

REPORT TO AUDIT AND PERFORMANCE REVIEW PANEL

Title: **AUDIT AND REVIEW UNIT: 2009/10 INTERNAL AUDIT INTERIM PROGRESS REPORT (APRIL – OCTOBER 2009)**

Date: 16 December 2009

Member Reporting: **Councillor D Hilton**

Contact Officer(s): **Catherine Hickman, Head of Audit and Review**
tel: 01628 796233

Wards Affected: **All Wards**

1. SUMMARY

- 1.1 This interim Internal Audit report summarises the work of the Internal Audit Service within the Audit and Review Unit for the period 1 April 2009 to 31 October 2009. The information contained within this progress report will feed into and inform our overall opinion in respect of the Council's internal control environment in the 2009/10 Internal Audit Annual Report.

2. RECOMMENDATION

- 2.1 **Members are asked to note the progress made against the 2009/10 Internal Audit Plan as at 31 October 2009 and to consider the matters identified during the various audit reviews.**

What will be different for residents as a result of this decision?
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Residents will have an independent and objective opinion on the Council's control environment (comprising risk management, internal control and governance) and an evaluation of the Council's effectiveness in achieving its objectives and as a contribution to the proper economic, efficient and effective use of resources.
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3. SUPPORTING INFORMATION

BACKGROUND

- 3.1 The Accounts and Audit Regulations 2003 (as amended by the Accounts and Audit (Amendment) (England) Regulations 2006) require every local authority to maintain an adequate and effective internal audit. The Internal Audit Service within the Audit and Review Unit carries out the work required to satisfy this legislative requirement and reports its findings and conclusions to this Panel.
- 3.2 The Terms of Reference of the Audit and Performance Review Panel includes the requirement to note a summary of internal audit activity during the year and at year end. This report presents a summary of internal audit activity for the first seven months of 2009/10.

CONCLUSION

- 3.3 The overall conclusion drawn from the internal audit work undertaken in the period from 1 April to 31 October 2009 is that overall, financial controls are operating adequately with minor reservations.
- 3.4 The most significant issues that have arisen during our work, and which have been reported to management, are summarised in this report, together with the recommendations for improvement.
- 3.5 The Internal Audit Service is currently investigating two irregularities that have arisen during the seven month period.
- 3.6 The 2009/10 Annual Internal Audit Report will be presented to this Panel at the meeting in June 2010.

AUDIT BOARD

- 3.7 During 2009/10, an Audit Board was established comprising the Strategic Director of Resources, Head of Finance (S151 Officer) and Head of Audit and Review. The remit of the Board is set out in the Terms of Reference attached as Appendix A. The intention of the Audit Board is to support the services of the Audit and Review Unit by providing an overview and escalation function, when necessary, to ensure that recommendations arising from audit, risk management and fraud work are acted upon and implemented by management in a timely way. In addition, the Board will replace the former Corporate Governance Working Group and as such, will direct and supervise the formulation of the Council's Corporate Governance Assurance Framework by the Corporate Management Team so that processes ensure that the Annual Governance Statement is robust. Outcomes will be reported to the Audit and Performance Review Panel.
- 3.8 At the time of preparing this report, the Board had held two meetings, initially to confirm its constitution and at the second meeting, a number of performance monitoring reports were presented to:-
 - Review the programme of Internal Audit work and realign, where necessary, to ensure that the Plan continues to concentrate on key risk areas.
 - Note Internal Audit performance against the 2009/10 Audit Plan
 - Review:-
 - High and medium risk recommendations agreed, with actions and timescales.
 - Audit reports and recommendations issued where no management response has been received.
 - High/medium risk recommendations disagreed.
 - Recommendations where requests had been made for revised target dates, in order to ensure the reasonableness of the request.
- 3.9 The outcome of the second meeting was that each Directorate and the Chief Executive's Management Team (CMT) would be circulated with the above reports to confirm that the Audit Board has reviewed the list and to request an update on

progress before the next Audit Board meeting. In addition, Directorates have been notified that if no update is been before the next meeting, they will be invited to the next Board meeting to update in person.

PERFORMANCE SUMMARY

3.10 The Internal Audit Team are in a unique position to maintain an overview of all the functions and services across the organisation and, as such, has a comprehensive blend of skill and knowledge to enable a joined up approach to reviews e.g. Project Management, Data Quality / Performance Management and Local Area Agreements.

