

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



RESOURCES AND PERFORMANCE – AUDIT AND RISK COMMITTEE

Tuesday 24 July 2012

**Immediately following the Resources and Performance
Panel meeting which commences at 6.30 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**



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16 July 2012

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 24 July 2012, immediately following the Resources and Performance Panel meeting, 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 26 June 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 Panel has previously made. (N.B. some of the relevant Council bodies may meet after dispatch of the agenda).

At the Cabinet meeting held on 3 July 2012 the following response was made to the recommendations from the Resources and Performance Panel – Audit and Risk Committee meeting held 26 June 2012, on the following item:-

RESOLVED: That Cabinet be informed that the Resources and Performance – Audit and Risk Committee support the recommendations as set out in the Cabinet Report.

Cabinet is asked to note the report.

Cabinet Response: “The Panel’s recommendations were duly taken into account when Cabinet considered the item.”

8. **Internal Audit Plan 2012/2013 – Progress Report for the Quarter April to June 2012** (pages 1 to 9)

Committee Members are invited to note the attached report.

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 28 August 2012.**

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

Portfolio Holders:

Agenda Item 8

Councillor N Daubney

Chief Executive

Deputy Chief Executive and Executive Director, Finance and Resources

All other Executive Directors

Audit Manager

Press

Officers: The following Officer has 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: 24th July 2012
Subject: Internal Audit Plan 2012/13 – progress report for the quarter April to June 2012

Summary	This report shows the Internal Audit activity for the quarter April to June 2012 against the Strategic Audit Plan 2012/15.
Recommendation	Members are asked to approve the report on the Internal Audit workplan for April to June 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 April to June 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. 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. The

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exceptions to this are the Core Audits where the follow-ups are combined with the next annual audit of that area.

2.2 *Reports issued during the quarter*

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

- Health & Safety (2011/12)
- Capital Programme (2011/12)
- Inventories & Asset Management (2011/12)
- General Ledger (2011/12)
- Car Leasing
- Markets
- Wireless network
- Grounds Maintenance
- Geographic Information System (GIS)
- Annual Governance Statement
- Licensing follow-up
- Cemeteries & Crematorium follow-up
- Public Relations & Staff Communication follow-up
- Legal Services follow-up
- Community Centres follow-up

Those shown with (2011/12) are audits from the 2011/12 plan, which were ongoing at the end of that year and have been completed within 2012/13. 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.

- Rental income
- Economic Development
- Section 106 contributions
- General IT Controls incl. Networks
- Printing

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 the following:

- Ongoing review of Risk Management procedures.
- Ongoing work with Open Revenues – Data Conversion
- Job Evaluation Panel
- Annual reports – effectiveness reviews of the Internal Audit team and the Audit & Risk Committee, and the Audit Manager's Annual Report.

2.5 *Additional future work*

The Water Management Alliance (WMA) have just confirmed that the five Internal Drainage Boards that they represent have agreed to appoint the Council's Internal Audit team to provide their internal audit services for 2012/13. This will involve 5 days work, around April/May 2013, which can be accommodated in next year's plan.

3.0 Performance Indicators

3.1 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	38	10%
In Progress	77	20%
Outstanding	275	70%
Total Planned Audits	390	100%

These figures relate to the 2012/13 plan only and do not include audits from the 2011/12 plan that have been completed in this quarter. The 'In Progress' audits are near to completion or progressing well.

3.2 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 10 questionnaires issued this year, 4 have been returned, all which had satisfactory scores.

3.3 Planned audit time – a target of 68% has been set for the full year and for this quarter it has been 68%. 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.

4.0 Work planned for the next quarter July to September 2012

4.1 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
Data Protection & Freedom of Information	5	July
Food Safety/ Health & Safety	7	July
Energy Conservation & Management	5	Aug
Insurance & Risk Management	7	Aug
Business Continuity incl. ICT Disaster Recovery	10	Aug
Housing Standards - esp. HMO's	10	Sept
Treasury & Cashflow Management (Incl. Bank Recs)	24	Sept

4.2 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.

4.3 In addition reviews of the Anti-Fraud and Anti-Corruption Strategy, Fraud Response Plan and the Whistleblowing Policy are due to be started in this quarter.

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4.4 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.

5.0 Conclusion

5.1 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.

5.2 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.

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APPENDIX 1

Audits completed in Q1 2012-13	Overall Opinion
<p><u>Health & Safety</u> Report published in April 2012 This report was presented to the Committee at the 26th July 2012 meeting. 2 High and 4 Medium recommendations. The High recommendations referred to the need to appoint an external auditor to provide an expert technical view of the Health and Safety procedures, and the need to review the Crisys system.</p>	<p>Limited Assurance</p>
<p><u>Capital Programme</u> Report published in May 2012 No recommendations were required.</p>	<p>Full Assurance</p>
<p><u>Inventories & Asset Management</u> Report published in April 2012 1 Medium and 1 Low recommendations. The Medium recommendation referred to the need to remind staff to change the delegated decision sheet to show the new Scheme of Delegation reference number.</p>	<p>Substantial Assurance</p>
<p><u>General Ledger</u> Report published in June 2012 3 Medium recommendations, referring to improving the segregation of duties in relation to Journals, improving the narratives connected to Journals and concluding the Zero Based Budgeting pilots.</p>	<p>Full Assurance</p>
<p><u>Car Leasing</u> Report published in April 2012. 1 Medium and 2 Low recommendations. The Medium recommendation refers to the need to update the documents with the correct officer titles.</p>	<p>Substantial Assurance</p>

