

## Audit Committee

27 September 2012

### Internal Audit Progress Report Quarter Ended 30 June 2012



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## Report of Manager of Internal Audit & Risk

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### PURPOSE OF THE REPORT

- 1 The purpose of this report is to inform Members of work carried out by Internal Audit during the period April to June 2012 and the overall position in delivering approved audit plans covering the period April 2011-June 2012.
- 2 The report aims to:
  - Provide a high level of assurance, or otherwise, on internal controls operated across the Council that have been subject to audit
  - Advise you of significant issues where controls need to improve to effectively manage risks
  - Advise you of any other types of audit work carried out such as grant certification or consultancy reviews where an assurance on the control environment may not be applicable
  - Advise you of amendments to planned work
  - Advise you of unplanned work carried out or to be carried out
  - Track progress on the response to audit reports and the implementation of agreed audit recommendations
  - Advise you of any changes to the audit process
  - Provide an update on our performance indicators comparing actual performance against planned

### BACKGROUND

- 3 Internal Audit is an independent, objective assurance and consultancy activity designed to add value and improve an organisation's operations.
- 4 To help improve the audit planning process, a revision to the annual audit planning cycle was approved by Audit Committee in February 2011. The audit planning year now covers the period July to June to allow audit plans to be developed following the approval of service plans and the MTFP.

- 5 As a consequence of this change, an interim audit plan covering the period April to June 2011 was approved by Audit Committee in March 2011.
- 6 A 5 year strategic audit plan together with the annual plan for July to June 2012 was approved by Corporate Management Team (CMT) and Audit Committee on the 8th June and the 30th June 2011 respectively.
- 7 In accordance with our Internal Audit Charter, we will give an assurance opinion on the effectiveness of internal controls each time we complete an assurance review. Details of how our assurance opinions are derived are given in Appendix 2.
- 8 It is managers' responsibility to ensure that effective controls operate within their service areas. However we undertake follow up work to provide independent assurance that agreed recommendations arising from audit reviews are implemented in a timely manner.
- 9 The method of audit follow up will vary according to the priority of recommendation.
- 10 Audit recommendations are allocated a priority ranking reflecting the significance of the audit findings to which they relate. Details of how we define the significance of audit findings are also given in Appendix 2.

#### **PROGRESS AGAINST PLANNED WORK**

- 11 A summary of the status of each audit as at 30<sup>th</sup> June 2012 is given below:
  - 8 of the 11 counter fraud reviews were complete, 1 is in progress, 1 has been cancelled and 1 has been carried forward into the 2012/13 annual audit plan.
  - 86 out of 134 planned assurances were complete. A further 27 were in progress.
  - 15 planned assurance reviews had been cancelled/deferred at the request of the service.
  - 6 planned assurance reviews were not started. These have been carried forward into the 2012/13 plan
  - 21 out of 25 planned advice and consultancy type reviews were complete and 4 have been carried forward.
  - 113 unplanned reviews (have been added to the plan to address new or emerging risks of which 93 are complete and the remainder have been carried forward as work in progress.
  - All planned grant certification work is complete.

#### **RESPONSE TO AGREED AUDIT RECOMMENDATIONS**

- 12 To provide independent assurance that adequate progress is made in the implementation of agreed recommendations at the appropriate service operational level, all high and medium recommendations contained within

actions plans within individual audit reports are followed up by internal audit. In addition, listings of all recommendations outstanding at the end of each month are produced and issued to a nominated representative to assist management monitoring processes.

### **PERFORMANCE INDICATORS**

- 13 A summary of our actual performance compared to agreed target performance indicators is given in Appendix 3.
- 14 It should be noted that the 90 % target for planned assurance work relates to the period April 11 to 30 June 12. Going forward actual performance will be monitored against annual plans ending in June each year.
- 15 A total of 134 assurance reviews were planned of which 86 were completed by 30/6/12. A further 27 were in progress, completed to, on average, 52% which is equivalent to 14 reviews. However, out of the 134 reviews planned 15 were cancelled/deferred at the request of the service. Actual performance should therefore be measured excluding these reviews. The revised number of reviews planned was therefore 119 of which, including the adjustment for work in progress a total of 100 reviews were complete. Actual performance is therefore 84%. In total 6 reviews were not started due to internal performance issues. Most of these related to IT audits due the sickness absence of a key member of staff since May 2012. The need to increase skills in the specialist area of IT has been recognised and is to being addressed in 2012/13.
- 16 Performance in relation to the timeliness of the issue of reports, both draft and final, has slipped below target this quarter with 85% of draft reports ( target 90%) being issued within 30 calendar days from the end of fieldwork and 93% of final reports (target 95%) being issued with 14 calendar days. Average time taken to issue reports of 16 days for drafts and 6 days for final was however well within the agreed timescales.
- 17 The results from the CIPFA 2012 Benchmarking exercise have now been reported and have confirmed that we have achieved our target for our cost per chargeable day being lower than the average for unitary authorities during 2011/12 (DCC £279 – average £313).
- 18 A separate report summarising all the key outcomes from the benchmarking exercise will be prepared for consideration by the Committee as part of the next annual review of the effectiveness of the service.

### **RECOMMENDATIONS**

- 19 Members are asked to note the outturn position on delivering the internal audit plan covering the period April 2011 to June 2012 to gain assurance on the adequacy and effectiveness of the Council's internal control environment.

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## **Appendix 1: Implications**

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### **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

### **Risk**

This report requires no decision and so a risk assessment has not been carried out

### **Equality and Diversity**

None

### **Accommodation**

None

### **Crime and disorder**

None

### **Human rights**

None

### **Consultation**

None

### **Procurement**

None

### **Disability Discrimination Act**

None

### **Legal Implications**

None