

INTERNAL AUDIT PLAN 2013/14 – THIRD QUARTER REPORT

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1. Summary

This report provides members with an update on the work completed by Internal Audit in the two months since the last report in December 2013 summarising progress against the Internal Audit Plan. Change and challenge continues unabated, 67% of the revised plan has been completed after nine months which is in line with the target of 90% by year end.

In the last two months twenty good and reasonable assurances were made plus four limited assurances, no unsatisfactory opinions were issued. The 24 final reports issued contained 164 recommendations including only one fundamental recommendation. Management have responded positively to the audit reports and have agreed action plans to implement the recommendations made.

This report proposes a 38 day reduction to the revised Internal Audit Plan presented in December 2013 due to the continued higher than expected levels of special investigation work and the initial effects of the Voluntary Redundancy programme. The new plan will provide 2,218 days across the Council's services and our external clients, these changes have been discussed with and agreed by the Section 151 Officer.

2. Recommendations

The Committee are asked to consider and endorse, with appropriate comment;

- a) The performance to date against the 2013/14 Audit Plan set out in this report.
- b) The adjustments required to the 2012/13 plan to take account of changing priorities set out in **Appendix A**.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 The delivery of a risk based Internal Audit Plan is an essential part of ensuring probity and soundness of the Council's financial and risk management systems and procedures and is closely aligned to the Council's strategic and operational risk registers. The Plan is delivered in an effective manner; where Internal Audit independently and objectively examines, evaluates and reports on the adequacy of its customers control environments as a contribution to the proper, economic, efficient and effective use of resources. It provides assurances on the internal control systems, by identifying areas for improvement or potential weaknesses and engaging with management to address these in respect of current systems and during system design. Failure to maintain a robust internal control environment can lead to poor performance, fraud, irregularity and inefficiency going undetected leading to financial loss and reputational damage.
- 3.2 Provision of the Internal Audit Annual Plan satisfies the Accounts and Audit Regulations 2011, part 2, section 6 in relation to internal audit which state:
'A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.'
- 3.3 'Proper practices' can be demonstrated through compliance with the Public Sector Internal Audit Standards.
- 3.4 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and the Accounts and Audit Regulations 2011.
- 3.5 There are no direct environmental, equalities or climate change consequences of this proposal.

4. Financial Implications

- 4.1 The Internal Audit plan is delivered within approved budgets; the work of Internal Audit contributes to improving the efficiency, effectiveness and economic management of the wider Council and its associated budgets.

5. Background

- 5.1 Minor revisions to the 2013/14 audit plan was presented and endorsed by members at the 5th December Audit Committee. Continuing high levels of special investigation work coupled with initial effects of the Voluntary Redundancy programme have necessitated further changes to the plan resulting in a reduction of 38 days in total. Our external providers are progressing well with their assignments.

Audit Work and Findings

5.2 Audit assurance opinions are delivered on completion of audit reviews reflecting the efficiency and effectiveness of the controls in place, opinions are graded as follows:

Good	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is a sound system of control in place which is designed to address relevant risks, with controls being consistently applied.
Reasonable	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is generally a sound system of control but there is evidence of non-compliance with some of the controls.
Limited	Evaluation and testing of the controls that are in place performed in the areas examined identified that, whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key control.
Unsatisfactory	Evaluation and testing of the controls that are in place identified that the system of control is weak and there is evidence of non-compliance with the controls that do exist. This exposes the Council to high risks that should have been managed.

5.3 In total 24 final reports have been issued in November and December 2013, the breakdown of which appears in the table below. In addition 15 audit reports have been issued in draft for which we are awaiting management comments. We have also issued three final reports to our external clients and drawn up the financial statements and completed the audits of two school and other honorary and voluntary body accounts.

Audit assurance opinions delivered in November and December 2013/14

Directorate	Good	Reasonable	Limited	Unsatisfactory	Total
Area Commissioners		3			3
Business Growth and Prosperity	1				1
Children's Safeguarding			1		1
Customer Care and Support Services		1			1
Finance, Governance and Assurance		1			1
Learning & Skills		1			1
Social Care Operations	9	3	3		15
Pension Fund	1				1
Total for the period	11	9	4	0	24
Total to date					
• Numbers	41	41	18	9	109
• percentage	38%	38%	16%	8%	100

5.4 Twenty good and reasonable assurances were made in November and December, no unsatisfactory opinions were issued.

5.5 Four limited opinion was issued were issued in the following areas:

- The Family Solutions Programme (Grant Funded)
- Patchworks Comforts Fund
- Copperfield Drive Group Home
- Oak Farm Trading Account

5.6 We have now issued 18 limited and nine unsatisfactory opinions in the first nine months compared to 12 limited and one unsatisfactory assurance reports issued last year. In addition, only one fundamental recommendation was made last year compared to 11 to date in 2013/14, details of which are set out below.

5.7 Audit recommendations are an indicator of the effectiveness of the Council's internal control environment and are rated according to their priority:

Best Practice (BP)	Proposed improvement, rather than addressing a risk.
Requires Attention (RA)	Addressing a minor control weakness or housekeeping issue.
Significant (S)	Addressing a significant control weakness where the system may be working but errors may go undetected.
Fundamental (F)	Immediate action required to address major control weakness that, if not addressed, could lead to material loss.

