

**Committee:** Internal Audit Partnership Joint Committee  
**Date:** 24 January 2005  
**Agenda Item No:** 6  
**Title:** Progress Report  
**Author:** Simon Martin (01799) 510422 / (01438) 242426

### **Summary**

- 1 This report provides feedback on the activities of The Stevenage (SBC) & Uttlesford (UDC) Audit Partnership since the last Joint Committee.

### **Background**

- 2 The Audit Partnership Manager is required to provide feedback on the activities of the Audit Partnership at each Joint Committee. Feedback typically covers staffing matters, details of performance and any new initiatives.

### **Staffing matters**

- 3 Staff continue to concentrate on delivering audit assignments at both councils. For some staff this includes balancing both planned and unplanned work. For example, one of the Auditors has been carrying out an audit of Contracts whilst updating SBC's Contract Standing Orders. Each person has in any event been allocated a variety of tasks during the year, mostly taking into account the need for personal development and previous knowledge or experience. Several staff have carried out work at the two offices.
- 4 The Senior Auditor remains seconded whilst managing the implementation of a new Financial Management Information System at SBC. During this time one of the Auditors has been acting up as Senior Auditor. He has now returned to his substantive post. The substantive post was in turn filled on a fixed term basis by someone recruited from an agency. Both have made significant contributions to completing planned work at SBC and UDC during 2004/05. This has included an audit of Housing Response Maintenance at SBC and Payroll at UDC. The seconded Senior Auditor is due to return in May.
- 5 The Partnership is sponsoring one Auditor from each Council in studying towards qualifications with the Institute of Internal Auditors. It is pleasing to report that both have made significant progress during 2004/05 and are nearing the end of their respective courses. Both Councils have benefited from this arrangement as the staff concerned are performing particularly well this year.
- 6 As well as providing a valuable range of audit related support to many of the Partnership's staff, the Assistant Auditor continues to be involved in

procurement matters, most notably associated with contract registration and control. She has again been instrumental in desktop publishing SBC's statement of accounts, upon which the Audit Commission commented very positively.

- 7 The Audit Partnership Manager moved to the Stevenage establishment as part of the arrangements associated with making the Partnership permanent. All other staff remained with their substantive employer and on prevailing terms and conditions of employment. This has resulted in there being some relatively minor differences between the two offices. For example, one Council pays a staff professional subscription whilst the other does not.

### **Performance**

- 8 At the time of writing, progress with delivering the respective audit plans is as follows:

#### **Stevenage BC**

<b>Audits completed or at draft/discussion document</b>	<b>Audits in progress</b>	<b>Audits assigned</b>
Residual 2003/04 work Housing review Museum Trade refuse BVPI audit Housing contracts Business rates Council tax	Development control Contract systems Leisure/community recreation Community transport Environmental health Creditors & VAT Salaries & wages Homelessness Housing benefits Estates (garages) DES/CE contracts	Cash Debtors Main accounting Treasury management Personnel IT Grounds maintenance Energy services Rechargeable works Stevenage Leisure Ltd Sheltered schemes Decent homes II Rents

#### **Uttlesford DC**

<b>Audits completed or at draft/discussion document</b>	<b>Audits in progress</b>	<b>Audits assigned</b>
Residual 2003/04 work Contract systems Emergency planning Refuse & recycling Utility payments Local land charges Housing rents Housing allocations Leisure clientside Cash Payroll, expenses & allowances	Development control IT internet & email Building cleaning Car parks Concessionary fares	Business rates Housing benefits Council tax Treasury management Debtors Creditors & VAT Arts Youth

All remaining audits have been assigned. It is anticipated this work will be largely complete by the end of the financial year.

- 9 Although there has been some variation to planned work in this period, the number of overall productive audits was on target at both councils. Such

variations are common as audit sections typically respond to unexpected changes in audit need, or matters identified during the course of planned work.

	<b>Planned</b>	<b>Actual</b>		<b>Planned</b>	<b>Actual</b>
<b>Stevenage</b>	<b>days</b>	<b>days</b>	<b>Uttlesford</b>	<b>days</b>	<b>days</b>
Financial systems	147	34	Financial systems	152	57
Operational systems	320	207	Operational systems	206	151
Residual 2003/04 work	0	92	Residual 2003/04 work	0	67
IT audit	30	1	Risk management	0	9
BVPI health check	25	20	IT audit	30	12
Consult/corporate cont'n	70	75	Performance review	0	0
Special inquiries	50	19	Consultancy	50	14
Contract audit	40	19	Special inquiries	20	3
Non-audit work	30	19	Follow up reviews	25	9
Follow up reviews	30	8			
	<u>742</u>	<u>494</u>		<u>483</u>	<u>322</u>