3.11 The 2009/10 Internal Audit Plan was approved in April 2009. Table 1 below shows actual performance against the original plan. Some variation has arisen due to changes in priorities and the need to respond to special circumstances but the only significant variation is in respect of Directorate service reviews where there has been a re-alignment to concentrate on the more strategic areas.

Table 1 : Performance against 2009/10 Audit Plan

Audit Area	Type	Planned Days (Full Year)	Actual Days (first 7 months)
Strategic Leadership	Governance, Comprehensive Area Assessment, Use of Resources, Risk	76	67
Managed Audit	Key Financial Systems	188	123
Audit Priorities	Service Reviews	892	432
	Financial Management Standard in Schools (FMSiS)	40	40
Irregularity & Special Investigations	NFI and other fraud prevention	78	36
Corporate Support	Advice, Support to Working Groups, Officer/Member Support	30	43
	Total Days	1304	741

3.12 During the first seven months, performance in relation to planned reviews is as shown in Table 2.

Table 2 : Performance in Relation to Planned Audit Reviews

	Number	%
Audits in progress	13	18
Audits at draft stage	4	5
Audits completed	23	32
Audits to be started	33	45
Total	73	100

3.13 Year to date performance against the Plan as at 31 October 2009 for specific audits is shown in Appendices B (i & ii). Appendix B (i) summarises the audits completed during the period, along with the overall audit opinions and the number of high / medium risk recommendations made for the audit reviews completed. Audits at draft report stage and work in progress as at 31 October are also included. Appendix B (ii) lists the audits to be undertaken in the second half of the financial year and those deferred to 2010/11 due to the re-alignment of the Audit Plan.

3.14 The opinion stated in the audit report provides management with a brief and objective assessment of the current and expected level of control over the subject audited. The overall opinion is a statement of the audit view of whether the objectives are being met; it is not a statement of fact. The categories of opinion, which are based on terminology recommended by the Institute of Internal Auditors' for classifying Audit reports, are detailed at Appendix C. A summary of the Audit opinions given for the reviews completed is shown in Table 3.

Table 3: Summary of Overall Audit Opinions

Overall Audit Opinion	Number of Reviews
Strong Controls in Place	2
Controls are in Place but Improvements would be Beneficial	18
Improvements in Application of Controls are Required	1
Urgent System Revision is Required	0
Overall Opinion Not Applicable	2
Total Completed Reviews	23

3.15 Any audits requiring urgent system revision or improvements in the application of controls are brought to the attention of the relevant Director or Head of Service to give them opportunity to ensure appropriate action is taken to ensure that the service under review is not open to any undue risk. Low risk recommendations are no longer reported but are advised to the auditee separately as potential operational improvements.

3.16 Where high-risk recommendations are made, these are followed up after 3 months to ascertain whether they have been applied as prescribed. Where they have not, this will be reported back to the Audit Board.

MAIN THEMES

- 3.17 When compiling the annual audit plan, links are made to the Council's Risk Register to ensure that a number of key strategic risks are reviewed over the year. Within our resource availability and due to having requirements within our work commitments to undertake specific audits e.g. key financial systems testing to satisfy the requirements of External Audit, it is not possible to cover all the strategic risks each year. For 2009/10, we have included the following audits from the Strategic Risk Register within our plan of work – Partnerships, Project Management, Data Security, Holyport Manor, Procurement, Civil Contingency and Emergency Planning. Whilst Recruitment and Retention is included, this review will concentrate on Criminal Record Bureau checks and the new Independent Safeguarding Authority requirements.
- 3.18 The following paragraphs give an overview to Members of the more significant themes arising from audits undertaken which have resulted in high risk recommendations being made. Where medium risk recommendations or the highest two categories of opinion were given, these are not included below.
- 3.19 The actions arising from the audit reviews and timescales for implementation below will be overseen and escalated by the Audit Board, as necessary.
- 3.20 **Corporate Governance and Annual Governance Statement:** The statutory requirement of the Accounts and Audit Regulations 2003 (as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 requiring the Council to publish annually an Annual Governance Statement (AGS), covering the whole control environment, not just financial controls, has heightened the importance of the Council maintaining the highest standards of internal control.
- 3.21 A review of Corporate Governance was carried out to assess compliance with the Council's Corporate Governance and Assurance Framework. A report was presented to the Audit Panel on the results of this review, together with audit findings and actions for the key financial systems, internal controls and other governance areas. The AGS was presented to the Audit and Performance Review Panel on 17 September 2009 and was approved to be presented to the Leader and Chief Executive for signature.
- 3.22 At the time of preparation of this report, the Self Assessment Framework used by Directorates and Heads of Service had been updated for 2009/10. The revised version also includes a number of supplementary questions, primarily covering the key areas of Balanced Scorecard, Risk Management, Procurement and Project Management. A meeting has also been arranged with Councillors McBride and Saunders (2 December 2009) to discuss their perceptions of the requirements for the development of the assurance framework and the 2009/10 Annual Governance Statement. The outcomes will be reported to the Audit Board and the governance framework and processes will be reviewed in preparation for the 2009/10 work in this area.