Audits completed in Q1 2012-13	Overall Opinion
<p><u>Markets</u> Report published in June 2012. 2 Medium recommendations referring to the need to update the written procedures and ensure all market inspections are carried out and recorded.</p>	<p>Substantial Assurance</p>
<p><u>Wireless Network</u> Report published in May 2012. 8 Medium recommendations referring to:</p> <ol style="list-style-type: none"> 1. ICT Strategy to be updated to include the role of Wi-Fi. 2. ICT Security Policy to be updated to include the role of Wi-Fi. 3. Ensure that Wi-Fi Inventory, Topology and Database documentation is kept up-to-date with consistent cross-references. 4. Continue with the work to document procedures for the configuration of network devices. 5. Endorse Network Manager's intention to discuss with MERU the automation of system alerts to allow more timely review and corrective action where necessary. 6. Endorse ICT Manager's plan to obtain advice from MERU on the management of Wi-Fi communications data; and to approach the ICT Development Group for additional funding. 7. Include testing of the Wi-Fi network in this year's Penetration Testing. 8. Review hardware inventory and ensure that it is in sufficient detail to allow other staff to confirm that components can be easily identified and their physical location confirmed. 	<p>Substantial Assurance</p>
<p><u>Grounds Maintenance</u> Report published in May 2012. 1 High and 5 Medium recommendations. The High recommendation refers to the need to recalculate the recharges for grave digging from September 2011. The Medium recommendations refer to various health and safety issues and procedures for dealing with complaints.</p>	<p>Substantial Assurance</p>

Audits completed in Q1 2012-13	Overall Opinion
<p><u>Geographic Information Systems (GIS)</u> 5 Medium recommendations referring to:</p> <ol style="list-style-type: none"> 1. completion and issue of a 'GIS Strategy' agreed by the key business system owners by December 2012. 2. Prepare and issue a final 'Position Statement' to document completion of the 'GIS Constraints - Data Quality' project and distributed to the Data set Owners, the Project Team and the Project Board for sign-off. 3. Set a dead-line for the GIS Constraints 'Change Control' spread-sheet to be brought up to date and handed over to Planning Admin for operational use. 4. Set a deadline for the completion of this the GIS Macros and prioritise ICT resources to meet that target. 5. Set a dead-line for all GIS data sets to be accepted and signed off by their respective Owner(s). 	<p>Substantial Assurance</p>
<p><u>Annual Governance Statement</u> Report published June 2012. No recommendations were required. The procedures used in producing the draft document were satisfactory. Audit queries relating to entries in the statement were dealt with as part of the process of producing the final Annual Governance Statement.</p>	<p>Full Assurance</p>

Follow-up audits completed in Q1 2012-13	Original report	Follow-up progress
<u>Licensing</u> The report issued in October 2011 included 3 Medium recommendations. Of these 2 have been implemented and the 3 rd is ongoing with the software provider.	October 2011 Full Assurance	June 2012 Good
<u>Cemeteries Crematorium</u> The report issued in August 2011 included 5 Medium recommendations. Of the 5 recommendations made in the audit, 1 was completed at the time of the audit and the final recommendation, relating to memorial testing, will be considered once the new software has been successfully completed. The remaining 3 recommendations are ongoing and relate to preserving and archiving old burial records; training for memorial testing and reviewing the level of grounds maintenance costs.	August 2011 Full Assurance	April 2012 Good
<u>Public Relations & Staff Communication</u> The report issued in October 2011 included 2 Medium and 3 Low recommendations. All, but 1 Medium recommendation, have been implemented satisfactorily. The outstanding one relates to the updating of the Communications Strategy and a new target date of end June 2012 has been set.	October 2011 Substantial Assurance	May 2012 Adequate
<u>Legal</u> The report published in December 2011 included 2 recommendations, both of which were being dealt with by the end of the audit and completed satisfactorily at the time of the follow-up.	December 2011 Substantial Assurance.	June 2012 Very Good
<u>Community Centres</u> The report published in December 2011 included 3 Medium recommendations. All have been implemented satisfactorily.	December 2011 Substantial Assurance	June 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 2011)

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**11 September 2012**

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

25 September 2012

23 October 2012

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

- Internal Audit Plan 2011/2012 – Progress report for the quarter July to September 2012

27 November 2012

- Benefit Investigations Unit Half-Year Report – S Chapman
- Business Continuity – annual update

2 January 2013

- Annual Audit Letter – to be presented by the Council's External Auditor
- Internal Audit – Strategic Audit Plan 2013/14

26 February 2013

- Internal Audit Plan 2011/2012 – 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)

23 April 2013

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