INTERNAL AUDIT SERVICE:
INTERIM PROGRESS REPORT
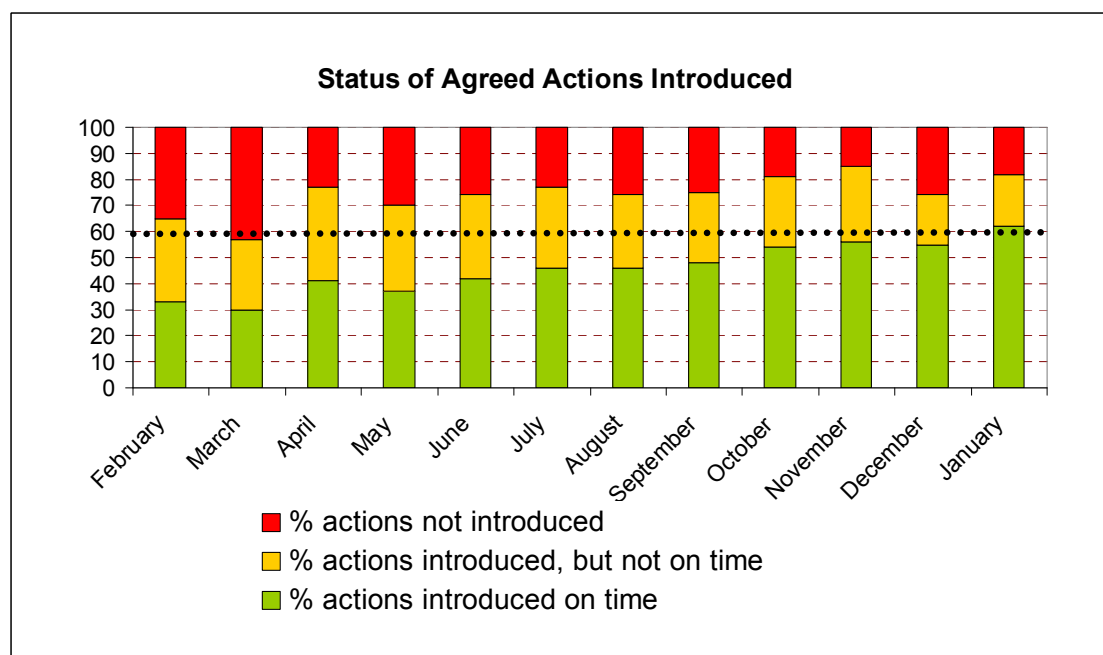**(Report by the Audit & Risk Manager)**

1.   Purpose

1.1   To receive an interim report covering the period August 2008 to January 2009, on the progress made to deliver the annual audit plan for the period ending July 2009 and associated performance issues.

2.   Delivery of 2008/09 Audit Plan

2.1   Members will recall that in December 2007 they approved changes to the internal audit plan and reporting year, moving the planning cycle away from the financial year to more closely fit with the governance reporting timetable. The internal audit plan for 2008/09 was reported to the Panel in June 2008.

2.2   Whilst there have been staffing changes during the six month period it is expected that the agreed audit plan will be delivered as approved. 3 IT audits have been delayed due to the involvement of ITC staff with the office move, but these have been re-arranged and will be completed before the end of July.

2.3   In addition to the audit plan the following fraud based reviews have been undertaken - preparing and reviewing information submitted to the national fraud data matching initiative, an establishment 'ghost' employee review, fraud/ethical awareness survey and fraud risk assessment. Guidance has also been provided on an ad-hoc basis on a wide variety of issues.

2.4   Details of all the audits that have been issued in the reporting period are shown in Annex A. All completed audit reports are available via the internal audit intranet pages.

3.   Implementation of Agreed Actions

3.1   The performance indicator included in the internal audit service plan, that 60% of agreed actions should be implemented on time has been achieved. The target is assessed on a rolling 12 month basis and the graph below illustrates performance from February 2008 to January 2009.

Status of Agreed Actions Introduced

■ % actions not introduced
■ % actions introduced, but not on time
■ % actions introduced on time

3.2 The improved performance – 62% introduced on time and 20% introduced late - in introducing audit actions will be reflected in my annual assurance opinion, and if continued to be achieved will allow this issue to be removed from the corporate governance statement. The table at Annex B shows the split between red and amber actions and by Directorate. (The figures as at 28 February show 63% of actions introduced on time and 20% introduced late).

3.3 Of the actions not yet implemented the three detailed in Annex C are red actions that must be implemented to solve major control weaknesses.

3.4 The 60% performance indicator will remain on the Head of Service's balanced scorecard measures which are reported to COMT quarterly. It is my intention to review the performance measure if the same level of performance is achieved over the next 12 months.

