

**BROMSGROVE DISTRICT COUNCIL**

**AUDIT BOARD**

Date 9th June 2011

**2010/11 INTERNAL AUDIT PERFORMANCE AND WORKLOAD**

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

**1. SUMMARY OF PROPOSALS**

- 1.1 To present the Internal Audit Out-turn statement for the period 1st April 2010 to 31st March 2011.

**2. RECOMMENDATION**

- 2.1 That the report be noted.

**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 28<sup>th</sup> 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.
- 3.4 The annual plan for 2010/11 was 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.

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3.5 The purpose of the 2010/11 Annual Plan was to aid the effectiveness of the Internal Audit function and ensure that:

- Internal Audit assisted the Authority in meeting its objectives by reviewing the high risk areas, systems and processes.
- Audit plan delivery was monitored on a weekly basis, appropriate action taken and performance reports 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 feeds into the Annual Governance Statement in the statement of accounts.

3.6 The WETT Internal Audit Shared Service came into effect on 1<sup>st</sup> June 2010. Accordingly, the plan for 2010/11 was compiled in accordance with the WETT Business Case and a number of proposed amendments were approved by the Audit Board on the 27<sup>th</sup> September 2010 with further amendments on the 13<sup>th</sup> December 2010. The Internal Audit Shared Service is introducing for all its member authorities a risk based assessment that will assist in the compilation of future internal audit plans.

3.7 Following the Audit Board meeting on the 25<sup>th</sup> 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.
- Performance Indicator statistics.
- New or updated audit documents.

## **4. KEY ISSUES**

4.1 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 are measured and reported annually.

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4.2 For the performance indicators that are reported annually, the following is a list of audits from the revised 2010/11 Annual Plan that were planned and have been finished:

- Debtors;
- Creditors;
- Treasury Management;
- Non Domestic Rates;
- Council Tax;
- Regulatory Services; and
- Benefits.

There were two further audits included in the revised plan that are awaiting completion and finalisation. These are:

- Waste Collection; and
- Joint audit with Redditch Borough Council on Corporate Governance for the Shared Service.

For all the completed audits a customer survey has been issued to the relevant manager; however, only one questionnaire has been completed and returned. Accordingly, we are unable to provide an unbiased report on the number of customer surveys returned that scored the service as 'good'.

In 2011/12 the Internal Audit Shared Service is introducing a new Client Satisfaction Survey where the client will be given a deadline by which they will need to complete and return the survey. Surveys not returned will be rigorously followed-up.

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4.3 The table below details planned time compared with actual time recorded from 1 April 2010 to 31<sup>st</sup> March 2011.

	Revised Plan (days)	Actual (days) (rounded)	% used	Comments
<b>Chargeable Days (operational) days:</b>				
Completion of 09/10 audit work	44	43	97%	Completion of 2009/2010 audit work in Q1
Audit reviews	169	97	57%	Includes all reviews; fundamentals, corporate.
Risk Management	80	80	100%	Risk Management
Follow up checks (Agreed Action Tracker process)	20	23	115%	
Consultancy	14	13	93%	
External Audit	2	1	50%	
Audit reviews contingency	5	1	20%	
Management	84	134	160%	WETT, Mngt Staff Forums & Team Mtgs, WIASS support
<b>Sub-totals</b>	<b>418</b>	<b>392</b>	<b>94%</b>	(Actual / Plan Days)
<b>Non-Chargeable (non-operational) days:</b>				
Non-operational contingency	0	0	0%	
Management & Administration	30	43	147%	Appraisals, Corporate Initiatives, Audit Group Mtgs, System issues, Administration & Audit Timesheets, WIASS support
Leave/approved absences	82	70	85%	General seminars & training
Professional Training	30	30	100%	
<b>Sub-totals</b>	<b>142</b>	<b>143</b>	<b>101%</b>	(Actual / Plan Days)
<b>Total</b>	<b>560</b>	<b>535</b>	<b>96%</b>	(Actual / Plan Days)
	<b>Planned</b>	<b>Actual</b>	<b>Comments</b>	
Percentage of operational days: (benchmark 65%)	75%	73%		

Performance against the two key performance indicators against which we report quarterly; actual time compared with planned time and the percentage of productive time was less than expected; however, the benchmark figure was exceeded.

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The variances to expectation as indicated above show only 57% of time on audit reviews and the management budget at 160%. The reasons for the variances include:

- Significant study leave which was not accounted for in the original 2010/11 plan;
- The Worcestershire Internal Audit Shared Service restructuring programme which significantly impacted the ongoing audit plan delivery;
- Reallocation of a Bromsgrove District Council Internal Auditor for five weeks; and
- Significant time was placed in the 'management' budget for coaching, supervision, review of audit work and other operational activity rather than being raised against the 'Audit Review' budget.

Accordingly, the time allocation budgets as shown above need to be considered together as a whole rather than isolated individual budgets.

#### **New or updated Audit documents**

- 4.4 There are no new or updated Internal Audit documents to report, however, there is ongoing business transformation which will culminate in revised audit documentation.

#### **Recommendations Tracker**

- 4.5 This is a separate report.

### **5. FINANCIAL IMPLICATIONS**

- 5.1 None.

### **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.

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### **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.

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.

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**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**

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	No
Head of Legal, Equalities & Democratic Services	No
Corporate Procurement Team	No

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**21. WARDS AFFECTED**

All Wards.

**22. APPENDICES**

None.

**23. BACKGROUND PAPERS**

None.

**AUTHOR OF REPORT**

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