

Committee: Performance Select Committee
Date: 24 September 2008
Title: Internal Audit 6 Month Update Report
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Agenda Item

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Item for
information

Summary

1. The purpose of this report is to advise on work carried out by Internal Audit during the first 6 months of 2008-09.

Recommendations

2. None

Background Papers

3. This Committee received an Annual Internal Audit Report and Opinion for 2007-08 at its meeting on 24 June 2008. This item is presented in response to the Committee's request for a half year report covering 01 April 2008 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 Annual Governance Statement which forms part of the Council's accounts. This is a requirement set out in the Accounts and Audit Regulations 2003 as

	amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.
Sustainability	None identified
Ward-specific impacts	None identified
Workforce/Workplace	None identified

Situation

4. Residual 2007-08 Audit Work

A total of 15 days (compared to an anticipated 20 days) has been taken to complete audits from the 2007/08 Internal Audit Plan, with 4 out of the 5 audits completed by 30 June 2008 and the remaining audit by 31 August 2008.

Residual 2007/08 work	Expected Days 2008/09	Actual Days 2008/09
Debtors	2	1
Customer Service Centre	1	1
Housing benefits	1	1
Septic tank emptying	6	2
Payroll, allowances & expenses	10	10
Total	20	15

2008-09 Audit Work

Table 1 and 2 tables below show the audit work undertaken, the planned audit days and days taken to date for the 2008/09 Internal Audit plan, table 3 shows the current status of all 2008/09 audits to date. It is expected that there will be a number of variances at this time of year and explanations of these are set out below.

Corporate Audits –

The emphasis of the work plan for 2008/09 has changed from previous years to reflect the current financial situation facing the Council and follows on from discussions with this Committee and Strategic Management Board (SMB), with

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31% of available Audit time being initially allocated to 9 Corporate-wide audits areas, of which 7 were planned to commence in the first half of 2008-09.

Table 1

audit	Risk Level	Planned days for 2008/09	Actual days to date (at 11/09/08)	Quarter in which Audit to commence
corporate audits				
corporate income	3	20	39	1
information management	3	15	22	1
reconciliations	3	15	12	1
BVPI	2	10	11	1
budget monitoring and reporting	4	15	1	2
IT audit	3	10	1	2
contracts & procurement	2	10	3	2
corporate budget	4	20	0	3
asset management	2	15	0	4

BVPI audit – final report issued 20/06/08. An audit of 38 Best Value Performance Indicators (BVPI) reported in 2007-08 has been carried out focussing on the integrity of the data used in the compilation of the BVPI Outturn figures, covering indicators reported by Environmental Health; Planning Control; Housing Management; Human Resources; Building Surveying, Revenues and Benefits; Benefit Fraud and the Museum.

Corporate Income, Reconciliations and Information Management - The following three audits were commenced in quarter 1 and are all at draft report stage for discussion with SMB at its meeting 24 September 2008, following which the final reports for these three audits will be issued.

Due to the nature of these audits and the priority afforded them; the initial estimate of audit time was unproven. The Corporate Income and Information Management audits have both over-run their allocated time although the Reconciliations audit is expected to be complete on target.

Contracts and Procurement – Terms of Reference have been agreed and audit field work is underway. The audit is expected to be completed to draft stage for discussion with SMB by 31 October 2008.

Information Technology (IT) – Terms of Reference have been agreed and the audit is expected to be completed to draft stage for discussion with SMB by 31 October 2008.

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Budget Monitoring and Reporting – Terms of Reference have been agreed. This audit will initially focus on the new budget monitoring and reporting systems and their operation in the first three months. It will then be revisited at the end of quarter 3 to assess if the systems continue to operate as effectively after 6 months as in the initial period. An interim report will be made to SMB by 31 October 2008, and full draft report is expected to be completed for discussion with SMB by 31 January 2009

Operational Audits –

Table 2

audit	Risk Level	Planned days for 2008/09	Actual days to date (at 11/09/08)	Quarter in which Audit to commence
operational audits				
Refuse & recycling	3	17	14	1
Housing Contract Systems	2	12	16	1
Car loans & leasing	1	15	17	1
Creditors & VAT	4	20	12	2
Development control <i>(now to qtr 3)</i>	3	15	1	2
Housing Responsive Maintenance	3	12	8	2
Insurance	3	10	4	2
Legal Services	1	12	9	2
Rents	4	15	0	3
Business rates	4	15	0	3
Council tax	4	15	0	3
Treasury management	4	10	0	3
Licensing	2	12	0	3
Museum <i>(now to qtr 2)</i>	2	12	1	3
Elections	1	10	0	3
Facilities Management	1	10	0	3
Housing benefits	4	20	0	4
Payroll, allowances & expenses	4	20	0	4
Sundry Debtors	4	15	0	4
Customer Services	4	12	0	4
Local land charges	2	11	0	4

Operational Key Financial Systems (risk level 4) –

These 9 audits are carried out annually as part of our managed audit agreement with Audit Commission.

