

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date 13th December 2010

INTERNAL AUDIT PERFORMANCE AND WORKLOAD 2010/2011

Relevant Portfolio Holder	Councillor Geoff Denaro
Relevant Head of Service	Executive Director (Finance & Corporate Resources)
Key Decision / Non-Key Decision	

1. SUMMARY OF PROPOSALS

1.1 To present:

- A summary of the current performance and workload of the Internal Audit Section.

2. RECOMMENDATION

2.1 That the Audit Board considers and approves:

- Work completed and progress against the 2010/11 plan up to 31st October 2010.
- The revised Internal Audit Plan for 2010/11.
- Work regarding any investigations.
- Current Performance Indicator statistics.
- Amendments to the section's standard documentation.

3. BACKGROUND

3.1 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2003 (as amended 2006) to "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control".

3.2 To aid compliance with the regulation, the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 details that "Internal Audit work should be planned, controlled and recorded in order to determine priorities, establish and achieve objectives and ensure the effective and efficient use of audit resources".

3.3 A revised three year plan was approved by the Audit Board at its meeting of 28th September 2009. The purpose of the three year plan is to ensure that all of the Council's key systems are audited at least once every three years, thus providing assurance that the Council's systems are operating as intended.

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- 3.4 The annual plan for 2010/11 is the second year of the three year plan. In accordance with best practice, each year the three year plan should be subject to review to ensure that identified changes, for example, external influences, risk score and process re-engineering, are taken into consideration within the current year's annual plan.
- 3.5 The 2010/11 Internal Audit Plan will aid the effectiveness of the Internal Audit function and ensure that:
- Internal Audit assists the Authority in meeting its objectives by reviewing the high risk areas, systems and processes.
 - Audit plan delivery is monitored on a weekly basis, appropriate action is taken and performance reports are issued on a regular basis.
 - The key financial systems are reviewed annually, enabling the Authority's external auditors to place reliance on the work completed by Internal Audit.
 - An opinion can be formed on the adequacy of the Authority's system of internal control, which is detailed in the annual Internal Audit Opinion report included in the statement of accounts.
- 3.6 The Worcestershire Internal Audit Shared Service (WIASS) came into effect on 1st June 2010. Accordingly, the plan for 2010/11 was compiled in accordance with the WETT Business Case. A revised plan for 2010/11 with a number of proposed amendments was approved by the Audit Board on the 27th September 2010.
- 3.7 Following the Audit Board meeting on the 25th April 2006, a number of standard agenda items and topics were agreed. This report includes information on the following areas:
- Audit Plan – Current Status.
 - Audit Work Completed since the previous Audit Board meeting.
 - Summary of Investigations.
 - Performance Indicator statistics.
 - New or updated audit documents.

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4. KEY ISSUES

2009/10 Audit Plan – current status

4.1 The following is a list of audits from the 2009/10 Audit Plan that have been completed since the last meeting:

- Asset Management
- Payroll
- Procurement

2010/11 Audit Plan – current status

4.2 There are four performance indicators for Internal Audit:

- Actual time compared with planned time,
- Percentage of productive time,
- Number of jobs planned for the year actually finished,
- Number of customer surveys returned that scored the service as 'good'.

The first two performance indicators are monitored and reported quarterly and the latter two indicators will be measured and reported annually.

4.3 The table below sets out performance up to 31st October 2010 against the revised Internal Audit Plan for 2010/11 which was agreed by the Audit Board on 27th September 2010.

4.4 Performance against Revised Internal Audit Plan of September 2010

The performance as indicated in the table below shows an artificially low productivity of 53% for the 7 months to 31st October 2010. This is due to the misclassification of chargeable and non-chargeable elements in the September revision of the 2010/11 Audit Plan. For example, the management days are all accounted for in the non-chargeable element of the plan. However, by correctly classifying these days 38 days would be chargeable and productive thus reducing the non productive element of the plan and increasing the overall chargeable element of the plan and the productivity for the 7 months to 31st October 2010 from 53% to 68%.

This reclassification has been addressed in the revised audit plan of December 2010 which can be found at paragraph 4.6 below.

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Performance against revised Internal Audit Plan of September 2010

	Revised Plan Sept 10 (days)	Actual (days) (rounded)	% used	Comments
Chargeable Days (productive) days:				
Completion of 09/10 audit work	44	43	97%	Completion of 2009/2010 audit work in Q1
Audit reviews	169	29	23%	Includes all reviews; fundamentals, corporate.
Risk Management	80	42	52%	Risk Management
Follow up checks (Agreed Action Tracker process)	20	11	55%	
Consultancy	14	4	29%	
Audit reviews contingency	5	0	0%	
Sub-totals	332	129	39%	
Non-Chargeable (non-productive) days:				
Administration	15	8	53%	
Management	50	58	116%	
Professional Training and Seminars	36	12	33%	
Leave/approved absences	82	37	45%	
Sub-totals	183	115	63%	
Total	515	244	47%	
	Planned	Actual	Comments	
Percentage of productive days	64%	53%		

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- 4.5 An interim review of the plan with the Section 151 Officer has identified that a further revision of the above plan is required in order to reflect changes in circumstances. The main factors driving this revision are as follows:
- A manager is now in place for the Bromsgrove team. As referred to in Appendix 1 of the Performance and Workload report presented to the Audit Board of 27th September 2010, the plan would require revision once a long-term managerial solution had been agreed.
 - The transfer of the Regulatory Services audit of 15 days from the Malvern Hills District Council Audit Plan to the Audit Plan of the Regulatory Services host, Bromsgrove District Council, as agreed by the section 151 officers.
 - The reclassification of direct audit management time from non-productive to productive in accordance with the Internal Audit Shared Service definition of chargeable and non-chargeable time as agreed by the section 151 officers.
- 4.6 The revised Internal Audit plan which is presented for approval at this meeting of the Audit Board is shown below.