3.23 **Managed Audit:** During the initial months of 2009/10, we finalised the 2008/09 testing of the high level controls for a number of key financial systems to meet KPMG requirements. Systems reviewed included:-

- Treasury Management;
- General Ledger;
- Debtors;
- Cash and Banking Arrangements;
- Housing and Council Tax Benefits.

3.24 Key financial systems for 2009/10 will be reviewed between October and December 2009 and will be reported in our 2009/10 Annual Internal Audit report as part of our Managed Audit work. This enables External Audit to place maximum reliance on our work and thereby ensure that there is no duplication or extra cost to the Authority. In addition to the systems mentioned above, the key systems to be covered during the remainder of the financial year will include General Ledger, Creditors, Debtors, Cash Flow and Investments, Pensions, Cash and Bank Reconciliation Arrangements, Asset Management and Treasury Management, as well as some of the more substantial service area audits.

SERVICE REVIEWS

3.25 **Project Management:** There has been a notable increased focus on Project Management (concentrated on Major Projects) including the regular reporting of the Major Projects List to both the Chief Executive's Management Team (CMT) and Overview and Scrutiny, the recognition by senior management and Members that projects need closer management and the establishment of the Project Managers' Network. However, important controls were being overlooked, e.g. risk assessments, and the SPRUCE Project Management methodology was significantly under utilised, with only 27% of the current forms available regularly being used. This highlighted that either the use of SPRUCE needed reiterating; or it should be streamlined and made more effective; or assessed to establish whether there is an alternative more effective and efficient project methodology for the Borough.

3.26 Formal Project Management training is needed for officers and the criteria that distinguish between major and other projects needed to be corporately agreed, i.e. what defines a 'major' project.

3.27 To advance Project Management within RBWM, a formal assessment should consider whether current officers have the knowledge and experience to provide the necessary expertise, guidance and quality assurance to project managers, or whether investment in further resource would assist in achieving the desired progress and improvement.

3.28 CMT has accepted all recommendations and following consultation, SPRUCE has been assessed as a sound Project Management methodology and will be reviewed to establish its 'fitness for purpose'. Officer training is being developed and the feasibility of a specific Project Manager role for RBWM is to be considered. The definition of a 'Major Project' is to be presented to CMT for approval.

