

Committee: Performance Select Committee
Date: 25 September 2007
Title: Internal Audit – 6 Month Update Report
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Agenda Item

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Item for
information

Summary

The purpose of this report is to advise on work carried out by Internal Audit during the first 6 months of 2007/08.

Recommendations

None

Background Papers

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.

This Committee received an Annual Internal Audit Report and Opinion for 2006/07 at its meeting on 12 June 2007. This item is presented in response to the Committees request for a half year report covering 200/08 to date.

Impact

Communication/Consultation	This report will be circulated to the Strategic Management Board and the Heads of Divisions
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.

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Sustainability	None identified
Ward-specific impacts	None identified
Workforce/Workplace	None identified

Situation

Table 1 – coverage.

Coverage	Planned days for 2007/08	Actual days to date
Key financial systems	121	0
Service specific systems	210	33
Residual 2006/07 work	165	97
I.T audit	30	10
Risk management facilitation	20	12
BVPI audit	10	5
Corporate Contract Audit	15	2
Consultancy & advice	20	8
Reporting to committees	15	9
Special Enquiries provision	15	0
Follow up reviews	20	1
Total	641	177

Table 1 above shows the work undertaken and time been spent on it to date, in comparison to what is planned for the whole of 2007/08. It is expected that there will be a number of variances at this time of year. An explanation of these is set out below.

It should be noted that for the first four months of the 2006-07 Internal Audit functioned with only the acting audit manager and one internal auditor until being restored to its full staffing compliment on the return from secondment of the third auditor in August 2007. 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.

Key financial systems – no time has been spent to date because audits falling in this category do not normally take place until quarters 3 or 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 Rents, Treasury Management, Business rates and Council Tax in quarter 3 and of Payroll, Debtors, Creditors, Housing benefits and Customer Services in quarter 4.

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

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Residual 2006/07 work – as reported to this Committee in our Annual Internal Audit Report and Opinion for 2006/07, completion of our 2006-07 was delayed due to long term sickness absence. We completed 11 out of the 12 outstanding 2006-07 audits in quarter 1; work on the 1 remaining audit commenced in August and will be completed by 30 September 2007.

Risk management facilitation – Internal Audit are now facilitating risk management at the Council. Further work on training Heads of Divisions had been carried out in quarter 1 2. Further training is planned for Directors and Heads of Divisions in quarter 3 and some monitoring and review work will be carried out in quarter 4 and is planned in future years.

BVPI audit – An audit of 25 Best Value Performance Indicators (BVPI) covering Waste & Cleanliness; Environment & Environmental Health and Housing Benefit & Council Tax Benefit has been carried out focussing on the integrity of the data used in the compilation of the BVPI Outturn figures.

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 and to that of the Risk Management Steering Group. 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 2007/08 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 2007/08 will be followed up at the end of this calendar year.

Table 2 – outcomes.

Assignments or expected to be completed by 30 September 2007	Audits in progress	Audits not started
Best Value & P.I audit Homelessness IT audit Public Health	Contract audit Procurement Information management Conservation & enhancement	Asset management Benefit fraud Tourism Elderly Persons Electoral registration Grounds maintenance Rents Council tax Business rates Treasury management Enforcement Human Resources Community safety Septic tank emptying Housing benefits

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		Debtors Creditors & VAT Payroll, allowances & expenses Customer Services
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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.

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
No internal audit assurance is provided to those charged with governance.	1 = Little or no likelihood Internal Audit work plan for 2007-08	3 = Significant impact – action required Failure to provide internal audit assurance could lead to inability to meet corporate and operational objectives and Adverse audit Commission report and damage to the Authority's reputation	The Audit Commission review the outcome of Internal Audit work. The performance of the Internal Audit Section is monitored by senior management and Members.
Those charged with governance do not respond to Internal Audit recommendations.	2 = Some likelihood Reports can contain re-iterations of recommendations made during previous audit	3 = Significant impact – action required There would be varying levels of impact from any non-implementation of	There is an escalation procedure. Internal audit reports are followed up to ensure compliance. The outcome of Internal Audit work is reviewed by the

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	that have not been implemented.	the recommendations given the high significance of the majority of control risks identified.	Audit Commission and by the Performance Select Committee.
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