

## **Audit and Governance Committee**

06 December 2010

Report of the Assistant Director, Financial Services - Customer and Business Support Services

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## **Audit, Counter Fraud & Information Governance Mid-Term Monitor**

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### **Summary**

- 1 This report provides an update on progress made in delivering the internal audit workplan for 2010/11 and on current counter fraud and information governance activity.

### **Background**

- 2 The work of internal audit is governed by the Accounts and Audit Regulations 2003 (as amended) and the CIPFA Code of Practice for Internal Audit in Local Government. In accordance with the code of practice, the 2010/11 audit and fraud plan was approved by the Audit and Governance Committee on 26 April 2010. The plan included a programme of audit reviews, along with details of planned counter fraud and information governance activities.
- 3 It was also recognised that changes might need to be made to the audit plan through the year as a result of new or changed priorities and/or if new risks were identified. To reflect the new contractual relationship between the council and Veritau, all proposed variations to the agreed audit plan arising as a result of emerging issues and/or requests from management are subject to a change control process. Where the variation exceeds 5 days then the change must be authorised by the Assistant Director, Financial Services - Customer and Business Support Services who is the client manager for the service. All agreed variations will then be communicated to the Audit and Governance Committee for information.

### **2010/11 Internal Audit Plan – Progress to Date**

- 4 Two of the priorities for Veritau are to deliver at least 93% of the audit plan and to ensure that the service continues to operate to recognised professional standards (as determined by the code of practice).
- 5 Internal audit successfully delivered 94.9% of the 2009/10 audit plan. 37% of the 2010/10 audit plan has been completed to date. This figure

is based on reports issued and does not take into account further audit fieldwork which is planned, complete or in progress. It is anticipated that the 93% target will be achieved by the end of April 2011. Details of the audits completed and reports issued since the last report to this committee (on 29 September June 2010) are given in annex 1.

- 6 As noted in paragraph 3 above, it has been necessary to make a number of variations to the audit plan. Details of the audit plan variations approved by the client manager since September are given in annex 2.

### **Counter Fraud**

- 7 Counter fraud work has been undertaken in accordance with the approved plan. Annex 3 provides details of the investigations completed and provides a summary of the work undertaken.

### **Information Governance**

- 8 A current priority for the information governance team is to provide support to the council in implementing the government's transparency agenda (the requirement to publish details of all transaction over £500 as well as senior officers salaries and information about contracts), and linking this to the publication of Freedom of Information responses.
- 9 So far this year from 1 April 2010 to 22 November 2010 the team has tracked 425 Freedom of Information Requests, up from 292 in the same period last year (a 46% increase).

### **Breaches of Financial Regulations**

- 10 There have been no significant breaches of the council's financial regulations identified since the last report to this committee in September. However, a number of relatively minor breaches have been noted. Details of these breaches are summarised in annex 4.

### **Future Developments**

- 11 The North Yorkshire Audit Partnership (NYAP) consists of Scarborough Borough, Hambleton, Richmondshire, Ryedale and Selby District Councils. The partnership was originally formed in 1999 but has grown in size since that time. The partnership is based on a joint committee model with Ryedale District Council acting as lead authority.
- 12 Discussions have been taking place between representatives of NYAP and Veritau regarding the potential for future collaboration. An outline plan has been developed which includes a proposal to transfer audit and counter fraud services from the five district councils to Veritau. The main drivers for such a change are:

- the need to deliver further efficiencies and cost savings
  - the need to ensure future service resilience and capacity so as to be able to respond to changing priorities and increasing workload demands
  - the need to retain skilled and experienced staff by creating greater critical mass and providing more opportunities for career development and specialism
  - the need to make best use of the scarce professional audit expertise available (particularly in contract and IT audit)
  - the need to establish an effective succession plan and to reduce the existing reliance on certain key staff for service continuity.
- 13 Whilst the detailed legal, financial, staffing and operational implications of any transfer will need to be explored further before a final decision can be taken, it is anticipated that the change process could be completed by March 2012. Further reports will be presented to this Committee to keep members informed of these developments.

### **Consultation**

- 14 Not relevant for the purpose of the report.

### **Options**

- 15 Not relevant for the purpose of the report.

### **Analysis**

- 16 Not relevant for the purpose of the report.

### **Corporate Priorities**

- 17 This report contributes to the council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything we do. In doing so it contributes to the corporate objective of making the council an effective organisation.

### **Implications**

- 18 There are no implications to this report in relation to:

- **Finance**
- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**

- **Information Technology (IT)**
- **Property**

## **Risk Management Assessment**

- 19 The council will fail to properly comply with the CIPFA Code of Practice for Internal Audit in Local Government if the results of audit work are not reported to those charged with governance.

### **Recommendation**

- 20 Members are asked to:

- (a) Note the progress made in delivering the 2010/11 internal audit work programme, and current counter fraud and information governance activity.

Reason

*To enable members to consider the implications of audit and fraud findings.*

- (b) Note the variations to the 2010/11 audit plan set out in annex 2.

Reason

*To enable members to consider the delivery of the internal audit plan.*

## **Contact Details**

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Report Approved



Date 26/11/10

## **Specialist Implications Officers**

Not applicable

**Wards Affected:** Not applicable

All



**For further information please contact the author of the report**

## **Background Papers**

- 2010/11 Internal Audit & Counter Fraud Plan

## **Annexes**

Annex 1 – 2010/11 Audits Completed and Reports Issued

Annex 2 – Variations to the 2010/11 Audit Plan

Annex 3 – Counter Fraud Activity

Annex 4 – Summary of Breaches of Financial Regulations