



Nottinghamshire
County Council

Report to Audit Committee

30 November 2011

Agenda Item: 5

REPORT OF SERVICE DIRECTOR (FINANCE)

INTERNAL AUDIT PROGRESS REPORT – 1ST APRIL 2011 TO 30TH SEPTEMBER 2011

Purpose of the Report

1. To inform Members of the work carried out in the first half of the 2011/12 financial year and to comment on the progress made against the Internal Audit Plan.

Information and Advice

2. The Authority has a statutory responsibility to undertake an adequate and effective internal audit of the County Council's operations. This responsibility is discharged by the Internal Audit Service which has unrestricted access to all activities undertaken by the County Council.
3. The work carried out by Internal Audit involves reviewing and reporting on the control environment established by management to:-
 - a) determine and monitor the achievement of the Authority's objectives
 - b) identify, assess and appropriately manage the risks to achieving the Authority's objectives
 - c) facilitate policy and decision making
 - d) ensure the economical, effective and efficient use of resources
 - e) ensure compliance with established policies, procedures, laws and regulations
 - f) safeguard the Authority's assets and interests

4. Internal Audit's work is planned to cover these areas and to provide an independent assessment of whether the Authority's systems and procedures are working appropriately. The CIPFA Code of Practice for Internal Audit in Local Government recommends that an interim report on Internal Audit work should be presented to Authorities' Audit Committees and this report satisfies this expectation.

Summary of Internal Audit Work 01/04/11 to 30/09/11

5. The audits completed to 30 September 2011 cover a broad range of the Authority's operations, with reviews carried out at establishment, divisional, departmental and corporate levels. The time spent on audit work compared to that planned is shown in Appendix 1. Overall, the number of days spent carrying out audits is slightly more than planned, with good progress being made on all departments.
6. In the first six months of the year, a total of 78 County Council audits have been completed against a planned coverage of 136 audits for the year. A detailed analysis of the reports issued is shown in Appendix 2, setting out the area covered, the Audit Opinion, and the number of recommendations made and accepted.
7. During the period there were 7 internal audit reports issued with an "Unsatisfactory" audit opinion. The details of these reports are set out below.

COR 1111 – ICT Desktop Management – May 2011. Recommendations were made, and agreed, to address a range of weaknesses, including:-

- * A reconciliation of information in ManageSoft asset management and Active Directory, to ensure that there is a definitive list of desktop equipment.
- * Documenting transfer of equipment between sites.
- * Identification of all equipment held and its location.
- * Providing virus checks when using removable media (for example data sticks).
- * Developing a process for dealing with the former Adult Social Care department's equipment.
- * Control over licences in respect of de-commissioned equipment.

CEX 1105 – Employment of Consultants on the Improvement Programme – May 2011. Recommendations were made to further tighten the controls over the appointment of consultants, including to:-

- * Develop a combined form which will apply across the Council.
- * Confirm with consultants that they are bound by the Council's Financial Regulations.
- * Remind staff of the need to comply with Financial Regulations and EU procurement rules.
- * Ensure that a contract is in place before work commences.

COM 1120 – National Water Sports Centre – June 2011. A report was brought before the Audit Committee on 12th September 2011 which identified the issues in this report. The key weakness was over separation of duties in income collection.

E&R 1205 – Cleaning Supervision – June 2011. During an investigation into allegations against a Supervisor, a number of system weaknesses were identified. In particular,

recommendations were made to improve management controls over vehicle use, fuel costs, staff attendance, annual leave and mobile phone use.

ASC 1201 – Meals at Home Income - August 2011. A review was completed looking at the processes in place in Nottinghamshire and Warwickshire, following the entering of a contract with Warwickshire in May 2010. The review identified weaknesses including not destroying ‘merchant copy’ receipts promptly, no formal handover for transfer of cash, security of cash, prompt banking of cash received, debt management and reconciliation between the local and official accounting systems.

ASC 1203 – Jubilee Court Care Home – August 2011. A large number of recommendations were made to address a range of weaknesses in the areas of income collection, operation of the imprest account, handling of residents’ allowances and property, and control over the comforts funds.

E&R 1203 – School Meals Income – September 2011. Although a relatively small number of recommendations were made (five), there is a key flaw in control. The record of cash counted and banked should be compared to the Daily Reconciliation Report. Failure to do this means that any discrepancy between the income received and income banked will go undetected. As there are over 300 schools with budgeted income of £9 million this is a significant risk.

8. A number of Internal Audit Reports with “Unsatisfactory” audit opinions have been revisited during the period between 1st April 2011 and 30th September 2011 to ensure that the recommendations that were agreed for implementation have been acted upon. The details are set out in Table 1.

Table 1: Follow up audits completed during period 1st April to 30th September 2011

Original report number	Area audited	Current Audit Opinion
CYP 1109	School Transport budgets	Satisfactory
CYP 1113	Youth Clubs	Satisfactory
COM 1120	National Water Sports Centre	Unsatisfactory – reported to Audit Committee 12 th September 2011

Internal Audit Performance Indicators

9. Progress against the Section’s performance indicators, as at 30 September 2011, is detailed in the table below:-

Internal Audit Performance Indicators 2011/12

Performance Measure/Criteria	Target	Outcome as at 30/09/11
Comply with Audit Code of Practice	Compliance achieved	External Audit Review 2007 confirmed compliance
Completion of Audit Plan - Days	90%	110%
- Jobs	90%	115%
Positive customer feedback	QCQ of 2 or below	Achieved (average score is 1.5)
Recommendations accepted	95%	99%
Productive time	70%	72%
External Audit Reliance on Internal Audit	Positive	Positive

10. Progress to date in completing the Audit Plan has been good and it is anticipated that the full number of Audit Days will be provided by the end of the financial year.

