

Borough Council of
**King's Lynn &
West Norfolk**



RESOURCES AND PERFORMANCE – AUDIT AND RISK COMMITTEE

**Tuesday 26 February 2013
at 6.00 pm**

Committee Suite
King's Court
Chapel Street
King's Lynn
Norfolk
PE30 1EX



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Borough Council of
**King's Lynn &
West Norfolk**



King's Court, Chapel Street, King's Lynn, Norfolk, PE30 1EX.
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18 February 2013

Dear Member

Resources and Performance – Audit and Risk Committee

You are invited to attend a meeting of the above-mentioned Committee which will be held on **Tuesday 26 February 2013**, at **6.00 pm** in the **Committee Suite, King's Court, Chapel Street, King's Lynn**, to discuss the business shown below.

Yours sincerely

Chief Executive

AGENDA

1. Apologies for absence

To receive any apologies for absence.

2. Minutes

To approve the minutes of the Resources and Performance – Audit and Risk Committee meeting held on Tuesday 27 November 2012 (previously circulated).

3. Declarations of Interest

Please indicate if there are any interests which should be declared. A declaration of an interest should indicate the nature of the interest (if not already declared on the Register of Interests) and the agenda item to which it relates. If a disclosable pecuniary interest is declared, the Member should withdraw from the room whilst the matter is discussed.

These declarations apply to all Members present, whether the Member is part of the meeting, attending to speak as a local Member on an item or simply observing the meeting from the public seating area.

4. **Urgent Business Under Standing Order 7**

To consider any business which, by reason of special circumstances, the Chairman proposes to accept as urgent under Section 100(b)(4)(b) of the Local Government Act 1972.

5. **Members Present Pursuant to Standing Order 34**

Members wishing to speak pursuant to Standing Order 34 should inform the Chairman of their intention to do so and on what items they wish to be heard before the meeting commences. Any Member attending the meeting under Standing Order 34 will only be permitted to speak on those items which have been previously notified to the Chairman.

6. **Chairman's Correspondence** (if any)

7. **Matters referred to the Committee from other Council Bodies and responses made to previous Committee recommendations/requests**

To receive comments, and recommendations from other Council bodies, and any responses subsequent to recommendations, which this Committee has previously made. (N.B. some of the relevant Council bodies may meet after dispatch of the agenda).

8. **Internal Audit Plan 2012/13 – progress report for the quarter October to December 2012** (pages 1 to 9)

Members are asked to approve the report on the Internal Audit work plan for October to December 2012.

9. **Audit and Risk Committee Work Programme** (pages 10 to 11)

Committee Members are invited to consider the attached Audit and Risk Committee's Work Programme.

10. **Date of Next Meeting**

To note that the next meeting of the Resources and Performance - Audit and Risk Committee will take place on **Tuesday 27 March 2013**.

To: Panel Members – Councillors P Beal (Chairman),
C Manning (Vice-Chairman), D J Collis, J Collop, Mrs S Collop, C J Crofts,
M Hopkins, H Humphrey, M Langwade, J Loveless, A Morrison,
D Tyler, A White, T de Winton and A Wright

Portfolio Holders:

Agenda Item 8

Councillor N Daubney, Leader and Portfolio Holder for Resources

Chief Executive

Deputy Chief Executive and Executive Director, Finance and Resources

All other Executive Directors

Audit Manager

Press

Officers: The following Officer has been invited to attend in respect of the item listed below:

Agenda Item 8: Kate Littlewood, Audit Manager

AUDIT AND RISK COMMITTEE REPORT

TYPE OF REPORT: Audit	Portfolio: Performance
Author Name: Kate Littlewood	CONSULTATIONS:
Tel.: 01553 616252	
Email: kate.littlewood@west-norfolk.gov.uk	
OPEN	

Committee: Resources and Performance – Audit & Risk Committee

Date: 26th February 2013

Subject: Internal Audit Plan 2012/13 –progress report for the quarter October to December 2012

Summary	This report shows the Internal Audit activity for the quarter October to December 2012 against the Strategic Audit Plan 2012/15.
Recommendation	Members are asked to approve the report on the Internal Audit work plan for October to December 2012.

1.0 INTRODUCTION AND BACKGROUND

- 1.1 The CIPFA Code of Practice for Internal Audit in Local Government requires Internal Audit to have an annual plan. Performance against the plan should be monitored by the Audit Manager and reported during the year to the Audit and Risk Committee. The Code also requires the Audit Manager to record the findings, conclusions and recommendations arising from the audits undertaken and to obtain assurances that recommendations are being implemented. This report satisfies these requirements.
- 1.2 The Strategic Audit Plan 2012/15, endorsed by the Audit and Risk Committee on 31st January 2012, set out the work Internal Audit expected to carry out during the year 2012/13.