5.8 Recommendations are rated in relation to the audit area rather than the Council's control environment: for example, a control weakness deemed serious at one school which results in a significant or fundamental recommendation would not affect the Council's overall control environment, unless it was affecting all schools. Similarly, a number of significant recommendations in a small number of areas would not result in a limited opinion if the majority of areas examined were sound, consequently, the number of significant recommendations in the table below will not necessarily correlate directly with the number of limited assurance opinions issued and detailed earlier. Any fundamental recommendations resulting from a control weakness in the Council's control environment would be reported in detail to the Audit Committee.

5.9 A total of 164 recommendations have been made in the 24 final audit reports issued in November and December; these are broken down by area in the table overleaf.

Audit recommendations made in November and December 2013

Audit Area	No. of Recommendations made				
	Best Practice	Requires Attention	Significant	Fundamental	Total
Area Commissioners	4	29	7		40
Business Growth and Prosperity		6			6
Children's Safeguarding		5	8	1	14
Customer Care and Support Services		2	5		7
Finance, Governance and Assurance		5			5
Learning and Skills	5	6			11
Social Care Operations	11	49	19		79
Pension Fund		2			2
Total for the period	20	104	39	1	164
Total to date					
• numbers	175	608	275	11	1069
• percentage	16%	57%	26%	1%	100%

- 5.10 It is management's responsibility to ensure accepted audit recommendations are implemented within an agreed timescale. With the exception of annual audits where recommendations are revisited as a matter of course; recommendations are followed up after six months by obtaining an update from management on progress made. A total of four recommendations (less than 1%) have been rejected by management in the year to date. All rejected recommendations have been discussed with the managers concerned and the reasons for rejection accepted.
- 5.11 One fundamental recommendation relating to the Family Solutions Programme. The audit identified a lack of process and guidance to confirm eligibility criteria leading to errors in the grant claim; management have agreed to develop a written procedure and framework to enable eligibility criteria to be determined together with sufficient and appropriate evidence retained to facilitate accurate and robust grant claims in the future.

Performance against the plan

- 5.12 A Revised internal audit plan containing some minor changes was presented to Audit Committee in December 2013. Continuing high levels of special investigation work coupled with initial effects of the Voluntary Redundancy programme have necessitated further changes to the plan resulting in a reduction of 38 days in total.
- 5.13 Our external providers are progressing well with their assignments which are programmed for completion over the next two months; their time is not reflected in the performance to date as the final reports had not been issued at the end of December, these will add approximately 160 days (7%) on completion by the end of the year.
- 5.14 Special investigation work continues at the same high levels previously reported, necessitating a further increase in the fraud contingency by a further 62 days, this has been achieved through cuts to lower risk planned work. We will continue to closely monitor the situation over the last quarter, however with the rapidly evolving

changes proposed through the transformation programme there is a risk that some essential work will run into 2014/15.

Summary of audit days delivered and revisions to the audit plan, December 2013

	Original Plan	Nov Revised	Jan Revision	Revised Plan	Days Worked	% of Revised Complete
Chief Executive	16	18	0	18	9.8	54%
Commissioning	205	217	12	229	156.3	68%
Resources and Support	635	580	-55	525	220.4	42%
Adult Services	204	221	-48	173	128.7	74%
Public Health	28	23	-15	8	0	0%
Children's Services	242	209	3	212	161.6	76%
S151 Planned Audit	1,330	1,268	-103	1,165	676.8	58%
Contingencies and other chargeable work	672	744	73	817	654.5	80%
Total S151 Audit	2,002	2,012	-30	1,982	1,331.3	67%
Honorary and Voluntary Funds	40	40	-8	32	28.2	88%
External Clients	204	204	0	204	122.8	60%
Total	2,246	2,256	-38	2,218	1,482.3	67%

5.15 Work for our external clients is progressing well and will be completed by the year end.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Draft Internal Audit Annual Plan 2013/14 - Audit Committee 27 March 2013
 Internal Audit Plan 2013/14 - Performance Report - Audit Committee 19th September 2013
 Internal Audit Plan 2013/14 - Performance Report - Audit Committee 5th December 2013
 Public Sector Internal Audit Standards 2013
 Accounts and Audit Regulations 2011.