11. The responses to our audit reports continue to be positive. A total of 598 recommendations were made during the six month period to the end of September 2011 and 595 have been agreed for implementation. Customer feedback from the Quality Control Questionnaires is also positive with an average score of 1.5.

Conclusion

12. Internal Audit work completed to 30 September 2011 is on target. The work completed shows that the Authority's overall system of internal control continues to be satisfactory.

Other Options Considered

13. This report is for information and noting. No alternative options have been considered.

Reason/s for Recommendation/s

14. This report is for noting.

Statutory and Policy Implications

15. This report has been compiled after consideration of implications in respect of finance, equal opportunities, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such

implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

16. Members are asked to note the Internal Audit Progress Report and comment accordingly.

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Title of Report Author: Head of Internal Audit

For any enquiries about this report please contact: John Bailey (telephone 0115 977 2226)

Constitutional Comments (KK 1/11/11)

17. The proposals within this report are within the remit of the Audit Committee.

Financial Comments (JMB 26/10/11)

18. The net budgeted cost for Internal Audit for 2011/12 is £344k, reduced from £470k in 2010/11.

Background Papers

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

The reports set out in Appendix 2 are available as background papers.

Electoral Division(s) and Member(s) Affected

All

INTERNAL AUDIT PLAN 2011/12
Analysis of Audit Coverage 1 April 2011 to 30 September 2011

	Annual Plan 2011/12	Second Quarter 50% Plan	Second Quarter Actual	Variance
	Days	Days	Days	Days
Children, Families and Cultural Services	655	328	340	+12
Adult Social Care, Health and Public Protection	280	140	164	+24
Environment and Resources	680	340	411	+71
Policy, Planning and Corporate Services	140	70	62	-8
Contingency/Special Projects	200	100	100	-
Total County Council	1955	978	1077	+99
External Contracts	180	90	103	+13
OVERALL TOTAL	2135	1068	1180	+112

INTERNAL AUDIT PLAN 2011/12
Audits Completed 1 April 2011 to 30 September 2011

Audit Report Department and Area audited	Audit Opinion	Recommendations made and Risk Rating			Recommendations Agreed		
		High	Medium	Low	High	Medium	Low
Adult Social Care, Health and Public Protection							
Resource Allocation System	Satisfactory		4			4	
Meal at Home Income	Unsatisfactory		11			11	
Deputyships	Satisfactory		3	2		3	2
Jubilee Court Care Home	Unsatisfactory	1	17	7	1	17	7
Brooke Farm	Satisfactory		4	3		4	3
Gedling Day Services	Satisfactory	1	5		1	5	
Willow Wood Day Centre	Satisfactory	1	3	2	1	3	2
Residential Care Homes – Payments and Receipts	Satisfactory		1			1	
Holles Street Short Breaks	Satisfactory		5	2		5	2
Sub Total		3	53	16	3	53	16
Children, Families and Cultural Services							
School Transport follow up	Satisfactory						
Youth Clubs follow up	Satisfactory	4	2	5	4	2	5
Behaviour and Attendance Service	Satisfactory		4			4	
Outdoor Education	Sound						
Lyndene Residential Home	Satisfactory		8	2		8	2
Newark and Sherwood Children's Centres	Satisfactory		2	3		2	3
National Water Sports Centre	Unsatisfactory	1	12	2	1	12	2
Sub Total		5	28	12	5	28	12

Department and Area audited	Audit Opinion	Recommendations made and Risk Rating			Recommendations Agreed		
		High	Medium	Low	High	Medium	Low
Environment and Resources							
Business Planning	Satisfactory		3	2		3	2
Credit Control	Satisfactory		4	5		4	5
Treasury Management	Satisfactory		3			3	
County Supplies	Satisfactory		9	2		9	2
School Meals Income	Unsatisfactory	1	2	2	1	2	2
Cleaning Supervisor	Unsatisfactory	1	5		1	5	
Capita One	Satisfactory		4	2		4	2
Cash Income probity	Satisfactory		6			6	
Desktop Management	Unsatisfactory	1	7		1	7	
Highways Design	Satisfactory		3	1		3	1
Business Planning	Satisfactory			3			3
Bus Service Operators Grant Claim	Not applicable		1			1	
National Fraud Initiative	Not applicable						
Sub Total		3	47	17	3	47	17
Policy, Planning and Corporate Services							
Planning Applications	Satisfactory		2			2	
Improvement Programme Consultants	Unsatisfactory	1	2	1	1	2	1
Payroll Probity	Satisfactory		1	1		1	1
Business Planning	Satisfactory		1	3		1	3
EMDA Grant Claim	Not applicable						
Sub Total		1	6	5	1	6	5
School Audits							
Secondary Schools (9 final reports issued)		3	47	12	3	46	12
Primary Schools (35 final reports issued)		9	275	56	9	273	56
<u>TOTAL</u>		24	456	118	24	453	118