- 3.29 **Holyport Manor School Reprovision** : There were no High Risk issues highlighted in this review at the stage the draft audit was completed (October 2009). However, management should be aware that currently not all the identified s106 grant monies totalling £992,500 have been received. This s106 figure has increased due to the Football Foundation approving a lesser grant of £230k rather than the £350k which was requested. Cabinet Prioritisation Sub Committee has noted the new funding arrangements during their meeting held on 9th November 2009. Cabinet Prioritisation Sub Committee was aware that not all s106 funding was currently in and agreed to forward fund it. In addition, the resourcing implication needs to be kept under review to ensure that the project is delivered on time.
- 3.30 Overall, we believe this project is satisfactorily progressing and is on target to deliver, within the constraints put on it, the desired outcomes expected. However, in examining the processes by which the project was delivered, we have identified a number of areas in the project management methodology used that significantly increased the risks and, as such, could have led the project to not achieve its overall objectives.
- 3.31 The project is progressing well, mainly as a result of the dedication and time devoted by the project officers and the enhancement of the project management team's skills, as the project progressed. This is particularly relevant to the overall project manager who is responsible for keeping the project on track. The additional time spent however, may have been avoided had best practice in project management and the recommendations identified been in place from the commencement of the project.
- 3.32 The nature of most projects is that they are one-off and, as such, control weaknesses in the project management methodology are difficult or no longer applicable to correct after the event. This project proves to be no exception and therefore, it would add no value to retrospectively go back and complete some of the earlier project management steps that were insufficiently undertaken in the first instance. Rather, these particular findings have been incorporated into the parallel internal audit review of council-wide project management processes – where the lessons can best be applied to future Council projects undertaken.
- 3.33 We identified 33 opportunities for improvement, of which 26 were deemed “medium risk”, as a significant number relate to past risks within the project. and 7 “low risk”. Of the 26 medium risk recommendations, 19 were still relevant to this project at the draft report stage (October 2009). However, due to subsequent developments, 3 of these have now been re-categorised as low. In respect of the low risk issues, whilst these are relevant, they have this rating due to the retrospective nature of the recommendation, i.e. the events have now passed and they would add little benefit in assisting to achieve the objectives of the Project.
- 3.34 **Partnerships Follow Up**: This audit was reported upon in the 2008/09 Annual Report to this Panel and our follow up work has noted that there has been some progress made behind the scenes working on the partnership framework, e.g. guidance and the definition of a partnership, but nothing formal has been issued to officers. An extension of target dates to the end of 2009 has been requested by management to enable further progress and the formalising of guidance. There is still notable work required to be carried out to verify the level of governance standards for

all partnerships, setting up a Corporate Partnerships Register and providing an electronic corporate partnerships management service to assist officers with guidance, etc.

- 3.35 **Procurement Follow Up:** This audit was reported upon in the 2008/09 Annual Report this Panel. Our follow up work has noted that the Procurement Verification Checklist has been introduced corporately, which should help to ensure that there is a greater consistency in control over the letting of smaller contracts / consultancies. Proposals for the potential re-organisation of RBWM procurement have resulted in some aspects being put on hold, e.g. update of the Procurement Strategy, with other areas being progressed, e.g. on-line learning tool, retention policy.
- 3.36 **Data Quality and Performance Management:** There has been an increased management focus in this area with the introduction of the National Indicators and the on-going scrutiny of the Balanced Scorecard. Since the previous internal audit report (issued in February 2008), we found an improved reliability in the data collection processes, the data produced and performance scrutiny. However, exceptions were still found in all areas reviewed and further improvements are still needed to ensure that all Indicators are subject to a reliable verification process within each Directorate. Training on corporate data quality requirements is to be arranged for relevant officers in the coming months.
- 3.37 **Child Protection:** The Internal Audit report, issued in July 2009, highlighted a number of areas for improvement and these are being followed up on a monthly basis by Internal Audit, in respect of implementation. These covered the examination of tasks currently carried out by Social Workers, improvement in communication i.e. within First Class and completion of electronically held records. In addition to this review, the Local Children's Safeguarding Board has undertaken and overseen a number of other reviews and an external review has taken place concentrating on efficiency and value for money within the Safeguarding area. The outcome of the latter is awaited and the findings will be taken to Scrutiny in December 2009. Ofsted have stated that the report produced in respect of a serious case review within the Authority was good. The service is still awaiting an unannounced external Inspection.
- 3.38 **Decriminalised Parking:** A key tool for the analysis of data produced by the Decriminalised Parking and Enforcement operation is the Chipside System but continuing incompatibility between this system and RBWM's Microsoft Office Suite, inaccuracies and its limited reporting functionality prevent the proper collection and analysis of data for effective performance management. The reasons for the apparent system conflict between Chipside and RBWM Microsoft Office need to be fully investigated. Following satisfactory resolution of the systems' conflict, the facility to routinely export data from Chipside to Excel should be implemented.
- 3.39 **Assessments, Purchasing, and Contract Monitoring:** Overall, there are adequate systems and processes in place to carry out the assessments and purchasing of care for Older People. The main area requiring action was in respect of the Care Providers Contracts where few had been issued prior to September 2006. Since 2006, standard contracts have been issued but a significant number of these have not been returned signed. As such, the Council may not have legal standing in case of a contractual dispute. Management explained that there are major resource issues

in the Accreditation and Monitoring Team (a staff post has not been filled because of the saving requirements for 2009/10); however, a review will be undertaken.