Cabinet Member (Portfolio Holder)

Keith Barrow, Leader of the Council and Brian Williams, Chairman of Audit Committee

Local Member: All

Appendices: A: Audit Plan by Group and Service

APPENDIX A
AUDIT PLAN BY GROUP AND SERVICE – PERFORMANCE REPORT TO DECEMBER 2013/14

	Original Plan	Nov Revised	Jan Revision	Jan Revised	Dec Actuals	% of Original	% of Revised
CHIEF EXECUTIVE							
Governance	16	18		18	9.8	61%	54%
COMMISSIONING							
Director of Commissioning							
Leisure	41	31		31	31.2	76%	101%
Area Commissioner South							
Highways and Transport	31	30	5	35	9.3	30%	27%
Passenger Transport	4	7		7	7.2	180%	103%
	35	37	5	42	16.5	47%	39%
Public Protection							
Environmental Health	14	10		10	9.7	69%	97%
Licensing	10	16		16	16.4	164%	103%
	24	26		26	26.1	109%	100%
Business Growth and Prosperity							
Enterprise and Business	22	22	-6	16	6.0	27%	38%
Old Market Hall, Shrewsbury	4	4	1	5	4.8	120%	96%
Visitor Economy	5	12	2	14	11.5	230%	82%
Housing Services	48	53	14	67	41.0	85%	61%
Planning and Corporate Policy	12	18		18	18.4	153%	102%
Development Management	14	14	-4	10	0.8	6%	8%
	105	123	7	130	82.5	79%	63%
COMMISSIONING	205	217	12	229	156.3	76%	68%
RESOURCES AND SUPPORT							
Business Performance Management	8	7		7	7.0	88%	100%
Programme Management, Systems and Transition							
Shared Services - Management	10	14	2	16	16.1	161%	101%
Shared Services - ICT Implementation and Architecture	38	35	4	39	5.2	14%	13%
Shared Services - ICT Operations	72	57		57	31.0	43%	54%
Shared Services - Finance	40	40		40	9.7	24%	24%
Shared Services - Human Resources	32	33	-8	25	7.8	24%	31%
Shared Services - Shire Services	30	17	-3	14	5.9	20%	42%
	222	196	-5	191	75.7	34%	40%

	Original Plan	Nov Revised	Jan Revision	Jan Revised	Dec Actuals	% of Original	% of Revised
Finance, Governance & Assurance							
Risk Management	5	5		5	1.1	22%	22%
Financial Advice (S.151)	65	59	-18	41	28.1	43%	69%
Financial Management	65	55	3	58	11.3	17%	19%
Treasury and Exchequer	45	45	1	46	11.3	25%	25%
Procurement	44	44	-1	43	34.3	78%	80%
Finance, Governance and Assurance	224	208	-15	193	86.1	38%	45%
Democratic and Election Services							
Democratic and Election Services	11	9	2	11	9.9	90%	90%
Information Governance	9	4	8	12	1.1	12%	9%
	20	13	10	23	11.0	55%	48%
Human Resources							
Payroll and Human Resources	24	19	4	23	5.4	23%	23%
Customer Care & Support Services							
Benefits	32	36	-3	33	13.9	43%	42%
Customer Services	9	9	-9		0.1	1%	
Revenues Manager	45	45	-10	35	8.6	19%	25%
Estates and Facilities	51	47	-27	20	12.6	25%	63%
	137	137	-49	88	35.2	26%	40%
RESOURCES AND SUPPORT	635	580	-55	525	220.4	35%	42%
ADULT SERVICES							
Long Term Support	104	107	-49	58	27.1	26%	47%
Provider Services - Comforts Funds	30	38		38	31.4	105%	83%
Provider Services - Group Homes	57	64	1	65	57.7	101%	89%
Provider Services - Trading Accounts	13	12		12	12.5	96%	104%
ADULT SERVICES	204	221	-48	173	128.7	63%	74%
PUBLIC HEALTH	28	23	-15	8	0.0	0%	0%
CHILDREN'S SERVICES							
Business Support	18	8	-1	7	2.5	14%	36%
Primary /Special Schools	126	121	6	127	91.0	72%	72%
Education Improvements - Secondary	37	37	-7	30	27.6	75%	92%
Lifelong Learning	15	2	-1	1	0.1	1%	10%
Children's Placement Services and Joint Adoption	46	41	6	47	40.4	88%	86%
CHILDREN'S SERVICES	242	209	3	212	161.6	67%	76%
Shropshire Council Planned Work	1,330	1,268	-103	1,165	676.8	51%	58%

	Original Plan	Nov Revised	Jan Revision	Jan Revised	Dec Actuals	% of Original	% of Revised
Contingencies & Other Chargeable work							
Fraud Contingency	218	258	62	320	259.3	119%	81%
Transformation Projects	100	50		50	37.0	37%	74%
Advisory Contingency	20	20		20	14.9	75%	75%
Unplanned Work	49	120	-5	115	97.8	200%	85%
Other non-audit Chargeable Work	285	296	16	312	245.5	86%	79%
Contingencies & Other Chargeable work	672	744	73	817	654.5	97%	80%
Total for Shropshire	2,002	2,012	-30	1,982	1,331.3	66%	67%
External Clients							
Honorary and Voluntary Funds	40	40	-8	32	28.2	71%	88%
Just Credit Union	15	15		15	0.2	1%	1%
Shropshire Fire and Rescue	52	52		52	32.6	63%	63%
Pension Fund	52	52		52	35.4	68%	68%
Oswestry Town Council	29	29		29	25.6	88%	88%
STandRH (ALMO)	30	30		30	10.1	34%	34%
West Mercia Energy	26	26		26	18.9	73%	73%
Total External Clients	244	244	-8	236	151.0	62%	64%
Total Chargeable	2,246	2,256	-38	2,218	1,482.3	66%	67%