

Committee: PERFORMANCE & AUDIT COMMITTEE

Agenda Item

Date: 16 August 2012

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**Title: Internal Audit Progress Report,
05 May 2012 – 03 August 2012**

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Item for Information

Summary

1. To report to the Performance & Audit Committee details of work undertaken by Internal Audit since the last report to the Performance & Audit Committee on 17 May 2012 and to provide an update on implemented and outstanding internal audit recommendations.

Recommendations

2. That the Internal Audit Progress Report (05 May 2012 – 03 August 2012) be noted

Financial Implications

3. None. There are no costs associated with the recommendations.

Background Papers

4. The following papers were referred to by the author in the preparation of this report and are available for inspection from the author of the report.

The Internal Audit Programme 2011/12
The Internal Audit Programme 2012/13

Impact

- 5.

Communication/Consultation	<p>The Internal Audit Work Programmes 2011/12 and 2012/13 referred to in this report have been approved by Strategic Management / Corporate Management Team and endorsed by the Performance & Audit Committee.</p> <p>CMT have been consulted with on the revisions made to the Internal Audit Programme 2012/13 following its review July 2012</p>
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Community Safety	none
Equalities	none
Health and Safety	none
Human Rights/Legal Implications	none
Sustainability	none
Ward-specific impacts	none
Workforce/Workplace	none

Situation

6. The purpose of this report is to provide management and members with:
- i) Details of the work completed by Internal Audit since the last report to the Members of the Performance and Audit Committee at its meeting 17 May 2012;
 - ii) A summary of the risk level 3 and 4 highest priority recommendations made and agreed;
 - iii) Performance against the Internal Audit Work Programme 2011/12;
 - iv) Performance against the Internal Audit Work Programme 2012/13;
 - v) Details of any risk level 3 and 4 highest priority recommendations not implemented within the agreed timescale;
 - vi) Details of any risk level 1 and 2 lower priority recommendations not implemented within the agreed timescale.

Work Undertaken by Internal Audit 05 May 2012 – 03 August 2012

7. Since the last report to the Committee:
- i) All Audit work on the Revised Internal Audit Work Programme 2011/12 was completed with the Final Reports for the 2 remaining audits being issued by 28 May 2012 and a total of 4 recommendations made;
 - ii) Between 05 May and 03 August 2012, 1 audit from the 2012/13 audit programme has been completed and Final Report issued with a total of 2 recommendations made. All final audit reports issued have been copied to Performance & Audit Committee members and are available on the Council's Intranet. An overall summary of final reports issued is presented at Appendix A;
 - iii) There are 3 risk level 4 or 3 highest priority recommendations arising from the final reports, details of these are presented at Appendix A;
 - iv) Between 01 April 2012 and 03 August 2012, work has started a further 12 audits from the 2012/13 Audit Programme of which:
 - Interim reports have been issued for 2 audits with recommendations to be completed before further audit work can be carried out. We will be returning to complete these audits in quarter 4

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- 6 audits have been completed to draft report stage.

details of performance against the revised Internal Audit Work Programme 2012/13 is presented at Appendix A.

Audit Work Programme 2012/13

8. The Internal Audit Work Programme 2012/13 presented at Appendix A is a rolling programme of planned audit work subject to regular review and updating at strategic points throughout the year. The first review was undertaken in July 2012 which identified a shortfall of immediate work for the Internal Audit team due to:
 - Unavailability of auditee resource due to other commitments e.g. Olympics; Service re-organisation; leave etc.;
 - Awaiting appointment / starting of new staff;
 - Two Audits currently taken to Interim Report stage which will be completed later in the year.
9. To address this, I have brought in 10 additional areas to be considered for auditing during 2012/13 as IA resources allow:
 - 7 audit areas from the Strategic Programme:
 - Corporate Information
 - Museum
 - Insurance
 - Licensing
 - Conservation & Landscape
 - Legal Services
 - Facilities Management
 - 1 audit area originally combined with Customer Service Centre but now audited as a separate area:
 - Access to Services
 - 2 new audit areas:
 - Corporate Training
 - Section 106 Agreements
10. Ernst & Young have been appointed as the External Auditors for 2012/13 and we will liaise with them before the end of quarter 3 to determine the new Key Financial Audits to be undertaken and the Audit Protocol for any new managed audit agreement. Following this a further review of the Internal Audit Programme will be undertaken.
11. CMT have been consulted with on the revisions made to the Internal Audit Programme 2012/13 following its review July 2012
12. As of 03 August 2012, Internal Audit year to date work against the revised audit programme is:
 - i) 13 out of 37 Audits commenced (35%)

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- ii) 6 out of 37 Audits completed to draft report stage (16%)
- iii) 2 out of 37 Audits completed to Interim report stage (5.4%)
- iv) 1 out of 37 Audits completed and Final Reports Issued (2.7%)

Recommendations Implemented 05 May 2012 – 03 August 2012

13. There are 4 risk level 3 and 4 highest priority recommendations which have been implemented; a summary is presented at Appendix B.

Recommendations Not Implemented by due date at 03 August 2012

14. At 03 August 2012, there were no agreed recommendations reported in Covalent as not being implemented in accordance with their agreed due date.

Risk Analysis

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Risk	Likelihood	Impact	Mitigating actions
The issues highlighted in the internal audit reports are not acted upon	1 Action is already being taken towards the implementation of the recommendations contained in the reports.	2 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

- 1 = Little or no risk or impact
- 2 = Some risk or impact – action may be necessary.
- 3 = Significant risk or impact – action required
- 4 = Near certainty of risk occurring, catastrophic effect or failure of project.