

Internal audit - half year update

Performance Select Committee 6(i)

Committee: Performance Select Committee

Agenda Item

Date: 15 November 2006

6(i)

Title: Internal audit - half year report

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Item for
information

Summary

The purpose of this report is to provide information on internal audit coverage and performance throughout the first 6 months of 2006/07.

Recommendations

None.

Background

Internal audit is a statutory service that forms part of the Council's corporate governance framework. The service is an assurance function that primarily provides an independent and objective opinion on the management of operational risk, control and governance. It is delivered in partnership with Stevenage Borough Council.

This Committee received an Annual Internal Audit Report and Opinion for 2005/06 at its meeting on 14 June 2006. This item is presented in response to the Committees request for a half year report covering 2006/07 to date.

Work in progress

The tables below set out the status of internal audit coverage so far during 2006/07.

Table 1 – coverage.

Coverage	Planned days for 2006/07	Actual days to date
Key financial systems	137	0
Service specific systems	228	95
Residual 2005/06 work	0	13
I.T audit	30	0
Risk management facilitation	0	36
BVPI audit	0	9
Consultancy & advice	50	32
Reporting to committee	0	13
Special inquiries provision	20	0
Follow up reviews	25	3
Total	490	201

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Table 1 above shows what work has been undertaken and how much time has been spent on it to date, in comparison to what is planned for the whole of 2006/07. It is expected that there will be a number of variances at this time of year. An explanation of these is set out below.

Key financial systems – no time has been spent to date because audits falling in this category do not normally take place until quarter 4. This is so that internal audit assurance covers as much of the financial year as possible. We therefore intend to carry out internal audits of Payroll, Debtors, Creditors, Rents, Business rates, Housing benefits and Council tax at that time.

Service specific systems – profiled to take place throughout the year and will be a high priority task in quarter 3.

Residual 2005/06 work – a small amount of work was carried forward to quarter 1 of this year so that it could be completed.

IT audit – no time has been spent to date because this work is scheduled to take place in quarters 3 and 4.

Risk management facilitation – Internal Audit are now facilitating risk management at the Council. Set up work has all but been completed in quarters 1 and 2. Some monitoring and review work will be carried out in quarter 4 and is planned in future years.

BVPI audit – Internal Audit reviewed the audit trail of several key performance indicators following a request by the Executive Manager – Strategy & Performance.

Consultancy and advice – proactive audit advice is provided as part of managing change at the Council. This takes place on an ad-hoc basis throughout the year.

Reporting to committee - Internal Audit is contributing items to this committee's work programme. This has resulted in an increased amount of time being spent on servicing committees. The time spent is now separately identified and planned time will be set aside in future internal audit work plans.

Special enquiries provision – time is set aside for dealing with any referrals of fraud, corruption or theft. To date in 2006/07 none has been received.

Follow up reviews – each internal audit assignment is followed up to ensure agreed recommendations have been implemented. Assignments completed in the first half of 2006/07 will be followed up at the end of this calendar year.

It should be noted that there was a vacancy at Internal Auditor level for approximately 6 weeks. This had the effect of temporarily reducing available audit resources and consequently the number of actual days spent on productive audit assignments to date this year.

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Table 2 – outcomes.

Assignments completed, at draft report or discussion document stage (*)	Audits in progress	Audits not started
Response maintenance (*) Building control fees Car parks (*) Petty cash (*) BVPI audit Local land charges Members allowances	Housing allocations Leisure Cash income	Licensing Emergency planning Insurance Treasury management Payroll Debtors Creditors Rents Contract systems Refuse & recycling Development Control Utility payments Business rates Housing benefits Council tax IT audit

Members are reminded that all Internal Audit reports can be found on the Council's Intranet. Members will continue to be notified by email as new reports are added. Members also have an opportunity to consider full Internal Audit reports as a number will continue to feature on the meeting agenda of this Committee.

Implications

To stimulate improvement and reduce the likelihood of error or loss, management have a responsibility for ensuring the recommendations contained within Internal Audit reports are implemented. To this end management action plans need to be completed and returned in good time and agreed recommendations need to be implemented in a timely way. Internal audits are followed up after the audit has taken place to ensure agreed recommendations have been implemented. Members of this Committee also have a role in making sure they are satisfied with management's response to internal audits.

Impact

Communication/Consultation	This report has been circulated to some of the Executive Management Team
Community Safety	None identified
Equalities	None identified
Finance	None identified
Human Rights	None identified
Legal implications	The annual internal audit report partly informs the Statement of Internal Control. The Statement forms part of the Council's accounts. This is a requirement set out in the Accounts and Audit Regulations 2003.
Ward-specific impacts	None identified
Workforce/Workplace	None identified

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Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
No internal audit assurance is provided to those charged with governance.	Low	High.	The Audit Commission review the outcome of Internal Audit work. The performance of the Internal Audit Section is monitored by senior management and Members of the Audit Partnership Board.
Failure to comply with The Code of Audit Practice.	Low.	Medium.	The Code of Audit Practice is reviewed annually by the Audit Partnership Manager. Any gaps in compliance are identified and reported to the Executive Manager (Corporate Governance), the Executive Manager (Finance & Asset Strategy) and Members of this Committee via the Annual Internal Audit Report and Opinion.
Those charged with governance do not respond to Internal Audit recommendations.	Low.	Medium.	There is an escalation procedure. The Audit Commission review the outcome of Internal Audit work.