- 10 The Partnership adopted a range of indicators that measure performance and standards. Performance against target at the end of December 2004 was as follows:

<b>Performance Indicator</b>	<b>Target 2004/05</b>	<b>Projected outturn 2004/05</b>	<b>Projected outturn 2004/05</b>	<b>Benchmarking mean</b>
<i>Performance:</i>				
Percentage of productive time to total time available	80%	83%	82%	67%
Percentage of planned audits completed	90%	90%	92%	79%
Percentage of audits completed within the allocated time	80%	70%	83%	65%
<i>Cost:</i>				
Cost per productive day	£198	£200	£200	£220
<i>Quality:</i>				
Percentage of auditee surveys that express satisfaction	90%	100%	100%	99%
External audit opinion				

- 11 Nearly all the performance measures are on, or slightly above, target. The performance of the Partnership is also above the mean reported by those councils participating in a benchmarking exercise (see paragraph 15 below).

### **New initiatives**

- 12 An Audit Charter was produced earlier in the year. It has been approved at UDC and will be submitted for approval at SBC shortly. This strategic document sets out the rights and responsibilities of Internal Audit and covers:

- a. Terms of reference for Internal Audit
- b. Objectives and scope
- c. Independence
- d. Access and authority

- e. Reporting arrangements and protocols
- f. Standards and due care
- g. Relationship with external audit
- h. Performance monitoring

Although these rights and responsibilities underpin the service, it should be noted that Internal Audit could not ultimately operate effectively without the consent of line management.

- 13 The Audit Partnership has now been made permanent. The Agreement was being sealed at the time of writing this report. A verbal update will be provided at the meeting.
- 14 There are advantages and disadvantages associated with an Audit Committee. These are currently being considered by the Assistant Chief Executive (Finance) and Head of Finance at SBC. A recognised alternative to introducing an Audit Committee is to ensure its functions are carried out by existing Committees. For example, Scrutiny Committees could receive six monthly reports on audit work. This coincidentally is the case at UDC. A proposal is therefore expected shortly.
- 15 The Partnership currently belongs to a benchmarking group. The group consists of a number of councils from across the country that meet quarterly. Benchmarking data is currently two years old and will be updated during 2005. This will then allow for more timely comparisons of cost, quality and outcomes.

#### FOR INFORMATION

Background papers:

**Committee:** Internal Audit Partnership Committee  
**Date:** 24 January 2005  
**Agenda Item No:** 7  
**Title:** Budget Report  
**Author:** Simon Martin (01799) 510423 / (01438) 242426

#### Summary

- 1 This report provides information about the Partnership budget for 2004/05 and 2005/06.

## **Background**

- 2 Budgetary arrangements at Stevenage Borough Council (SBC) and Uttlesford District Council (UDC) were revised to reflect the setting up of an Internal Audit Partnership in 2002/03. Each Council produces budget data that is consolidated into an overall budget at Partnership level. This is used for budget monitoring purposes and to apportion costs between SBC and UDC at the end of the financial year.

## **Budget position**

- 3 A budget for the Partnership is attached as an appendix to this report. It remains subject to external audit. There are only a small number of variances on individual budget heads in the year to date, the most significant being a probable reduction in travel and subsistence.
- 4 The method of cost apportionment agreed between SBC and UDC will reflect the balance of audit coverage at each Council.

FOR INFORMATION

Background Papers: Respective budget reports

**Committee:** Internal Audit Partnership Joint Committee  
**Date:** 24 January 2005  
**Agenda Item No:** 8  
**Title:** Audit Plans for 2005/06  
**Author:** Simon Martin (01799) 510422 / (01438) 242426

### **Summary**

- 1 This report provides information on the audit coverage planned for 2005/06.

### **Background**

- 2 A five-year strategic plan was approved at each council last year and will form the basis of the Partnership's work.

### **Audit Plans**

- 3 Annual audit coverage is traditionally linked to a rolling strategic audit plan. The plan ensures all services are reviewed on a cyclical basis. The frequency with which services are audited within this cycle is dependant on the result of a risk assessment and being reconciled to available audit resource.

Senior officers and Members were consulted on the strategic plans. This is to ensure ownership of this particular aspect of the council's corporate governance framework.

The respective plans are attached as an appendix. They ensure annual coverage of key financial areas, bi-annual coverage of medium risk areas and less frequent coverage of low risk areas.

FOR INFORMATION

Background papers: Audit Plans