

Committee: Performance Select Committee

Date: 14 May 2009

Title: Corporate Audits 2008-09

Agenda Item

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Item for
information

Summary

- 1 This item is included in the agenda in response to Members request that internal audit reports are discussed at the Performance Select Committee. The report is a summary of the Corporate Audit work undertaken by Internal Audit as part of its 2008-09 work plan.

Recommendations

- 2 That the Corporate Audits 2008-09 report be noted.

Background Papers

- 3 Internal Audit Reports 2008-09

Impact

4

| | |
|----------------------------|---|
| Communication/Consultation | The Internal Audit Reports referred to in this report have been circulated to Members |
| Community Safety | none |
| Equalities | none |
| Finance | none |
| Human Rights | none |
| Legal implications | none |
| Sustainability | none |
| Ward-specific impacts | none |

| | |
|---------------------|------|
| Workforce/Workplace | none |
|---------------------|------|

Situation

- 5 The emphasis of the Internal Audit work plan for 2008/09 changed from previous years to reflect the financial situation facing the Council and, following on from discussions with this Committee and Strategic Management Board (SMB), 31% (130 days) of available Audit time was initially allocated to nine corporate-wide audits areas, at total of 34% (142 days) was actually spent on corporate audits work.

This report is to provide a summary of our findings and give our opinions on the level of assurance that can be place the corporate-wide controls in operation.

- 6 Our audit opinions are formed on the basis of the number and level of risk associated with the recommendations made.

| Opinion | Definition |
|-------------|---|
| Little | Major controls have failed and/or major errors have been detected. There will be more than 15 recommendations or more than four recommendations at risk level 4 and 3 or more than 10 recommendations at risk level 2 |
| Limited | Unsatisfactory identification of deficiencies in the control framework compromising the overall management of risks demanding immediate attention. There should be no more than 14 recommendations of which no more than 4 recommendations are at risk levels 4 and 3 and no more than 10 recommendations are at risk level 2 |
| Adequate | Sound satisfactory management of risk; identification of some elements of the control framework that merit attention; Marginal identification of deficiencies in the control framework that result in some risks not being managed effectively and must be addressed. There should be no more than 10 recommendations of which no more than 1 recommendation is at either a risk level 4 or 3 and no more than 6 are risk level 2 recommendations |
| Substantial | Good effective management of risk; no significant recommendations arising with no more than 6 recommendations of which none are risk level 4 or 3 recommendations and no more than 2 are risk level 2 recommendations |

The standard risk definitions used by the Council are:

| risk level | Definition |
|------------|--|
| 4 | Catastrophic effect - immediate action required. Matters that are considered fundamental that require immediate attention and priority action. |
| 3 | Significant impact – action required. Matters that are considered significant that should be addressed within six months. |
| 2 | Some impact – action necessary. Matters that are considered important that should be addressed within twelve months. |
| 1 | Little or no impact. Matters that merit attention and would improve overall control levels. |

- 7 As a result of our audit work, the follow audit opinions were formed of the Corporate Audits 200-09:

| Audit | Audit Opinion | Number of Recommendations | | | | |
|--|----------------------------------|---------------------------|----------|----------|----------|----------|
| | | total | 4 | 3 | 2 | 1 |
| BVPI | substantial | 0 | 0 | 0 | 0 | 0 |
| Budget Monitoring and Reporting | adequate | 3 | 0 | 2 | 1 | 0 |
| Corporate Budget (Budget setting for 2009-10) | adequate | 1 | 0 | 1 | 0 | 0 |
| IT audit | adequate | 5 | 0 | 0 | 5 | 0 |
| Corporate Income | limited | 9 | 0 | 3 | 5 | 1 |
| Reconciliations | limited | 2 | 0 | 2 | 0 | 0 |
| Contracts & Procurement | little | 10 | 1 | 9 | 0 | 0 |
| Information Management | little | 11 | 0 | 7 | 2 | 2 |
| Asset Management | postponed to 2009/10 plan | | | | | |

8 **Audits with assurance opinion 'little'**

- **Contracts & Procurement** – this audit was carried out in parallel with an external diagnostic review of Procurement, recommendations made were to compliment those identified by the external review. Management has agreed to the principles behind these recommendations. At present the Council lacks the capacity to take these issues forward and is seeking support from Essex County Council and Improvement East to enable the Council to make progress during 2009. This will be reviewed at part of the 2009/10 audit of Contracts & Procurement.
- **Information Management** – of the 7 level 3 recommendations, the recommendation relating to an Officer Code of Conduct will be implemented once the anticipated legislation is in place; all of the remaining 6 have been implemented;

9 **Audits with assurance opinion 'limited'**

- **Corporate Income** – of the 3 level 3 recommendations, the recommendation relating to a Corporate Fee & Charges and Income Collection policy has agreed management action to implement the

recommendation by September 2009; the remaining 2 have been implemented.

Of the level 2 & 1 recommendations there is agreed management action to implement all of recommendations by July 2009

- **Reconciliations** – recommendations made concerning monthly sign off of key financial reconciliations and a review of the whole reconciliation process. Agreed management action to implement recommendations by July 2009

10 Eight of the Corporate Audits will be audited as part of our 2009-10 audit plan, data integrity of PIs will be incorporated into a new Performance Management and we shall also be auditing three new audits areas – Corporate Governance, Partnerships and Grants.

11 Implementation of recommendations made in all the audits will be followed up either as part of our rolling follow up programme at six months after the latest implantation date of the agreed management action or as part of the 2009-10 audit of these areas.

Risk Analysis

| Risk | Likelihood | Impact | Mitigating actions |
|---|--|---|---|
| The issues highlighted in the internal audit reports are not acted upon | 1 = Little or no Likelihood Action is already being taken towards the implementation of the recommendations contained in the reports. | 2 = Some impact – action may be necessary There would be varying levels of impact from any non-implementation of the recommendations given the significance of the control risks identified. | Internal audit reports are followed up to ensure compliance. There are escalation procedures in the event of non compliance. |