4.   Internal Audit's Performance

4.1 Information in respect of the performance of the internal audit service is attached at Annex D.

5.   Recommendation

5.1 It is recommended that the Panel note the report.

ACCESS TO INFORMATION ACT 1985
Internal Audit Reports
Internal Audit Performance Management Information

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**Summary of Internal Audit Reports issued during the period
1 August 2008 to 31 January 2009**

Audit area	Level of assurance				Agreed action status		
	Substantial	Adequate	Limited	Little	Red	Amber	The risk identified has been accepted by the Manager[1]
Key Financial Systems							
National Non Domestic Rates	✔				---	---	
Debtors		✔			0	6	
Other systems reviews							
Commercial Rents & Estate Management	✔				0	4	
Choice Based Lettings	✔				0	6	
Event Management		✔			---	---	
Discretionary Service Charges		✔			0	3	
Equipment Servicing		✔			0	3	
IT Application Review – IDOX		✔			0	3	
Sharepoint – Content Management		✔			0	3	1
Leisure Centres		✔			0	10	
Risk Management Arrangements		✔			1	2	
Grounds Maintenance		✔			1	5	
Income Generation			✘		1	5	
Business Continuity & Disaster Recovery			✘		4	2	
Monitoring of Recruitment to 'High Risk' Posts			✘		4	18	
Computer Audit							
Email Controls		✔			0	1	
Helpdesk		✔			0	1	
IT Security		✔			14	14	
Project Management			✘		1	3	
ICT Strategy			✘		2	4	

There are occasions when a risk identified during an audit is acknowledged and accepted by a Manager and they decide that no further action is required. The right hand column of this table records all those instances.

All audit reports can be accessed by Members via the Internal Audit intranet site.

REMINDER

Substantial Assurance	✔✔	*There are no weaknesses in the level of internal control for managing the material inherent risks within the system. Testing shows that controls are being applied consistently and system objectives are being achieved efficiently, effectively and economically apart from any excessive controls which are identified in the report.*
Adequate Assurance	✔	*There are minor weaknesses in the level of control for managing the material inherent risks within the system. Some control failings have been identified from the systems evaluation and testing which need to be corrected. The control failings do not put at risk achievement of the system's objectives.*
Limited Assurance	✘	*There are weaknesses in the level of internal control for managing the material inherent risks within the system. Too many control failings have been identified from the systems evaluation and testing. These failings show that the system is clearly at risk of not being able to meet its objectives and significant improvements are required to improve the adequacy and effectiveness of control.*
Little Assurance	✘✘	*There are major, fundamental weaknesses in the level of control for managing the material inherent risks within the system. The weaknesses identified from the systems evaluation and testing are such that the system is open to substantial and significant error or abuse and is not capable of meetings its objectives.*

Implementation of Agreed Actions
Summary of the Actions Database as at 31 January 2009

	Status of Action			
	Introduced on time	Introduced Late	Not introduced	**TOTAL**
Red Action	8	0	3	**11**
Amber Action	50	19	13	**82**
Total	58	19	16	93
% age	**62%**	**20%**	**18%**	
	Red / Amber	Red / Amber	Red / Amber	
Central Services	4 / 16	0 / 7	2 / 8	**37**
Commerce & Technology	3 / 30	0 / 9	1 / 4	**47**
Operational Services	1 / 4	0 / 3	0 / 1	**9**
Total	8 / 50	0 / 19	3 / 13	93

A sample of actions that have been reported as being completed are checked annually to see that the action introduced sufficiently addresses the risk that has been identified.

If during the review of actions introduced it is found that the action taken does not fully deal with the risk then the action that has been taken to address the risk identified is discussed with the appropriate manager and if necessary, changes to the database are made to reflect the actual position.

The next follow up review of agreed audit actions is planned for the quarter ending July 2009. The findings from this review will be taken into account when the annual assurance opinion is formulated.

'Red' Actions Outstanding

Audit	Head of Service	Action Agreed	Agreed Implementation Date	Head of Service's statement re current position[1]
Staff Recruitment	Acting Head of People, Performance & Partnerships	All employees who conduct interviews are to receive equal opportunities and other appropriate interview training.	31/03/2008	All Managers have been offered equal opportunities training. Over the last 12 months a series of courses have been undertaken[2].
IT Change Management 2007	Head of Information Management Division	We will control each access to our systems and will require suppliers to: 1) to identify why they are accessing the system; 2) to supply us with a written protocol stating how they control access & safeguard our data.	31/12/2008	Action 1) is complete – system suppliers contact the Help Desk and state details of the access requirement before being allowed controlled access. Action 2) IMD is in the process of reviewing existing protocols with suppliers to further tighten control over access and data security. We are working towards ensuring all new contracts will stipulate tighter controls over the access to Council systems for support purposes.

[1] This is the position as at 27 February.
[2] This action is sufficient to address the agreed action, and the action is no longer considered to be outstanding.

'Red' Actions Outstanding

Audit	Head of Service	Action Agreed	Agreed Implementation Date	Head of Service's statement re current position[1]
Business Continuity and Disaster Recovery	Head of Democratic and Central Services	Service Recovery Plan will be updated to reflect the most recent risk assessment conducted. Further work is required on prioritisation of services.	31/12/2008	Work is ongoing to update the prioritisation of services and the Service Recovery Plan itself.