2.0 Audit work in the quarter October to December 2012

- 2.1 On completion of each audit a formal report is issued to the relevant line managers, the Executive Director and Portfolio Holder. Copies are also sent to the Chief Executive and the Chief Accountant. The report contains an action plan, with target dates, that has been agreed with the managers to address the observations and recommendations raised by Internal Audit.

AGENDA ITEM 8

This forms the basis of the follow-up audit, which is carried out approximately six months later to assess progress in implementing the agreed actions.

2.2 *Reports issued during the quarter*

The following audits have been completed during the last quarter and reports issued as described above:

- **Creditors and Payments**
- **Treasury and Cash flow Management, including Bank reconciliations**
- **Payroll including Members' expenses**
- Energy Conservation and Management
- Procurement
- Business Continuity including ICT Disaster Recovery
- Economic Development
- Refuse and Recycling
- Housing Standards
- Car leasing Follow-up
- Grounds Maintenance and Hire Follow-up
- Wireless Network Follow-up
- Corporate scanning Unit Follow-up

The audits shown in bold are core audits. A summary of the reports is attached as **Appendix 1** and the full versions are available to members of the Audit & Risk Committee on InSite.

2.3 *Work ongoing*

The following audits were ongoing at the end of the quarter and will be reported to the Committee in the next quarterly report.

- Data Protection and Freedom of Information
- Environmental Health & Housing Administration and Systems

2.4 *Other work carried out in the quarter*

Apart from the standard audits, Internal Audit also undertook other work during the last quarter including an investigation into stock deficits at the Corn Exchange bar, for which a report is currently being finalised.

Further work was also completed on examining Members' expenses. This was in addition to the work carried out as part of the payroll audit and had been prompted by an issue raised during the previous payroll audit and the on-going interest in Members' expenses in the media. The report is summarised in Appendix 1 and has been placed on InSite as usual.

3.0 Changes to the audit plan

- 3.1 As reported verbally during the last progress report, the Audit Manager has decided to put audits of Council Tax and NNDR, and Benefits on hold for this plan.
- 3.2 This decision was taken after discussion with the Executive Director, Finance and Resources, and the Revenues and Benefits Manager. The implementation of the shared service with North Norfolk and the subsequent stresses of learning a new system and dealing with issues arising from the data conversion from Northgate to Civica whilst continuing to deliver an acceptable level of service, means that it is not practical or useful for an internal audit to be carried out effectively at this time. The process of converting from one system to another has been closely monitored by the Senior Internal Auditor and a report was issued in June.
- 3.3 It is intended to include some additional time in next year’s plan to carry out a familiarisation exercise early in the audit year to learn how the new Civica software and processes work and identify any potential weaknesses. The normal audit will then take place as usual towards the end of the year.

4.0 Performance Indicators

- 4.1 Delivery of the Audit Plan – a target of 95% has been set to take in to account any work that may overlap at year end and also to allow for any additional work that may arise during the year. The table below summarises the position against the approved Audit Plan 2012/13.

2012/13 Status of Audits	Audit days used	Percentage of Plan (in days)
Completed and reported	221	57%
In progress	10	3%
On hold	68	17%
Planned for future quarters	91	23%
Total Planned Audits	390	100%

- 4.2 Audit Questionnaires returned with satisfactory scores – Satisfaction questionnaires are issued with the final report to the Executive Director for completion and return to the Audit Manager. Of the 28 questionnaires issued this year 17 have been returned, all which had satisfactory scores.
- 4.3 Planned audit time – a target of 68% has been set for the full year and for this quarter it has been 67%. This refers to the proportion of the total available time that is spent on planned audit work rather than management, training, general administration and holidays.

AGENDA ITEM 8

5.0 Work planned for the next quarter January to March 2013

- 5.1 As well as completing the ongoing work listed in paragraph 2.3, the following audits are planned for the next quarter:

Audit Title	Days	Date
Sundry Debtors	18	Jan
Car Parks	15	Jan
Information Management	10	Jan
General Ledger and Budgetary Control	18	Feb
Inventories and Asset Management	15	Feb
Performance Management	5	Feb
Document Management	10	Mar

- 5.2 Audits shown in bold are Core Audits. These are audits that are carried out every year due to the significant nature of the systems concerned. They are also ones that the external auditors would be looking at as part of the annual financial audit they perform.
- 5.3 There are some follow-up audits due within this quarter. An allocation of time is not given to individual follow-up audits. Instead a total amount of 10 days is allowed in the audit plan for this work.

