

AUDIT COMMITTEE	AGENDA ITEM No. 8
5 NOVEMBER 2012	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member(s) responsible:	Councillor Lamb, Chair of Audit Committee	
Contact Officer(s):	John Harrison, Director of Strategic Resources Steve Crabtree, Chief Internal Auditor	☎ 452 398 ☎ 384 557

INTERNAL AUDIT: HALF YEAR UPDATE 2012 / 2013

RECOMMENDATIONS	
FROM : John Harrison, Director of Strategic Resources	Deadline date : N/A
Audit Committee are asked that :	
1. The Internal Audit Update Report to 30 September 2012 be received and the Committee note in particular:	
(i) Progress made against the plan and the overall performance of the section.	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to Audit Committee as a routine planned report within the work programme of the Committee. It sets out Internal Audit performance and progress with regards to the 2012 / 2013 Audit Plan (Audit Committee approval: 26 March 2012).

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to inform the Audit Committee on Internal Audit activities and performance progress against the Annual Audit 2012 / 2013 as at 30 September 2012.
- 2.2 The report is for the Committee to consider under its Terms of Reference No. 2.2.4 – *To consider reports dealing with the management and performance of the providers of internal audit services.*

3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
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4. OVERVIEW

4.1 This report outlines the work undertaken by Internal Audit up to 30 September 2012, progress against our plan and other issues of interest.

5. ASSURANCE OPINION

5.1 One of four levels of assurance is allocated to each audit review. These assurance levels are: **FULL**; **SIGNIFICANT**; **LIMITED**; and **NO ASSURANCE**. Where concerns have been identified resulting in limited or no assurance, the Executive Summaries for these reviews will be included in an appendix to this report, once the audit review has been agreed and finalised. **FOUR** reports fall into this category for the period.

5.2 Initial work throughout the first six months has concentrated on higher risk assessed activities together with a variety of specific management requests which has temporarily skewed the audit outputs. As a result the organisation is showing a higher level of non-compliance than ordinarily would be expected. This hopefully should be rectified as we move into more routine areas. Therefore, the Chief Internal Auditor is unable to provide an opinion on the internal control environment at this juncture.

6. AUDIT PLAN 2012 / 2013

6.1 Progress against Plan

6.1.1 **Appendix 1** shows the Operational Plan that was agreed by the Audit Committee on 26 March 2012. It shows the audits that are due to be performed during 2012 / 2013 and the status of those audits. It includes audits brought forward from the previous year that have been finalised during 2012 / 2013. It also includes audits that were not planned when the Annual Audit Plan was approved. Some of these audits have taken a significant amount of time due to the nature of the scope involved, for example, special investigations, which has significantly reduced the contingency time previously built into the plan for works of this type. It does not, however, separately list audit work of more limited scope, such as control advice.

6.1.2 To date, four audit projects for 2011 / 2012 have been finalised together with a further twenty four for 2012 / 2013. There are also twenty six audit assignments that are in various stages of completion.

6.1.3 The original plan was produced to reflect the number of staff available for the year, but it included a reserve list of audits that would be undertaken depending on when the vacant posts are filled. Six audits from the reserve list have been commenced as a result of business needs and changing priorities, however it is unlikely that all of the reserve audits will be undertaken this year unless additional resources are obtained. Progress against the main 2012 / 2013 plan is good and it is anticipated that this part of the plan will be achieved.

6.2 Other Performance Matters

6.2.1 An average of 0.36 days sickness per person was lost during the six months to 30 September 2012, compared to a target of 2.5 days. This figure has continued to improve on the figure of 0.67 days per person at this time last year.

6.2.2 Post audit customer satisfaction questionnaires continue to demonstrate that audit reviews are meeting the needs of the organisation with an average score of 5.00 (the maximum score available is 5).

7. CONSULTATION

- 7.1 This report and the accompanying appendices have been issued to the deputy s.151 Officer for consideration.

8. ANTICIPATED OUTCOMES

- 8.1 That the Audit Committee is informed of Internal Audit's progress against the Annual Audit Plan and its business plan performance. In addition, that the Audit Committee is made aware of any key control issues highlighted by our work since the last progress report.

9. REASONS FOR RECOMMENDATIONS

- 9.1 The Council is subject to the Accounts and Audit Regulations 2011 and, as such, must make provision for Internal Audit in accordance with the CIPFA Code of Practice. It must also produce an Annual Governance Statement to be published with the Council's financial accounts. This report and associated papers demonstrate how the audit service is progressing against the audit plan and how it will contribute to the Statement.

10. ALTERNATIVE OPTIONS CONSIDERED

- 10.1 The alternative of not providing an Internal Audit service is not an option.

11. IMPLICATIONS

11.1 Corporate Resource Implications

During the year, Internal Audit makes a number of recommendations. While implementing these may have resource implications for the various areas under review, Internal Audit discuss and agree recommendations with the Auditee prior to the issue of the final audit report. Therefore, it is assumed that their implementation can and will be undertaken either with existing resources or with additional resources that they can readily call upon.

11.2 Legal Implications

The Internal Audit service is undertaken in accordance with the requirements of section 151 of the Local Government Act and the requirements of the Accounts and Audit Regulations 2011. There would be a legal implication if an Internal Audit service was not provided for, and if mechanisms were not in place to carry out a review of internal control, governance and risk management as a basis for the Annual Governance Statement.

12. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

- CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006;
- Accounts and Audit Regulations 2011; and
- Internal Audit Annual Plan 2012 / 2013.

13. APPENDICES

Appendix 1 - Progress of Audit Plan 2012 / 2013 (To 30 September 2012)

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