriately authorised.
- Processes to obtain low value goods / services to ensure compliance with established procedures.

4.5 During the summer a procurement exercise was carried out to appoint a specialist firm who will carry out an exercise to review the Council's creditor payments using advanced software technology to identify any further potential duplicate payments. The work will also help to establish the effectiveness of the NFI exercise. Work will be carried out on a commission only basis. A firm has been appointed and the work is due to start in February 2012.

## **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.

## 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 - 90% to date
	3) Percentage of audits completed by the target date (from scoping meeting to issue of draft report)	3) 80%	3) Behind target - 72% to date
	4) Number of sanctions and prosecutions for housing benefit investigations	4) 155 / annum	4) Ahead of target – 148 to date
	5) Value of overpayments identified during housing benefit investigations	5) £600k / annum	5) Ahead of target - £706,914 to date

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

<b>Quality</b>			
<b>Objectives</b>	<b>KPI's</b>	<b>Targets</b>	<b>Actual Performance</b>
1) To maintain an effective system of Quality Assurance  2) To ensure recommendations made by the service are agreed and implemented	1) Opinion of External Auditor  2) Percentage of agreed high, significant and medium risk internal audit recommendations which are implemented	1) Satisfactory opinion  2) 100% for high and significant. 90% for medium risk	1) Achieved  2) On target – significant 100% Behind target - Medium 78% (excluding schools)
<b>Client Satisfaction</b>			
<b>Objectives</b>	<b>KPI's</b>	<b>Targets</b>	<b>Actual Performance</b>
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) 20 compliments 2 complaints relating to benefit fraud investigations (one not upheld but improvements identified)



Key Risk Area	Planned Audits	Conclusion (audits undertaken 2011/12)	Overall Opinion
Risk Management	Port Governance Arrangements 1 Leisure Centre Insurance Policies	Good Good	Good
Programme and Project Management	Project Management Information Governance (Project Server)	Good	Good
Local Taxation	Council Tax - Setting Council Tax - Billing Council Tax Valuation Council Tax - Recovery Business Rates - Recovery and Enforcement	Satisfactory	Good
Procurement and Contract Management	Procurement of ICT Equipment Purchasing Card Arrangements Capital Procurement Revenue Procurement	Satisfactory Good	Satisfactory
Human Resource Management	Corporate Training and Development Arrangements Personnel Administration Arrangements Management of Employees in SWITCH	Satisfactory Unsatisfactory	Satisfactory
Asset Management	Asset Management (including Property Asset Database) Asset Register/Capital Accounting Unplanned Audit - Technoforge	Good Unsatisfactory	Satisfactory
ICT Strategy and Delivery	Implementation of the ICT Strategy ICT Remote Access Threats Information Technology Infrastructure Library	Satisfactory	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 Unplanned Audit – SIB and Community Chest Grants	Unsatisfactory  Good Unsatisfactory Good	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 Unplanned Audit – Corporate Data Protection Arrangements	Satisfactory  Good Satisfactory  Satisfactory Satisfactory (except re Subject Access Requests and Caldicott Guardian)	Satisfactory
Business Continuity and Emergency Planning	Major Incident Planning Business Continuity Planning - Children's Services	Good Satisfactory	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 Follow up – Sunderland Compact	Satisfactory Satisfactory  Satisfactory	Satisfactory
Payroll	Payroll Processing and Payment		Good
Housing Benefits	Housing Benefit Administration	Satisfactory	Satisfactory
Schools	38 schools 31 schools audits completed – 28 good, 3 satisfactory	Good	Good

