

Audit Committee 13 March 2012

Internal audit progress report

Executive summary and recommendations

Introduction

Mazars have prepared the attached report which sets out progress on the internal audit plan for 2011-12.

Decision

The Committee is asked to discuss the report.

Background information

At its meeting on 16 March 2011, the Committee approved the internal audit plan for 2011-12.

Internal audit reports for each completed audit are considered at committee meetings during the year.

Resource implications

None.

Financial implications

None.

Appendices

Internal Audit Progress Report.

Date of paper

17 February 2012.

Date	Ver.	Dept/Cmte	Doc Type	Title	Status	Int. Aud.
2012-02-17	a	ADT	PPR	Executive summary internal audit progress report Audit Committee March 2012	Final DD: None	Public RD: None



Internal Audit Progress Report

For the year ended 31 March 2012

Presented to Audit Committee Meeting of: 13 March 2012



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Status of our reports

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1. Introduction

- 1.1 The purpose of this report is to update the Audit Committee as to the progress in respect of the Internal Audit Strategy for the three years ending March 2014, in particular, the Operational Plan for the year ended 31 March 2012.
- 1.2 The Internal Audit Strategy and Operational Plan for 2011/12 was considered and approved by the Audit Committee at its meeting on the 16 March 2011

2. Summary of internal audit activity since the last Audit Committee meeting

- 2.1 There have been two reports finalised since the last meeting of the Audit Committee. These relate to:
- Corporate Governance (report 06.11/12 refers); and
 - Core Financials – Purchase Ordering System (07.11/12).
- 2.2 There are currently two reports at draft report stage - Risk Management (05.11/12) and Project Management (08.11/12). In respect of Risk Management, we are currently in discussion with Management over responses to the draft report. For Project Management, fieldwork was completed on the 23 February 2012 and the draft report issued on the 27 February 2012. Consequently there was limited time for this to be considered by Management in advance of the papers being issued for the Audit Committee. These reports will now be reported to the June 2012 Audit Committee.
- 2.3 Whilst the Plan included a Contingency resource, to date there have been no matters identified which would require this to be used.
- 2.4 A meeting to discuss a Internal Audit Plan for 2012/13 was undertaken with the Chief Executive & Registrar and Interim Finance Director on the 6 February 2012 and is included separately on the agenda.

3. Key issues arising from the internal audit programme to date

- 3.1 The following table provides a summary of assurances and the number and categorisation of recommendations in reports finalised to date.

Ref	Auditable Area	Level of Assurance (If appropriate)	Recommendations				
			Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total	Total agreed by Management
01.11/12	Information Security/Data Protection	Substantial	-	-	9	9	9
02.11/12	Follow Up	Not applicable	-	1	2	3	3
03.11/12	Partners	Substantial	-	-	1	1	1
04.11/12	Payroll	Substantial	-	-	3	3	3
06.11/12	Corporate Governance	Substantial	-	-	3	3	3
07.11/12	Core Financials – Purchase Ordering System	Substantial	-	2	2	4	4
		Totals	0	3	20	23	23
		%	0%	13%	87%		100%

3.2 We use the following levels of opinion and recommendation classifications within our audit reports:

Levels of Opinion	Control Environment	Effectiveness of Controls
Full Assurance:	There is a sound system of control designed to achieve the system objectives.	All controls operate effectively promoting the achievement of system objectives.
Substantial Assurance:	While a basically sound system of control exists, there is some scope for improvement.	While controls are generally operating effectively, there is some scope for improvement.
Adequate Assurance:	While a generally sound system of control exists, there are weaknesses which put some of the system objectives at risk.	While controls are generally operating effectively, there are weaknesses which put some of the system objectives at risk.
Limited Assurance:	Control is generally weak leaving the system open to significant error or abuse.	Control is generally weak leaving the system open to significant error or abuse.
No Assurance:	No controls are in place.	Controls are ineffective or it is not possible to assess their effectiveness.

Recommendation Classifications	Description
Priority 1 (Fundamental)	Recommendations represent fundamental control weaknesses, which expose HPC to a high degree of unnecessary risk.
Priority 2 (Significant)	Recommendations represent significant control weaknesses which expose HPC to a moderate degree of unnecessary risk.
Priority 3 (Housekeeping)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

4. Comparison to Detailed Audit Timetable for 2011/12

Auditable Area	Target Review Start Date	Actual Review Start Date	Target Audit Committee	Actual Audit Committee	Comments
Corporate Governance	January 2012	25 January 2012	March 2012	13 March 2012	See 2.1. Final Report issued.
Partners	July 2011	8 August 2011	September 2011	29 September 2011	Final Report issued
Project Management	January 2012	20 February 2012	March 2012 21 June 2012		See 2.2. Draft Report issued, awaiting management comments.
Core Financial Systems- Purchase Ordering System (PRS)	December 2011	13 February 2012	March 2012	13 March 2012	See 2.1. Final Report issued.
Core Financial Systems- Payroll	July 2011	12 August 2011	September 2011	29 September 2011	Final Report Issued

Auditable Area	Target Review Start Date	Actual Review Start Date	Target Audit Committee	Actual Audit Committee	Comments
Information Security / Data Protection	July 2011	25 July 2011	September 2011	29 September 2011	Final Report Issued
Risk Management	January 2012	30 January 2012	March 2012 21 June 2012		See 2.2. Draft report issued, management responses under discussion with Management.
Follow Up	July 2011	8 August 2011	September 2011	29 September 2011	Final Report Issued
Audit Management	Not applicable	Not applicable	Not applicable	Not applicable	
Contingency					See 2.3.