

Audit Committee

09 September 2008



Internal Audit interim progress report

Report of the Head of Internal Audit and Risk Management

Purpose of the report

1. The purpose of this report is to advise Members on the work undertaken by Internal Audit between 01 April 2008 and 30 June 2008 and provide detail on the progress made against the annual audit plan for the financial year 2008/09. This is the first of a series of quarterly progress reports prepared for Members during the year as part of the Authority's overall governance arrangements and is in accordance with best practice.
2. The report also provides an update on the progress made in implementing recommendations agreed with managers relating to 2007/08.

Progress made against the annual audit plan

3. 38 of the 259 Internal Audit assignments scheduled for the year have been progressed with managers to reporting stage during the three month period under review, work in a further 72 areas has started as detailed in Appendix 2.
4. Internal Audit has also been working with managers to confirm the number of recommendations implemented, thus far confirmation has been received, as indicated in Appendix 3, that 496 of the 1,141 recommendations accepted by managers within 2007/08 have been implemented. However, as it currently stands, it is considered that this statistic is misleading, given that a number of recommendations reported upon may either not have reached their agreed implementation date, or as can be the case with ongoing governance related issues, need to be revised on an annual basis. We therefore propose, with Member approval, to include two additional columns in future appendices to reflect this situation, headed recommendation 'implementation due' and recommendation 'revised and re-issued'.

Governance

5. The Authority has made progress during the past twelve months in developing its governance arrangements. It has reviewed the effectiveness of its governance framework including the systems of internal audit and internal control. The Authority has also approved, adopted and published on its website, a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework – "Delivering Good Governance in Local Government".

6. Working from governance issues identified through the Corporate Risk Management Group (CRMG), the Authority approved, at its meeting on 26 June 2008, its first Annual Governance Statement which is included as part of the Authority's Statement of Accounts.
7. The Authority's governance arrangements are to be subject to a further review in the current financial year to confirm the degree to which they accord with developing best practice. A separate, detailed report, is to be prepared for the consideration of Members at the next meeting of the Audit Committee.

Reporting of key observations

8. Our work thus far has identified forty issues of high priority. Fourteen of these relate to the development of the Authority's corporate governance arrangements and are currently being agreed in the form of an action plan with responsible officers. Key issues for the Council include:
 - implementation of the Local Government White Paper 'Strong and Prosperous Communities', with its implications for the creation of a Unitary Council from April 2009, and need for comprehensive induction and development for Members in support of their new roles;
 - meeting the needs of communities through partnership working;
 - developing Business Continuity Planning arrangements across all service areas to minimise the extent of potential disruption;
 - the development of an equality proofed pay structure for officers;
 - the introduction of measures to improve health and wellbeing within the workplace;
 - assimilating guidance from the Standards Board for England in relation to the Ethical Standards Framework provisions within the Local Government and Public Involvement in Health Act 2007;
 - monitoring of performance of newly appointed Pension Fund advisers;
 - further development of the Council's approach to performance, project and risk management and a renewed focus upon the quality of data held.
9. The remaining twenty six issues relate to work undertaken at schools seeking to attain the Financial Management Standard (FMSiS), and are reported on an individual basis to School Governing Bodies. Issues identified through this process included:
 - weaknesses in the operation of financial procedures covering areas of budgeting, invoicing, petty cash and income security;
 - demonstrating compliance with contract procedure rules when procuring goods/services;
 - ensuring strict adherence to appointment procedures and
 - operation of Private School Funds and Friends accounts.
10. Internal Audit will continue to work with the managers responsible for these issues in seeking to ensure that envisaged improvements in systems of internal control are realised.

Performance against targets

11. In the period under review Internal Audit delivered 366 productive audit days, equivalent to 21% of the total days planned. 32 out of the 38 reports issued were delivered within fifteen working days, which at 84% falls just short of our 90% target. Performance against the Internal Audit effectiveness targets is strong with 100% of agreed recommendations being accepted. Analysis of the eighteen customer satisfaction surveys returned in relation to work completed, rated the performance of Internal Audit as good at 1.19 (very good = 1, good = 2, satisfactory =3, poor =4). A summary of work undertaken by Service is included for Members' information as Appendix 2.

Recommendation

12. Members are recommended to:
 - i note the progress made in relation to the Audit Plan to date,
 - ii agree the proposed revision to reporting on recommendations implemented.

Background Papers - **Audit Files & Working Papers**

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Appendix 1: Implications

Local Government Reorganisation

(Does the decision impact upon a future Unitary Council?)

No

Finance

There are no direct financial implications arising for the Council as a result of this report, although we aim through our audit planning arrangements to review core systems in operation and ensure through our broad programme of work that the Council has made safe and efficient arrangements for the proper administration of its financial affairs.

Staffing

None

Equality and Diversity

None

Accommodation

None

Crime and disorder

None

Sustainability

None

Human rights

None

Localities and Rurality

None

Young people

None

Consultation

None

Health

None

Appendix 2 : Summary of work undertaken 2008/09

Key Indicators of Performance

Service	No. of Reviews	Planned Days	Actual days	Critical	High	Medium	Recommendations					
							Low	Total	Accepted	Awaited	Rejected	Implemented
Core Systems	18	227	12.9	0	0	0	0	0	0	0	0	0
FMSiS - Schools	212	500	211.8	0	26	618	70	858	554	304	0	127
Customer Services	4	32	1.3	0	0	0	0	0	0	0	0	0
Pension Fund	3	30	4.2	0	0	0	0	0	0	0	0	0
External Bodies	1	40	4.2	0	0	0	0	0	0	0	0	0
Other Corporate Activities	21	895	131.4	0	14	0	0	14	0	14	0	0
	259	1,724	366	0	40	618	70	872	554	318	0	127

Other Indicators of Performance

% of reports issued within 15 working days 84% (32 out of 38)
 Customer Satisfaction 1.19

Appendix 3 : Summary of 2007/08 recommendations implemented

Key Indicators of Performance

Service	Recommendations					Accepted	Awaited	Rejected	Implemented
	Critical	High	Medium	Low	Total				
Core Systems	0	13	33	13	59	43	15	1	8
Adult and Community Services	0	54	110	40	204	195	8	1	94
Chief Executive's Office	1	3	2	2	8	0	8	0	0
Children and Young People's Services	0	47	125	32	204	159	45	0	61
FMSiS - Schools	0	89	435	33	557	521	36	0	265
Corporate Services	0	1	13	2	16	16	0	0	10
Customer Services	0	34	43	17	94	93	0	1	12
Environment	2	17	22	12	53	51	0	2	17
Pension Fund	0	9	3	0	12	7	5	0	4
Service Direct	0	1	2	0	3	3	0	0	2
External Bodies	0	5	12	2	19	19	0	0	19
Other Corporate Activities	5	22	13	4	44	34	10	0	4
	8	295	813	157	1,273	1,141	127	5	496