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| <b>AUDIT COMMITTEE</b>  | AGENDA ITEM No. 10   |
| <b>6 SEPTEMBER 2010</b> | <b>PUBLIC REPORT</b> |

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

### INTERNAL AUDIT - QUARTERLY REPORT 2010 / 2011 (TO 30 JUNE 2010)

| <b>R E C O M M E N D A T I O N S</b>   |                            |
|--|----------------------------|
| <b>FROM :</b> John Harrison, Director of Strategic Resources   | <b>Deadline date :</b> N/A |
| Audit Committee are asked that :   |                            |
| <p>1. The Internal Audit Update Report to 30 June 2010 be received and the Committee note in particular:</p> <p>(a) That the Chief Internal Auditor is of the opinion that based on the works conducted during the 3 months to 30 June 2010, internal control systems and governance arrangements remain generally sound;</p> <p>(b) Progress made against the plan and the overall performance of the section; and</p> <p>(c) The future review and where appropriate revision of the 2010/2011 Audit Plan.</p> |                            |

#### 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 2010 / 2011 Audit Plan (Audit Committee approval: 29 March 2010).

#### 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 2010 / 2011 as at 30 June 2010.

#### 3. TIMESCALE

|   |           |   |     |
|---|-----------|---|-----|
| Is this a Major Policy Item / Statutory Plan? | <b>NO</b> | If Yes, date for relevant Cabinet Meeting | N/A |
|---|-----------|---|-----|

#### 4. OVERVIEW

- 4.1 This report outlines the work undertaken by Internal Audit up to 30 June 2010, 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. **THREE** reports fall into this category for the quarter, details of which are included in **Appendix B**.
- 5.2 Based on the work carried out and finalised during the 2010 / 2011 (to 30 June 2010), the Chief Internal Auditor is of the opinion that the Council's internal control systems for those areas audited are generally sound. 100% of high / critical recommendations made to date have been accepted by management and programmed for implementation (against a target of 97%).

## 6. AUDIT PLAN 2010 / 2011

### 6.1 Progress against Plan

- 6.1.1 **Appendix A** shows the Operational Plan that was agreed by the Audit Committee on 29<sup>th</sup> March 2010. The plan details the audits that are due to be performed during 2010/2011 and the status of the reviews. The Appendix also includes reviews brought forward from the previous year that have either been finalised during 2010 / 2011 or details their current status. Audits that were not planned at the time of the Annual Audit Plan being approved are also included within the Appendix and are identified as unplanned reviews. Some contingency time for unplanned reviews is incorporated into the plan when it is produced, however it will not be apparent whether the time included is sufficient to meet the organisations needs until the year progresses. In addition to the reviews detailed other activities of control advice have been provided by Internal Audit which may not have resulted in the production of a report.
- 6.1.2 Progress against the 2010 / 2011 plan is 26.1% (compared with 29% to the 3 month period June 2009). Whilst the progress against the plan is slightly less than the previous year it is slightly above the teams quarter 1 target of 25%.
- 6.1.3 To date, 10 audit projects for 2009 / 2010 have been finalised together with a further 8 for 2010 / 2011. There are also 29 reviews that are in various stages of review along with the 24 schools subject to Financial Management Standards in Schools reassessment.

### 6.2 Other Performance Matters

- 6.2.1 An average of 2.6 days sickness per person was lost during the 3 months to 30 June 2010, compared to a target of 1.5 days. This is a major reduction on last year where sickness was 10 days per person as at 30 June 2009. However the majority of the sickness taken during Qtr1 was during June and it is known that the sickness relating to one individual will continue until at least October (Qtr3). This will have a major impact on the delivery of the Audit Plan for the remainder of the year and processes are in place to revise the Audit Plan accordingly (see 7.1). Where appropriate, sickness is being actively managed in accordance with the Council's Attendance Policy and through Occupational Health if appropriate.

## 7. REVISION OF THE 2010 / 2011 AUDIT PLAN

- 7.1 As detailed within section 6.2 of this report, it is known that the delivery of the audit plan is at risk due to resourcing issues relating to sickness. This is also further impacted by a

vacant Auditor post within the team where it is uncertain when the recruitment process will commence.

7.2 In view of the above, the audit plan will be reviewed and amended if appropriate to ensure that business needs can be achieved. Reviews identified with an asterix (\*) within **Appendix A** were originally scheduled for the vacant post referred to in 7.1. Any revisions to the plan will include which audits cannot be undertaken due to resource limitations based on the organisations needs. This may result in audits identified for the vacant post being reallocated to other auditors and the removal of other audits from the plan. Where funding is permitted the possibility of additional resources will also be explored. Any revisions to the Audit Plan will be presented to the Audit Committee for approval.

7.3 The Internal Audit Strategy for 2010/11 which was approved by the Audit Committee on 29 March 2010, detailed that ***'Internal Audit has been charged with selling Audit Services to other areas of the Public Sector in the region, as part of the Manor Drive initiative.'*** Internal Audit have been in discussion with a number of authorities in relation to this initiative and further information will be provided to Audit Committee, as appropriate, during the year.

## **8. CONSULTATION**

8.1 This report and the accompanying appendices have been issued to the Section 151 Officer for consideration.

## **9. ANTICIPATED OUTCOMES**

9.1 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.

## **10. REASONS FOR RECOMMENDATIONS**

10.1 The Council is subject to the Accounts and Audit (amendment) Regulations 2006 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 how it will contribute to the Statement.

## **11. ALTERNATIVE OPTIONS CONSIDERED**

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

## **12. IMPLICATIONS**

### **12.1 Corporate Strategy (relevance to):**

12.1.1 Internal Audit, through its central monitoring role, has an essential part to play in the application of sound financial management and corporate governance principles throughout the organisation. In addition it endeavours to promote quality systems and to ensure that there is an effective, efficient and economical use of all resources available to the Council.

12.1.2 Internal Audit reviews the risk management process that is integral in the setting of priorities within the Council and ultimately the Corporate Strategy. A corporate risk management process is now in place and work continues to be undertaken to embed further a risk management culture throughout the Council. Corporate risk registers were first introduced in October 2003 and these are continuing to evolve. These registers should reflect the risks associated with the key priorities identified in the Corporate Strategy. The Internal Audit

plan for 2010 / 2011 has been produced with reference to the Corporate Risk Register to ensure, where possible and appropriate, Internal Audit review those areas considered to be of most risk. The annual audit plan will continue to be reviewed to ensure it is in line with the risk registers, and as a consequence that the audit programme is closely linked to the Corporate Strategy.

- 12.1.3 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.

**13. 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 (amendment) (England) Regulations 2006  
Internal Audit Business Plan 2010 / 2011  
Internal Audit Annual Plan 2010 / 2011

**14. APPENDICES:**

Appendix A – Progress of Audit Plan 2010/2011 (to 30 June 2010)  
Appendix B – Audit Reports Issued in Quarter 1: Limited / No Assurance