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Revised Internal Audit Plan December 2010

	Revised Plan Sept 2010	Revised Plan Dec 2010	Difference	Reasons for difference
Chargeable Days (operational) days:				
Completion of 09/10 audit work	44	44	0	
Audit reviews	169	184	15	15 days added for Regulatory audit, to be included within Bromsgrove plan as host of the Regulatory Shared Service.
Risk Management	80	80	0	
Follow up checks (Agreed Action Tracker process)	20	20	0	
Consultancy	14	14	0	
External Audit	0	2	2	Liaison with External Audit previously excluded from plan in error.
Audit reviews contingency	5	5	0	
Management	0	48	48	Reclassification of direct audit management time, for example coaching, supervision and review of audit work, preparation of Annual Audit Plans, Annual Audit Reports and Audit Committee reports from non-chargeable to chargeable in line with agreed WIASS definition of chargeable and non-chargeable time. Also addition of direct management time of new Bromsgrove audit manager.
Sub-totals	332	397	65	
Non-Chargeable (non-operational) days:				
Management & Administration	65	46	(19)	Reclassification of direct audit management time to chargeable as noted above offset by addition of non-chargeable element of new Bromsgrove audit manager's time.
Leave/approved absences	82	82	0	
Professional Training	36	30	(6)	Reassessment of training requirements for year.
Sub-totals	183	158	(25)	
Total	515	555	40	
	Planned	Actual		Comments
Percentage of operational days: (benchmark 65%)	64%	72%		

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Summary of investigations

- 4.7 Responsibility for investigations is held by the Council's Corporate Anti Fraud Team with no investigations being undertaken by Internal Audit.

New or updated Audit documents

- 4.8 There are no new or updated Internal Audit documents to report.

Recommendations Tracker

- 4.9 This is a separate report.

5. FINANCIAL IMPLICATIONS

- 5.1 Revisions to the Internal Audit plan are in line with the original WIASS business case therefore there are no financial implications as a direct result of this report.

6. LEGAL IMPLICATIONS

- 6.1 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2003 (as amended 2006) to "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices".

7. POLICY IMPLICATIONS

- 7.1 None.

8. COUNCIL OBJECTIVES

- 8.1 Council Objective 02: Improvement.

9. RISK MANAGEMENT INCLUDING HEALTH & SAFETY CONSIDERATIONS

- 9.1 The main risks associated with the details included in this report are.
- Non-compliance with statutory requirements.
 - Ineffective Internal Audit service.
 - Lack of an effective internal control environment.

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9.2 These risks are being managed as follows:

- Risk Register: Financial Services
- Key Objective Ref No: 3
- Key Objective: Efficient and effective Internal Audit service

10. CUSTOMER IMPLICATIONS

10.1 The internal control and assurance framework ensures that the services delivered by the Council to the customer are undertaken with a robust and effective framework of processes and procedures.

11. EQUALITIES AND DIVERSITY IMPLICATIONS

11.1 None as a direct result of this report.

12. VALUE FOR MONEY IMPLICATIONS, PROCUREMENT AND ASSET MANAGEMENT

12.1 A robust internal control environment ensures that Value for Money is delivered in the service provision across the Council.

13. CLIMATE CHANGE, CARBON IMPLICATIONS AND BIODIVERSITY

13.1 Climate Change is included as a risk to be managed on the Corporate and service area risk registers.

14. HUMAN RESOURCES IMPLICATIONS

14.1 None.

15. GOVERNANCE/PERFORMANCE MANAGEMENT IMPLICATIONS

15.1 Effective governance process.

16. COMMUNITY SAFETY IMPLICATIONS INCLUDING SECTION 17 OF CRIME AND DISORDER ACT 1998

16.1 None.

17. HEALTH INEQUALITIES IMPLICATIONS

17.1 None.

18. LESSONS LEARNT

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18.1 Nothing to report for this Board.

19. COMMUNITY AND STAKEHOLDER ENGAGEMENT

19.1 None as a direct result of this report.

20. OTHERS CONSULTED ON THE REPORT

Portfolio Holder	No
Chief Executive	No
Executive Director (S151 Officer)	Yes
Executive Director – Leisure, Cultural, Environmental and Community Services	No
Executive Director – Planning & Regeneration, Regulatory and Housing Services	No
Director of Policy, Performance and Partnerships	No
Head of Finance and Resources	Yes
Head of Legal, Equalities & Democratic Services	No
Corporate Procurement Team	No

21. WARDS AFFECTED

All Wards.

22. APPENDICES

None

23. BACKGROUND PAPERS

None.

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AUTHOR OF REPORT

Name: Gillian Tanfield
Worcestershire Internal Audit Shared Services Manager
E Mail: gillian.tanfield@worcester.gov.uk
Tel: 07768 553498