
Report to: Audit & Governance Committee **Date of Meeting:** 14 December 2011

Subject: Audit Plan 2011/12 – Internal Audit Performance Report
April to November 2011

Report of: Head of Corporate Finance & ICT **Wards Affected:** All

Is this a Key Decision? No

Is it included in the Forward Plan?
No

Exempt/Confidential

No

Purpose/Summary

To provide Audit and Governance Committee with a summary of Internal Audit work undertaken during the period April to November 2011.

Recommendation(s)

Members are requested to:-

- (i) Consider the revised format, which includes dates of issue and response and approve the format for future reports; and
- (ii) Consider and note the content of the report.

How does the decision contribute to the Council's Corporate Objectives?

| | <u>Corporate Objective</u> | <u>Positive Impact</u> | <u>Neutral Impact</u> | <u>Negative Impact</u> |
|---|---|-------------------------------|------------------------------|-------------------------------|
| 1 | Creating a Learning Community | ✓ | | |
| 2 | Jobs and Prosperity | ✓ | | |
| 3 | Environmental Sustainability | ✓ | | |
| 4 | Health and Well-Being | ✓ | | |
| 5 | Children and Young People | ✓ | | |
| 6 | Creating Safe Communities | ✓ | | |
| 7 | Creating Inclusive Communities | ✓ | | |
| 8 | Improving the Quality of Council Services and Strengthening Local Democracy | ✓ | | |

Reasons for the Recommendation:

At the previous meeting of this Committee it was requested by Members that the report include date of issue and responses of Audit reports, the monitoring report has been amended to include that request and requires approval by Members of this Committee for future progress reports to be produced in this format.

Audit and Governance Committee require to be informed of and review Internal Audit work as part of their review of the internal control environment and overall Governance arrangements.

What will it cost and how will it be financed?

There are no financial costs associated with the proposals in this report

(A) Revenue Costs

(B) Capital Costs

Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

| | | |
|--------------------------------|--|-------------------------------------|
| Legal | | |
| Human Resources None | | |
| Equality | | |
| 1. | No Equality Implication | <input checked="" type="checkbox"/> |
| 2. | Equality Implications identified and mitigated | <input type="checkbox"/> |
| 3. | Equality Implication identified and risk remains | <input type="checkbox"/> |

Impact on Service Delivery:

Internal Audit provide assurance to the Council that Internal Controls are provided for within systems utilised across the Council providing for effective and efficient service delivery for the community.

What consultations have taken place on the proposals and when?

The Head of Corporate Finance (FD1186) and Head of Corporate Legal Services (LD552/11) have been consulted and any comments have been incorporated into the report.

All departments / establishments receive Audit Reports as necessary throughout the year.

Audit & Governance Committee receive quarterly Internal Audit Performance Reports.
Are there any other options available for consideration?

No

Implementation Date for the Decision

Immediately following the Audit & Governance Committee meeting.

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Background Papers:

The following papers are available for inspection by contacting the above officer(s).

Audit Plan

Audit Reports & Correspondence

CIPFA Code of Practice for Internal Audit 2006

Accounts & Audit (Amendment) (England) Regulations 2006

1. Introduction/Background

- 1.1. The Chief Internal Auditor under the CIPFA Code of Practice for Internal Audit is required to provide periodic reports on the performance of Internal Audit to Audit and Governance. These progress reports support the Chief Internal Auditor's Annual Report and opinion and allow the Committee to assess the level of assurance it can gain over the Council's governance and control arrangements. The work of the Internal Audit Section, which is drawn from the Annual Audit Plan, is fundamental in enabling this opinion to be formed. This opinion also contributes to the review of internal control and the Annual Governance Statement (AGS).