- 3.40 **NNDR:** A routine for the quarterly reconciliation of the NNDR system and the General Ledger has been introduced and is being monitored by the Head of Revenues and Benefits. Further progress has been made in other areas, e.g. the independent review of the Valuation Office reconciliations, and the extent of this progress will be assessed as part of the NNDR audit work arranged for Quarter 3 of 2009/10.
- 3.41 **Council Tax:** The reconciliation of the Council Tax system and the General Ledger is also part of the quarterly reconciliation routine that has been introduced and is also being monitored by the Head of Revenues and Benefits. Progress has been made in other areas, e.g. the prompt reconciliation of the Valuation Office Listings, and the extent of this progress will be verified as part of the Council Tax audit work arranged for Quarter 3 of 2009/10.
- 3.42 **Financial Management Standard in Schools (FMSiS) and Schools Audits:** Assessments for 12 schools were completed in the period April to October 2009 with 9 being assessed as meeting the Standard. Local action plans have been put in place to address those areas identified requiring action.
- 3.43 The overall findings of the reviews give a good degree of assurance over the adequacy of financial management and internal control arrangements in place. A further cycle of assessments will be undertaken during quarter 3 and the ambition is to complete 13 assessments within the current academic year with the remaining 1 finalised by March 2010, in line with the timetable for the Department for Children, Schools and Families (DCSF).
- 3.44 **Proactive Anti Fraud and Corruption Work:** We continue to undertake work during the year to deter the incidence of fraud both within the Council and externally, especially within the current climate when fraud has become more prevalent.
- 3.45 Work is ongoing to develop a fraud awareness E-Learning package that will be rolled out to officers and Members to raise awareness of fraud – how / why it might arise and what to do if anyone suspects a fraud.
- 3.46 We shall also review the recent Audit Commission publication “Protecting the Public Purse” to ensure that we are targeting areas within the Council that might be more vulnerable to fraud.
- 3.47 Benefit Fraud Awareness training sessions have taken place with the Customer Service Centre officers and further training will be provided to other officers over the remainder of the year.
- 3.48 In addition, a proactive benefit fraud exercise will be undertaken in liaison and in partnership with the Council’s Licensing Service and the Police.

- 3.49 There has been publication of the various Benefit Fraud successes in local newspapers and a 2008/09 Benefit Fraud Newsletter was issued to all staff to further raise fraud awareness.
- 3.50 **Irregularity Investigations:** There are 2 irregularity investigations currently underway and being prepared for referral to the Police. One involves a fraudulent attempt to claim a grant and the other relates to the internal theft of money amounting to over £1,600.
- 3.51 **Additional Work Requested by Management:** In addition to the planned work, management made specific requests to Internal Audit to undertake work e.g. advisory work, increased requests for financial appraisals and a request by the Head of Finance to review Local Area Agreements to identify any shortfall in process following a change of responsible officer.
- 3.52 **National Fraud Initiative (NFI):** The results of the data provided earlier in 2009 have identified 1,100 priority matches, equivalent to savings of approximately £21.5k. Sixteen cases are under investigation, one fraud has been identified. The main savings are related to Housing Benefit payments and Berkshire Pension Fund payments to deceased pensioners. The fraud identified involved payments made after the death of a pensioner, which was not notified. Considerable sums of money have been taken from the pensioner's bank account by another person. The Bank is investigating.
- 3.53 **Housing and Council Tax Benefit Fraud Investigations:** Table 4 summarises the results of the Benefit Fraud Team investigations from 2006/07 to 2009/10 (to 31 October 2009) and Table 5 shows the number of sanctions to be accepted. Results show that progress in investigating benefit frauds has been good to date. The reduced value of Department of Work and Pensions (DWP) overpayments identified is due to them suffering information technology problems during the period so joint working has not been possible for several cases.