6.0 Conclusion

- 6.1 Progress to date has been satisfactory and at this point nothing has arisen to suggest that the plan will not be completed within the year. If anything does arise that will impact on the completion of the plan, the Committee will be informed at the next available meeting.
- 6.2 This report provides Members with an overview of the audit activity and outcomes over the period, and provides an opportunity for Members to seek further information if required.

Notes to support the summary in Appendix 1

The following tables provide an explanation of the terms used to grade the recommendations contained in the final audit reports, and the overall opinion attributed as the result of each audit.

Recommendations

The observations and recommendations are allocated a grading High, Medium or Low as defined below:

High	Major risk requiring action by the time the final report is issued.
Medium	Medium risk requiring action within six months of the issue of the draft report.
Low	Matters of limited risk. Action should be taken as resources permit.

Please note - 'Low' recommendations are not summarised in this report due to the insignificant nature of the issue.

Audit Opinion

At the conclusion of the audit an overall audit opinion is formed for the audit area. The definition for each level of assurance is given below.

Full Assurance	A sound system of internal control that is likely to achieve the system objectives, and which is operating effectively in practice.
Substantial Assurance	A sound system of internal control, but there are a few weaknesses that could put achievement of system objectives at risk.
Limited Assurance	A system of internal control with a number of weaknesses likely to undermine achievement of system objectives, and which is vulnerable to abuse or error.
No Assurance	A fundamentally flawed system of internal control that is unlikely to achieve system objectives and is vulnerable to serious abuse or error.

Audits completed in Q3 2012-13	Overall Opinion
<p><u>Creditors and Payments</u> Report published in December 2012 There were 4 Medium recommendations and 1 Low. The Medium recommendations refer to:</p> <ul style="list-style-type: none"> • The need to develop new access codes to determine access rights to CedAr to allow for flexibility of working in accountancy. • Ensure daily and weekly reconciliations have the name of the person who completed them entered. • Scan documents relating to changes in master details. • Ensure all cancellation slips relating to cancelled cheques are completed fully. 	Substantial Assurance
<p><u>Treasury and Cash flow Management, including Bank reconciliations</u> Report published in November 2012 There were 2 Medium recommendations relating to documenting the bank reconciliation process and the correction of a minor spreadsheet error.</p>	Full Assurance
<p><u>Payroll including Members' expenses</u> Report published in November 2012 There were no recommendations. A few minor queries were raised and dealt with during the audit.</p>	Full Assurance
<p><u>Energy Conservation and Management</u> Report published in November 2012. There were 3 Medium and 1 Low recommendations. The Medium recommendations refer to publishing the Greenhouse Gas report on the Council website; establishing a means of measuring water usage in King's Court during out of hours and reducing waste; and completing the Environmental Strategy.</p>	Substantial Assurance
<p><u>Procurement</u> Report published in December 2012. There was 1 medium recommendation relating to the provision of procurement training as part of the induction process.</p>	Substantial Assurance

Audits completed in Q3 2012-13	Overall Opinion
<p><u>Business Continuity including ICT Disaster Recovery</u> Report published in October 2012.</p> <p>There were 14 Medium recommendations referring to:</p> <ol style="list-style-type: none"> 1. BCP team to address gaps in the BCP process. 2. Development of the 'BC Portal'. 3. Research and document options for alternative power sources for Fakenham DR site. 4. Further analysis to identify 'essential' means of communication and data sets. 5. Including in BCPs the location of on-site and off-site locations of essential equipment, forms and materials. 6. Alternative accommodation in the event of complete or partial loss of King's Court. 7. Document arrangements for extending the number of concurrent Citrix users. 8. Need to manage digital storage in terms of disk space. 9. Research and document sources of specialist and generalist staff. 10. Ensure that valid mobile phone numbers are provided for all staff contacts. 11. Prepare an updated Threat card for the 'Loss of Fuel'. 12. Arrange Incident Response Plan (IRP) and BCP testing. 13. Ensure that variable data in the Borough Emergency Response and Recovery Plan (BERRP) is refreshed from appropriate sources. 14. Confirmation of the outcome of ICT's recovery tests. <p>The previous audit had been Limited Assurance and considerable progress has been made to strengthen the Business Continuity Plan, which is reflected in in the Overall Opinion expressed this time.</p>	Substantial Assurance
<p><u>Economic Development</u> Report published in November 2012.</p> <p>There was 1 Medium recommendation relating to the update of information on the website.</p>	Full Assurance