2. Report April to November 2011

- 2.1. This is the second progress report of 2011/12 on the work of the Internal Audit Section. It provides Members with a summary of Internal Audit work both completed and at various stages of progress (i.e. draft report, final report, in progress) for the above mentioned period. As part of the Internal Audit Code of Practice 2006 the Chief Internal Auditor is required to provide a written report to those charged with governance, i.e., this Committee, which compares the work actually undertaken with that which was agreed as planned work in the Audit Plan. The summary has been compiled taking into account this requirement and identifies the status of each audit (as outlined above) against the plan, following discussion at the previous meeting of this Committee the report has been altered to include dates of issue and response.
- 2.2. For each relevant Audit Area the numbers of Proposed / Agreed Recommendations are shown together with the following dates; Draft Report Issued, Final Report Issued, Action Plan Returned and Job Closed. For each area reviewed an opinion has been given on the overall control environment pertaining at the time of the review and based on the Auditors assessment on the extent to which the system control objectives identified for the specific audit review have been met and the risks mitigated. Opinion classifications given are: 'Very Good', 'Good', 'Fair', 'Weak' or 'Poor'. Where audit reviews are 'In Progress' or 'Pre Draft Report' the outcome of these will be reported on in the next quarterly report. The summary is attached at Annex A.
- 2.3. The performance report for the Benefit Fraud Investigation Team (BFIT) provided by arvato Government Services is attached at Annex B.

3. Matters Arising from Audit Reports issued between August and November 2011

- 3.2 An audit of the Carbon Reduction Commitment Energy Efficiency Scheme identified that there had been insufficient provision made for the purchase of Carbon Allowances which had been based on the original risk and reward scheme. The Medium Term Financial Plan (MTFP) has been amended to reflect the current scheme and now includes sufficient provision to meet the requirements.
- 3.3. As part of the planning process every effort has been made to ensure that there has been a reasonable spread of audit work across Departments. As the table below shows, with regard to completed audits, recommendations for improvement identified by Internal Audit continue to have a high level of acceptance by clients

(99%). It is expected that a similar level of acceptance will apply to audits in progress.

Analysis of Audit Recommendations April to November 2011

| | Proposed | Agreed | Not Agreed | Awaiting Confirmation |
|-------------------------|----------|--------|------------|-----------------------|
| Audit Reviews | | | | |
| – Completed Audits | 238 | 235 | 3 | |
| – In Progress/Draft etc | 100 | | | 100 |
| Total | 338 | 235 | 3 | 100 |

- 3.5 Details of two recommendations that were not agreed in the previous period were reported at the previous Audit and Governance committee meeting. A further recommendation was not agreed in the current period which related to Freshfield Primary School. The school elected to maintain a one year school development plan rather than a 3 year plan as is best practice. The non agreement to the recommendations has not resulted in weakness of controls or left the council open to any significant risks in these areas.
- 3.6. Response to Audit Reports is generally good and there are no significant non response issues requiring referral to Members at this stage. Internal Audit continues to receive a very positive response to their Client Satisfaction Surveys with 84% considering services to be Very Good / Good.
- 3.7 A number of comments were received from clients in writing during the period, praising the work Internal Audit had undertaken. The comments are as follows:

“He has been very thorough and efficient and has assisted us in remaining on target for our evaluation”

“Thanks for all the hard work that has been put into the audit and the way they have worked to resolve any issues”.

“Gratitude and thanks for this piece of work. Not only achieved in terms of timescale but it is a very clear, unambiguous, easily understood and "honest broker" report that is very helpful”. “I think this work demonstrates the important role that "Audit" could play in helping to drive out inefficiencies in services and I don't think we have yet fully utilised the resource that your service offer across the organisation

“The audit became a much more valuable process to our own Council approaches and offered constructive proposals for improvements. The Audit Officer developed her knowledge of the subject matter above and beyond our expectations and in doing so delivered the audit throughout as a valuable ‘critical friend’ and indeed added confidence to our submissions and methods in preparation for this. For the next round of statutory actions for CRC, the report and Audit colleague will continue to add benefit to the Councils approach.

3.8 Verbal praise was also received in respect of Internal Audit work undertaken in relation to the Authority's contract with Eze Fitness and a recent computer misuse investigation.

4 Other Matters

4.1 Since the last Internal Audit Performance report to this committee, a member of staff at Senior Auditor level has been seconded to Merseyside Police Authority's Internal Audit Section for a period of 12 months commencing 14th November 2011. This reduces the operational level within Internal Audit for one year to November 2012. It is anticipated that this will strengthen partnership working and provide an enhanced learning opportunity for the Auditor involved. This also provides a one off saving that will contribute towards the Corporate Finance & ICT review.