

## **Matters arising from internal audit work for the period to 31 May 2013**

### **1 Introduction**

- 1.1 This report highlights issues that the Audit and Governance Committee should be aware of in fulfilling its role of providing independent oversight of the adequacy of the council's governance, risk management and internal control framework. It summarises the work undertaken under the internal audit plan for 2012/13 by the council's Internal Audit Service.
- 1.2 A full table of all the audit work for 2012/13 is included at Appendix B, setting out brief notes of the progress and outcomes of each project.
- 1.3 The Internal Audit Service continues to follow our risk-based audit methodology, using a risk and control evaluation-based approach ('RACE-based') combined with compliance testing of key controls, computer assisted audit techniques ('CAATs') and follow-up work.

### **2 Key issues**

- 2.1 A number of areas were removed from the audit plan for the year as management continued to work on service restructures and ongoing process improvements, and as audit resources have been temporarily constrained during the year.
- 2.2 However a number of unplanned audit reviews were undertaken, as is to be expected in the council's current, rapidly changing environment, and there have been an unusual number of special investigations during the year that have taken considerable resources at senior levels within the team.
- 2.3 As is usual at the year end therefore, a small number of audit reviews are still in progress and will be reported in the coming year. Nonetheless, during the period since March 2013 we have completed work on a number of reviews as follows, and brief details are provided in Appendix B to this report.
  - Advance consideration of the legal implications of decisions;
  - Sample testing of Trading Standards' compliance with legislation in relation to the use of children in testing the sale of age restricted products;
  - Financial systems: accounts payable, accounts receivable, general ledger, payroll, treasury management.
  - Property asset inventory control and usage;
  - Public health transfer;
  - Child and adolescent mental health services.
  - Flood risk management;
  - Food stock and consumption, ordering, provision, and invoicing;
  - Prevention of bribery – street works;

## **Internal Audit Service progress against plan 2012/13**

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- 2.4 Work on special investigations, and the proactive counter fraud activity undertaken during the year has been reported during the year and a separate annual report has been prepared for the Committee and for the County Treasurer.

### **3 Follow-up work**

- 3.1 It is a professional requirement that we follow-up the work we have done, and do so on a timely basis. Set out below is an outline of the Internal Audit Service's methodology in relation to follow-up work.
- 3.2 As a result only those areas that have been assigned 'full' or 'substantial' assurance will be followed-up and we undertake a full re-review of any control systems that have been assigned 'limited' or 'no' assurance.

#### **What we follow up**

- 3.3 We follow up all agreed actions arising from audit assignments where we have provided substantial or full assurance. We do not generally follow up work where we have provided limited or nil assurance, but instead re-perform this work either later in the same year, or in the next audit plan. Where an investigation results in the agreement of action to rectify control issues, then these will also be subject to follow-up work.

#### **When we follow up our work**

- 3.4 We undertake our follow-up work to the timescale agreed as we finalise the original work, ideally after all the actions are scheduled to have been implemented but, if there is an action with an implementation date significantly after most of the others then we follow up the others and obtain evidence that implementation of the longer-term action is being actively pursued.

#### **The outputs of our follow-up work**

- 3.5 We do not reissue or revise our audit opinion but simply assess whether actions have been taken to address low or medium residual risks on areas we have given full or substantial assurance. Our opinion could arguably be revised to provide full assurance if all agreed actions have been implemented, but this is reliant on the assumption that nothing else has changed and we are unwilling to make that assumption.
- 3.6 If it is clear that the control system has changed and that the agreed actions are no longer appropriate then we do not undertake further follow-up of these agreed actions.
- 3.7 If there are indications that controls may have deteriorated then we consider undertaking another full review, but this is assessed in light of other risk areas across the council. However if we have concerns about a deterioration in controls we will discuss these concerns with management.