

Committee: Performance Select Committee

Agenda Item

Date: 28 July 2009

4

Title: Internal Audit Progress Report
(01 April to 15 July 2009)

Author: Sheila Bronson, Audit Manager, ext 610

Item for
Information

Summary

- 1 To report to the Performance Select Committee details of work undertaken by Internal Audit since 01 April 2009 and to provide an update on implemented and outstanding internal audit recommendations.

Recommendations

- 2 That the Internal Audit Progress Report (01 April to 15 July 2009) report be noted.

Background Papers

- 3 Internal Audit Reports 2008-09
Internal Audit Work Plan 2009-10

Impact

4

Communication/Consultation	The Internal Audit Reports and Work Plan 2009-10 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 At the previous meeting of this Committee, Members requested regular reporting on the progress of implementation by Management of the recommendations made in Internal Audit Reports.

Research into best practice at other Local Authorities has identified that most authorities have adopted a system of regular reporting by the Audit Manager to Audit Committees by means of an Internal Audit Progress Report. The format for reporting adopted by other authorities is by way of an overall summary for Members of work undertaken since a previous progress report which has replaced presentation of both individual Audit Reports for review and reports on the implementation of recommendations.

- 6 This report follows the format adopted by other authorities and is to provide a summary for Members on the Internal Audit work which has been carried since 01 April 2009 to date.

As a matter of course, copies of all final audit reports are sent by e-mail to all Members of this Committee. It has been the practice for select reports with risk level 3 or 4 recommendations to be subject to individual review by the Committee. This report provides a summary of all level 3 & 4 recommendations made since 01 April 2009 to date, full details of the finding and recommendations are in the reports previously circulated to Members.

All of the 114 recommendations made in Internal Audit reports from the 2008/09 Internal Audit Plan have now been uploaded into the Covalent Performance Management system and reports on the status of recommendations have been extracted and are presented as appendices to this report.

All recommendations made in Internal Audit reports from the 2009/10 Internal Audit Plan onwards will be monitored through Covalent as per our Internal Audit Charter & Terms of Reference (approved by this Committee at its meeting in February 2009). Progress on their implementation will be reported to this Committee in future Progress Report appendices.

- 7 The purpose of this report is to provide to management and Members:-
- i) Details of the work completed by Internal Audit since the last report to the Committee
 - ii) Summary of Risk level 3 and 4 recommendations made and agreed by Management.
 - iii) Performance against the 2009/10 audit plan.
 - iv) Details of Risk level 3 and 4 recommendations not implemented within the agreed timescale.

- v) An analysis of other recommendations awaiting implementation.

Work Undertaken by Internal Audit 01 April 2009 to 15 July 2009

- 8 (i) An overall summary of final reports issued together with an analysis of recommendations agreed is presented at Appendix A. All final audit reports have been copied to Performance Select Committee Members.
- (ii) Risk level 3 and 4 recommendations arising from the final reports are detailed in Appendix B.
- (iii) Appendix C provides details of overall performance against the 2009/10 Audit Plan to date.

Recommendations from the 2008/09 Internal Audit Plan Implemented by 15 July 2009

- 9 As this is the first report of this kind, a summary of all implemented Risk level 3 and 4 recommendations from the 2008/09 Internal Audit Plan is presented at Appendix D. Future reports will be of Risk level 3 and 4 recommendations implemented since the previous report.

Recommendations Not Implemented at 15 July 2009

- 10 (i) Previously agreed Risk level 3 and 4 recommendations not implemented in accordance with the agreed timescale are detailed at Appendix E.
- (ii) A summary of all recommendations awaiting implementation (other than those at 10(i)) is presented at Appendix F.

- 11 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.

Risk Analysis

12

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 non-implementation of 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.