Table 4 : Results of Benefit Fraud Team 2006/07 to 2009/10 (to 31 October 2009)

Statistic	2006/07 (Full Year)	2007/08 (Full Year)	2008/09 (Full Year)	2009/10 (to 31/10/09)
Number of benefit fraud referrals	491	474	397	418
Number of cases investigated and closed	304	399	230	227
Number of Cautions	7	10	2	3
Number of Administrative Penalties	23	33	26	16
Number of Prosecutions	7	18	24	7 (9 cases pending)
Fraud overpayments identified (LA)	£460K (incl DWP)	£557K (incl. DWP)	£350K (exc. DWP – see below)	£186K (exc. DWP – see below)
Fraud overpayments identified (DWP)			£159K	£22K
Value of Administration Penalties	£23K	£21K	£12K	£9K

Table 5 : Summary of Sanctions in Progress (to be accepted as at 31 October 2009)

Sanctions in Progress (to be Accepted as at 31 October 2009)	Number
Cautions	0
Administrative Penalties	4
Prosecutions	9
Total Sanctions Waiting to be Accepted as at 31/10/09	13

3.54 **Support to Working Groups and Projects:** Internal Audit has been represented at several of the Council's corporate working groups in order to proactively enable audit advice to be built into the development of systems and procedures. In particular, Internal Audit has been represented at the group implementing the new Trent Payroll System, Fleet Management, and Information Security Working Groups. In addition, attendance at these groups assists in informing the audit work in terms of keeping the Audit Team up to date with current developments.

4. OPTIONS AVAILABLE AND RISK ASSESSMENT

4.1 OPTIONS

	Option	Comments	Financial Implications
1.	To accept this report and note the progress made by Internal Audit in delivering the 2009/10 Internal Audit Plan in the first seven months of the financial year and the issues arising from the audits. This will ensure that the Council meets its requirements under S151 of the local Government Finance Act 1972 and the Accounts and Audit Regulations 2003 (as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 and that the Panel meets this requirement within their Terms of Reference.	The implementation of Option 1 will ensure that the Council meets its statutory requirements. Failure to do so may result in a qualification in the External Auditors' Annual Management Letter.	Revenue - Officer time in dealing with provision of the Internal Audit Service. Capital - None
2.	To accept this report with amendments.	Members may wish to request that this report is amended / altered if they feel that there are material issues which have not received sufficient emphasis or if there are specific issues the report is deficient in.	Revenue - Officer time in dealing with provision of the Internal Audit Service. Capital - None
3.	Not approve this report.	This may expose the Authority to unnecessary risks by not having an adequate internal control framework leading to poor performance, poor outcomes for service users/citizens and a specific attributable negative impact on the Council's Comprehensive Area Assessment.	Revenue - Officer time in dealing with provision of the Internal Audit Service. Capital - None

4.2 RISK ASSESSMENT

Risk	Uncontrolled Risk	Controls	Controlled Risk
1. Failure of the Internal Audit Service to adequately plan and undertake audit reviews leading to failure of the Council to meet its statutory requirements. The Council's key systems and services are consequently at risk of not achieving their objectives in the most economic, efficient and effective way thus being exposed to misappropriation / fraud.	HIGH	Ensure and demonstrate internal audit coverage and compliance with nationally recognised standards for internal audit. Provide a regular written progress report of the work of internal audit to those charged with governance for endorsement.	LOW
Risk	Uncontrolled Risk	Controls	Controlled Risk
2. Failure to provide assurance that the work of the Internal Audit Service properly supports the RBWM governance framework and the content of the Annual Governance Statement leading to impact on the CAA governance score and a requirement for additional External Audit work at an enhanced cost to the Council.	HIGH	Internal audit coverage included as part of the governance assurance framework and informing the Annual Governance Statement. Internal Audit coverage of External Audit's managed audit requirements.	LOW

5. CONSULTATIONS CARRIED OUT

- 5.1 Consultations on service priorities and risk management with the Section 151 Officer, the reporting Member, all Directorate Management Teams and the Audit Commission took place in preparing the 2009/10 Internal Audit Plan.
- 5.2 Management and staff have been consulted prior to and during the course of the audit reviews and at the conclusion of audits, to ensure that audits have been timed to suit both parties, to incorporate managements' priorities and to agree a course of action to implement the recommendations made.