Audits completed in Q3 2012-13	Overall Opinion
<p><u>Refuse and Recycling</u> Report published in December 2012. There were 4 Medium recommendations referring to ensuring the contract with Kier is signed, sealed and delivered; provision of data conversion plans and reconciliation; and confirmation of successful delivery of all bins and food caddies.</p>	Substantial Assurance
<p><u>Housing Standards</u> Report published in October 2012. There were 4 Medium recommendations relating to the payment of licence fees; gathering information on empty properties; aim to collate all information on one database; and prior to this carry out a reconciliation of data across the three existing systems.</p>	Substantial Assurance
<p><u>Members' Expenses</u> Report published in October 2012. There were 2 Medium recommendations relating to the need for members' to note the names of passengers on claim forms; and the need to return claim forms to the claimant in cases where excess mileage is entered.</p>	Substantial Assurance

Follow-up audits completed in Q3 2012-13	Original report	Follow-up progress
<p><u>Car Leasing</u> The report issued in April 2012 included 1 Medium and 2 Low recommendations. The Medium recommendation has not been implemented as further issues have arisen with regards the use of lease vehicles and Business Continuity. A new target date of end of March 2013 has been set and will be followed up.</p>	April 2012 Substantial Assurance	November 2012 Poor
<p><u>Grounds Maintenance and Hire</u> The report issued in May 2012 included 1 High and 5 Medium recommendations. The High recommendation and 2 of the Medium have been implemented. The outside items relate to the provision of training and new target dates have been set and will be followed up.</p>	May 2012 Substantial Assurance	December 2012 Adequate
<p><u>Wireless Network</u> The report issued in May 2012 included 8 Medium recommendations, 7 of which have been either implemented satisfactorily or are on target. The remaining recommendation has had a new target date set to reflect changing circumstances and will be followed up.</p>	May 2012 Substantial Assurance	December 2012 Very Good
<p><u>Corporate Scanning Unit</u> The report issued in February 2012 included 10 Medium recommendations, of which 6 are still ongoing due to the increasing use of scanning to support system changes throughout the Council; impending DMS system changes; and dependence upon input from other departments.</p>	February 2012 Substantial Assurance	October 2012 Good

AUDIT AND RISK COMMITTEE WORK PROGRAMME 2012/2013**29 May 2012**

- Internal Audit Plan 2011/2012 – Progress report for the quarter January to March 2012
- Benefit Investigations Unit Annual Report
- Corporate Risk Monitoring Report (October 2011 to March 2012)

14 June 2012

- Final Accounts and Statement of Accounts for year ended 31 March 2012: (Revenue Outturn 2010/2011, Capital Programme and Resources 2011/2015)

26 June 2012

- Internal Audit Annual Report 2011/2012
- Review of the Effectiveness of the Audit and Risk Committee
- Review of the Effectiveness of Internal Audit Service

Cabinet Report: Annual Treasury Report 2011/2012

24 July 2012

- Internal Audit Plan 2012/2013 – Progress report for the quarter April to June 2012

28 August 2012

- National Fraud Initiative 2010/12 Summary of Work
- Consultation for the draft Local Audit Bill

11 September 2012

Special Meeting – to consider the Statement of Accounts 2011/2012
Annual Governance Statement

25 September 2012

No meeting

23 October 2012

- Internal Audit Plan 2012/2013 – Progress report for the quarter July to September 2012
- Corporate Risk Register

Cabinet Report: Mid Year Treasury Report**27 November 2012**

- Benefit Investigations Unit Half-Year Report – S Munson
- Annual Audit Letter – to be presented by the Council's External Auditor

2 January 2013

No Meeting

29 January 2013

Please note that Treasury Management Training will take place from 5 pm until 6.15 pm prior to the formal Resources and Performance Panel meeting to commence at 6.30 pm

26 February 2013

- Internal Audit Plan 2012/2013 – Quarterly Progress Report from October to December 2012

26 March 2013 (Meeting to be held in Hunstanton)

- Business Continuity – Annual Update
- BCKL&WN Audit Plan 2013/2014 (external)
- Update on progress with Data Matching Exercise (see minutes from August 2012 for more information) – K Littlewood
- Internal Audit – Strategic Audit Plan 2013/14

23 April 2013

- Corporate Risk Monitoring Report (October 2012 to March 2013)