The *Creditors & VAT* audit has been completed to draft stage.

The remainder of the key financial audits will be undertaken as followed – *Rents; Business Rates; Council Tax and Treasury Management*, in quarter 3 and *Housing benefits; Payroll; Sundry Debtors and Customer Services* in quarter 4.

All key financial systems audits are expected to be completed to draft stage by 30 April 2009.

Operational Service specific systems (risk levels 1-3) –

The audit time allocated to this part of the 2008-09 audit plan is subject to review and may be amended in quarter 4 to take into account any changes to audit priorities and audit time available towards the end of the year e.g. the request by this Committee that an audit of Enforcement be undertaken in 2008/09 if audit time permits. Any proposed change to the plan will be brought to the February meeting of this committee.

All of the 8 service specific audits planned for quarters 1 & 2 have commenced. Final reports have been issued for 3, and further 2 are at draft report stage. Of the remainder, audit field work is underway for 2 of the audits. The audit of Development Control has been put back to quarter 3 at the request of the Chief Auditee and been replaced by the Museum audit which has been brought forward from quarter 3 for which the pre-audit briefing has been carried out and Terms of Reference will be issued shortly.

Table 3

Assignments completed or expected to be completed (to draft report stage) by 30 September 2008	Audits in progress	Audits not started
Corporate Income	Budget Monitoring and Reporting	Corporate Budget
Information Management	IT audit	Asset Management
Reconciliations	Contracts & Procurement	Rents
BVPI	Development Control (to qtr 3)	Business Rates
Refuse & recycling	Housing Responsive Maintenance	Council tax
Housing Contract Systems	Insurance	Treasury management
Car Loans & Leasing	Museum	Licensing

Legal Services		Elections
		Facilities Management
		Housing benefits
		Payroll, allowances & expenses
		Sundry Debtors
		Customer Services
		Local land charges

Non-Audit Work

Annual Governance Statement work –

An unplanned 9 days of Audit Manager time has been used in co-ordinating the compilation of the Annual Governance Statement 2007-08 and the subsequent preparation of the supporting evidence for examination by the Audit Commission and consequently reduced the amount of Audit Manager audit time available. Additional Audit Manager time is anticipated for the remainder of 2007-08 for the co-ordination of drafting the timetable and framework for the review and monitoring of control and governance issues identified in the 2007/08 Annual Governance Statement and for the preparation of the 2008/09 Statement. This is an additional factor to be taken into account during the review of audit time referred to above.

Risk Management facilitation – Internal Audit is facilitating the embedding of risk management throughout the Council by co-ordinating the setting up of Corporate and Operational risk registers within the Covalent Performance Management System and providing advice and assistance to Risk Managers. 11 out of 25 days allocated to risk management work have been used to date.

Reporting to committees - Internal Audit is contributing items to this committee's work programme and to that of the Risk Management Steering Group. 15 out of the 24 days allocated to servicing committees have been used to date.

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, to date a total of 6 out of the allocated 15 days have been used.

Special enquiries provision – time is set aside for dealing with any referrals of fraud, corruption or theft. To date in 2008/09 none has been received.

Follow up reviews – each internal audit assignment is followed up to ensure agreed recommendations have been implemented. There is a rolling programme for following –up audits, the majority 2007/0/8 Audit Assignments had been followed-up by June 2008 and audit assignments completed in the first half of 2008/09 will be

followed up at the end of this calendar year. 5 of the 10 days allocated to follow-up work have been used.

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 review selected Internal Audit Reports and have the opportunity to discuss with the Chief Auditees concerned progress on implementation of recommendations made in the reports.

Audit Commission

Quarterly liaison meetings are held between the Audit Managers of Internal Audit and the Audit Commission, to discuss current work being undertaken and future work plans.

The Audit Commission is in the process of reviewing the work of Internal Audit and is expected to report its findings this Committee in due course.

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 2008-09	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	2 = Some likelihood	3 = Significant impact – action	There is an escalation procedure.

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<p>do not respond to Internal Audit recommendations.</p>	<p>Reports can contain re-iterations of recommendations made during previous audit that have not been implemented.</p>	<p>required There would be varying levels of impact from any non-implementation of the recommendations given the high significance of the majority of control risks identified.</p>	<p>Internal audit reports are followed up to ensure compliance. The outcome of Internal Audit work is reviewed by the Audit Commission and by the Performance Select Committee.</p>
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