6. IMPLICATIONS

6.1 The following implications have been addressed where indicated below.

Financial	Legal	Human Rights Act	Planning	Sustainable Development	Diversity & Equality
N/A	Y ¹	N/A	N/A	N/A	N/A

1. Statutory basis for Internal Audit stems from the Accounts and Audit Regulations 2003 (as amended by the Accounts and Audit (Amendment) (England) Regulations 2006), which require every local authority to maintain an adequate and effective internal audit of their financial affairs. In addition, under S151 Local Government Finance Act 1972, the Head of Finance is responsible for ensuring that proper arrangements exist for the management of the Council's financial affairs. Reliance upon Internal Audit is fundamental to the fulfilment of that responsibility.

Background Papers:

2009/10 Internal Audit Annual Plan;

Accounts and Audit Regulations 2003 (as amended by the Accounts and Audit (Amendment) (England) Regulations 2006);

S151 Local Government Finance Act 1972;

CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (the Code)

Authorisation:

	Legal	Finance	Planning	Property	Procurement	SMT
Name:	Maria Lucas	Andrew Brooker	N/A	N/A	N/A	SMT
Date Approved:	31/10/09	31/10/09	N/A	N/A	N/A	1/12/09

	Directors' Group	Lead Member	Ward Cllrs (if Appropriate)	Leader's Office	Scrutiny Panel
Name:	N/A	Cllr Mc Bride (2/12/09) Cllr Hilton (4/12/09)	N/A	N/A	N/A
Date Approved:	N/A	2/12/09 & 4/12/09	N/A	N/A	N/A

RBWM COUNCIL AUDIT BOARD

INTENTION

The intention of the Audit Board is to support the services of the Audit and Review Unit by providing an overview and escalation function, when necessary, to ensure that recommendations arising from audit, risk management and fraud work are acted upon and implemented by management in a timely way. In addition, the Board will replace the former Corporate Governance Working Group and as such, will direct and supervise the formulation of the Council's Corporate Governance Assurance Framework by the Corporate Management Team so that processes ensure that the Annual Governance Statement is robust.

Outcomes will be reported to the Audit and Performance Review Panel.

TERMS OF REFERENCE

Audit Board Responsibilities and Scope

1. Regularly note the programme of Internal Audit work and performance of Internal Audit to ensure that audit coverage is focused appropriately and adequately resourced.
2. Consider internal audit reports on internal controls, including significant/high risk findings and recommendations. Review management progress in the implementation of audit recommendations to support the audit process and RBWM's control framework.
3. Review the adequacy of managements' responses and timely actions to issues identified by Internal Audit. Where necessary, discuss with service management the findings of the internal and external auditors' review of the Council's internal control systems.
4. Consider the implication of repeat recommendations, audit reports attracting the lowest category of audit opinion (urgent system revision is required) and trends arising from Internal Audit findings to encourage best practice.
5. Consider the approach for the annual review of the effectiveness of the Council's system of Internal Audit, note the outcome of the review and agree the conclusion.
6. Annually consider the Risk Management Strategy to ensure that it is properly focussed. Receive quarterly reports on the management of the key operational and strategic risks facing the Council and progress on the completion / review of the Corporate Risk Register to enable scrutiny and challenge.
7. Monitor policies on 'Raising Concerns at Work (Whistleblowing)' and the Anti-Fraud and Anti-Corruption Strategy and review counter fraud activities and lessons learnt.
8. Direct and supervise the Council's governance assurance framework and processes to ensure that the approach in preparing the Annual Governance Statement is robust.

3. Board Composition

The Strategic Director of Resources considers that the Board should comprise of the following officers:-

- Anthony Kemp, Strategic Director - Resources - Chair
- Andrew Brooker, Head of Finance
- Catherine Hickman, Head of Audit and Review

Attendees

- Principal Auditor, Insurance and Risk Manager, Finance Heads

Called in as required

- Service Heads & Services Directors.

4. Meeting Schedule

The Board will initially seek to hold meetings on a monthly basis.

