Audit Committee 29 September 2011

Internal audit progress report

Executive summary and recommendations

Introduction

Mazars have prepared the attached report which sets out progress on internal audit. This is the first progress report covering 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

12 September 2011.

Internal Audit
Progress Report

For the year ended 31 March 2012

Presented to Audit Committee Meeting of: 29 September 2011

MAZARS

Contents

In the event of any questions arising from this report please contact Graeme Clarke, Director, Mazars LLP graeme.clarke@mazars.co.uk or Peter Cudlip, Partner, Mazars LLP peter.cudlip@mazars.co.uk

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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 31 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 four reports finalised since the last meeting of the Audit Committee. These relate to:

- Information Security/Data Protection (01.11/12);

- Follow Up (02.11/12);

- Partners (03.11/12); and

- Payroll (04.11/12).

2.2   The next tranche of audits are due to take place over December 2011 and January 2012.   Planning meetings will be arranged for these shortly.

2.3   At the request of management, we have been asked to undertake additional work in respect of Deferred Income.   Following initial discussions with the Director of Finance, a more detailed planning meeting has been arranged for the 21 September 2011.

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.

M **A Z A R S**

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
		Totals	**0**	**1**	**15**	**16**	**16**
		%	**0%**	**6%**	**94%**		**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.

M A Z A R S

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		March 2012		
Partners	July 2011	8 August 2011	September 2011	29 September 2011	See 2.1. Final Report issued
Project Management	January 2012		March 2012		
Core Financial Systems- Purchase Ordering System (PRS)	December 2011		March 2012		
Core Financial Systems- Payroll	July 2011	12 August 2011	September 2011	29 September 2011	See 2.1. Final Report Issued
Information Security / Data Protection	July 2011	25 July 2011	September 2011	29 September 2011	See 2.1. Final Report Issued
Risk Management	January 2012		March 2012		

M A Z A R S

Auditable Area	Target Review Start Date	Actual Review Start Date	Target Audit Committee	Actual Audit Committee	Comments
Follow Up	July 2011	8 August 2011	September 2011	29 September 2011	See 2.1. Final Report Issued
Audit Management	Not applicable	Not applicable	Not applicable	Not applicable	
Contingency	As required		As Completed.		