Committee:	**Performance Select Committee**	Agenda Item
Date:	**15 September 2009**	**6**
Title:	**Internal Audit Progress Report**	
	(16 July to 15 September 2009)	
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Summary

1   To report to the Performance Select Committee details of work undertaken by Internal Audit since the last report to this Committee on 28 July 2009 and to provide an update on implemented and outstanding internal audit recommendations.

Recommendations

2   That the Internal Audit Progress Report (16 July to 15 September 2009) report be noted.

Background Papers

3   Internal Audit Final Reports 2009-10

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   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 the risk level 3 and 4 highest priority recommendations made and agreed.

iii)   Performance against the 2009/10 audit plan.

iv)   Details of risk level 3 and 4 highest priority recommendations not implemented within the agreed timescale.

v)   An analysis of other lower priority recommendations outstanding.

6   This committee has also asked for an update on any outstanding high priority recommendations made in Internal Audit reports from the 2007/08 audit plan. I am pleased to report that 33 out of the 37 high priority recommendations made have been implemented.   The 4 outstanding recommendations are:

   ▪ Emergency Planning (2 recommendations)
      This service is currently being audited as part of the 2009-10 audit plan; both recommendations relate to Business Continuity are in the process of being implemented and will be commented on in our report for this audit (currently at draft stage).

   ▪ Creditors & VAT (2 recommendations)
      This service is currently being audited as part of the 2009-10 audit plan; both recommendations related to updating of processes and procedures linked to the implementation of the new Purchase Order module and the restructuring of the Financial, Exchequer and HR services. These recommendations will be reviewed as part of the current audit.

Work Undertaken by Internal Audit 16 July to 15 September 2009

7   Since the last report to the Committee:

(i)   4 audits from the 2009-10 audit plan have been completed and Final Reports issued with a total of 19 recommendations made.

        Outside of the audit plan and using audit time allocated to Irregularity Provision, an audit of the Management & Control of Legionella has been completed and Final Report issued with 7 recommendations made.

All final audit reports issued have been copied to Performance Select Committee members.

An overall summary of final reports issued together with an analysis of recommendations agreed is presented at Appendix A.

(ii)   There are 16 risk level 3 and 4 highest priority recommendations arising from the final reports, details of these are presented at Appendix B.

(iii)   Between 16 July to 15 September 2009, 4 further audits from the 2009-10 plan have been completed to draft or interim draft report stage and work has commenced on a further 6 audits.

Appendix C provides details of overall performance against the audit plan to date.

As of 15 September 2009, Internal Audit year to date work against the audit plan is:
- 18 out of 35 Audits commenced (51%)
- 8 out of 35 Audits completed to draft report stage (23%)
- 4 out of 35 Audits completed and Final Reports Issued (11%)

Recommendations Implemented 16 July to 15 September 2009

8   There are 10 risk level 3 and 4 highest priority recommendations which have been implemented, a summary is presented at Appendix D.

Recommendations Not Implemented at 15 September 2009

9   (i)   There are 7 previously agreed risk level 3 and 4 highest priority recommendations not implemented in accordance with the agreed due date, a summary is presented at Appendix E.

(ii)   There are 22 risk level 1 & 2 recommendations flagged as overdue in Covalent at 15 September 2009, a summary is presented at Appendix F.

10 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 2 recommendations are at risk level 4 and 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

11 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.