Internal Audit Performance

1. **External audit view of internal audit**

   Target: Adequate or better
   Achieved: Satisfied

1.1   The external auditor continues to be satisfied with the work of the internal audit service.

2. **Customer Satisfaction**

   Target: 85% or more of customers rating service quality as good
               or better.
   Achieved: 12 months to January 2009 - 100%

2.1   At the conclusion of all audits, managers are requested to complete an end of audit survey form and give an opinion on the value of the audit. The options available are – excellent, very good, good, fair and poor. Target information is calculated on a rolling twelve month basis rather than by financial year.

2.2   The Head of Financial Services has also undertaken his annual customer satisfaction survey with senior managers. Whilst the overall percentage has fallen, it still remains high.
   - April 2004   81%
   - April 2005   90%
   - April 2006   96%
   - April 2007   85%
   - April 2008   83%

3. **Introduction of Agreed Actions**

3.1   See paragraph 3 of the main report.

4. **Service delivery targets**

   Target: 80% or more of service delivery targets achieved.
   Achieved: 12 months to January 2009 – 72%

4.1   There are four elements to this target which all relate to the progress of individual audits and the reporting process:
   - Complete audit fieldwork by the date stated on the audit brief
   - Issue draft audit reports within 15 working days of completing fieldwork
   - Meet with customer and receive response allowing draft report to progress to final within 15 working days of issuing draft report
   - Issue final audit report within 5 working days of receiving full response

4.2   Performance indicators are prepared monthly. The targets are also reflected in staff's key performance development targets within the annual appraisal process. Achievement of the targets requires internal audit staff to develop and maintain good working partnerships and the customer's co-operation throughout the period of the audit.

4.3   Performance at 31 January 2009 for each of the target areas is shown below.

	Target	Overall		*Excl. Computer Audit*	
Complete audit fieldwork by the date stated on the audit brief	75%	⬆	**77%**	⬆	*77%*
Issue draft audit reports within 15 working days of completing fieldwork	90%	⬇	**72%**	⬇	*83%*
Meet with customer and receive response allowing draft report to progress to final within 15 working days of issuing draft report	75%	⬇	**59%**	⬌	*75%*
Issue final audit report within 5 working days of receiving full response	90%	⬇	**80%**	⬆	*96%*
Overall	80%	⬇	**72%**	⬆	*83%*

4.4   The overall service delivery targets include all audit reviews undertaken by both internal audit staff and the external computer auditors. The non achievement of the targets is disappointing. When computer audit reviews are excluded from the targets, then 3 of the 4 targets are met. The reasons why the targets have not been achieved by the computer auditors is known and steps have been taken to improve performance over the next 12 months.

5.   Service Improvements

5.1   Following the self assessment and peer review of Internal Audit, reported to the Panel in June 2008, an action plan was agreed. The current position is shown overleaf.

5.2   Developments introduced in the previous six months include
  • the expansion of the extranet service to authorities outside Cambridgeshire
  • reviewing how individual audit opinions affect mitigating controls recorded in the risk register and controls assurance
  • reviewing the fraud risk assessment

5.3   Internal audit work has continued to be provided to St Neots Town Council.

Internal Audit Self Assessment – Action Plan

Standard	Self assessment question	Response	Date to be introduced by	Current Position
3.3.4	Are audits of particular parts of the Council rotated between audit staff to ensure independence of approach?	It is necessary to balance rotation with the benefits of existing experience in the allocation of audits when the audit team is few in number. The audit manager rotates audits where it is beneficial and personally reviews the audit brief and quality during the course of each audit. This would highlight any over-familiarity or complacency.	Under constant review.	No change.
10.2.7	Does the Audit & Risk Manager have mechanisms in place to ensure that risk registers are updated following internal audit reviews?	Managers are responsible for their own risk register entries, including assessing the effectiveness of internal controls. The process for agreeing changes to the risk register is being developed.	31 August 2008	After agreeing actions, Auditors update the risk register, controls assurance records. Suggested changes to key controls will also be made to the relevant Manager.
11.1.1	Is the audit manual reviewed regularly and updated to reflect changes in working practices and standards?	The audit manual contains detailed procedures explaining the whole auditing process and is regularly updated. The recent introduction of electronic working papers and changes to the storage of audit records needs to be reflected in the manual.	30 September 2008	Updated. Further reviews now required to reflect risk management changes.
11.3.3	Does the Audit & Risk Manager compare the performance and the effectiveness of the service over time, in terms of both the achievement of targets and the quality of the service provided to the user?	Internal audit were members of the CIPFA Audit Benchmarking Group from 2001. It was decided not to join the Group in 2007/08 as the output was becoming less useful due to the fall in District Council members. The decision to re-join will be reviewed each year. Annual and end of audit survey forms are issued to auditee's to allow them to comment upon the service they receive.	Decision on joining will be taken annually.	Information received from CIPFA in January 2009. Decision taken not to join for 2009/10. End of audit survey forms are still issued at the end of each audit.