AUDITS PROGRAMMED

YEAR	TYPE
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2009/10 Cross Cutting
2009/10 Cross Cutting
2009/10 Cross Cutting
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2009/10 Cross Cutting
2009/10 Cross Cutting
2008/09 Cross Cutting
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2009/10 Key Financial Systems
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2009/10 Key Financial Systems
2009/10 Adult & Community Services
2009/10 Adult & Community Services
2009/10 Children's Services
2009/10 Children's Services
2009/10 Environment
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2009/10 Environment
2009/10 Environment
2009/10 Environment
2009/10 Planning & Development
2009/10 Planning & Development
2009/10 Anti Fraud & Corruption
2009/10 Anti Fraud & Corruption
2009/10 Computer Audit
2009/10 Contract Audit

Cross Cutting
Cross Cutting
Cross Cutting
Cross Cutting
Key Financial Systems
Policy & Performance
Resources
Resources
Resources
Adult & Community Services
Adult & Community Services
Adult & Community Services
Children's Services

AUDIT TITLE

AUDITS PROGRAMMED

Corporate Governance & Annual Statement on Governance
 Information Management (Records Management & Data Protection)
 Customer Services Centre
 Performance Management & Data Quality
 Local Public Sector Agreements incl. Pump Priming Grants
 Health & Safety
 Recruitment, Retention (incl Succession Planning, CRB & ISA)
 External Funding (HPG Grant)
 Assessment of Effectiveness of System of Internal Audit
 Use of Resources
 Pensions Governance & Payroll Follow-up
 Cash Flow, Investments, Loans
 Housing & Council Tax Benefits
 Council Tax
 NNDR
 Capital Programme, Accounting & Expenditure Monitoring
 Transforming Social Care (inc Direct Payments)
 Receiverships & Appointeeships
 Fostering & Adoption
 Youth Services
 Property Services
 Refuse Collection/Waste Contract/Recycling
 Trading Standards & Licensing
 Highways Services Contract Management
 Control Room inc CCTV
 Integrated Transport
 Civil Contingency & Emergency Planning
 Joint Strategic Planning Unit
 Identification of increased fraud potential in service delivery
 Proactive Fraud & Corruption Work
 Special Investigations / Irregularities
 Computer Audit (Incl Information Governance & Data Security)
 Contract Audit

AUDITS DEFERRED TO 2010/11

Agency Staff Contract
 Sessional Staff
 Sustainability
 Enterprise Risk Management*
 Budgetary Control
 Corporate Communications, Marketing and Consultations
 HR Policy Review
 Land Charges
 Legal Services - Implementation of Policy
 Supporting People
 Meals on Wheels (follow-up)
 Asylum Seekers
 Primary Strategy for Change (inc Formula & Capital)

Reasons for deferrals - Audit Plan realigned to concentrate on more strategic risks

**Risk Management audit deferred due to KPMG review*

Audit Opinion

The opinion stated in the audit report provides management with a brief objective assessment of the current and expected level of control over the subject audited. It is a statement of the audit view of whether the objective is being met; it is not a statement of fact. The opinion should be independent of local circumstances but should draw attention to any such problems to present a rounded picture.

AUDIT OPINION DEFINITIONS

Strong controls are in place

- Key/compensating controls exist and are applied consistently and effectively.
- Objectives are being achieved efficiently, effectively and economically.
- Risks are managed.
- Procedures, laws and regulations are complied with.
- Assets are safeguarded.
- Information reliable
- Small number of relatively minor recommendations to address.

(Minimal risk of serious loss or error)

Controls are in place, but improvements would be beneficial:

- Key controls exist but there may be some inconsistency in application.
- Compensating controls are operating effectively and generally procedures are adequate.
- Objectives generally achieved except for some identified weaknesses.
- Some procedures, laws and regulations may not be properly complied with.
- Some assets may not be safeguarded.
- Some information may be unreliable.
- Minor shortfalls in risk management.

(Some risk of loss, fraud, impropriety, or damage to reputation)

Improvements in application of controls are required:

- Key controls exist but they are not applied, or significant evidence that they are not applied consistently and effectively.
- Procedures exist but are inadequate and/or ineffective. Modification required.
- Objectives are not being met, or are being met without achieving efficiency and effectiveness.
- Some assets may be at risk.
- Major shortfalls may exist in risk management.
- Information inaccuracies may occur.

(Increased risk of loss, fraud, impropriety, or damage to reputation)

Urgent system revision is required:

- Key controls do not exist.
- Lack of procedures, or procedures not being followed.
- Council rules and regulations and/or statutory requirements are not complied with.
- Objectives are not being met.
- Information is unreliable.
- Assets are vulnerable.
- Risks are not being effectively identified and managed.

(High risk of loss, fraud, impropriety, or damage to reputation)

