

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

10TH DECEMBER 2007

INTERNAL AUDIT PERFORMANCE AND WORKLOAD

Responsible Portfolio Holder	Councillor Geoff Denaro
Responsible Head of Service	Head of Financial Services

1. SUMMARY

1.1 To present a summary of the current performance and workload of the Internal Audit Section.

2. RECOMENDATION

2.1 The Audit Board is recommended to note and approve the:

- Current status and work completed on the 2007/08 Audit Plan.
- The removal of four reviews from the 2007/08 Audit Plan.
- Work completed by the Internal Audit Section between September and November 2007.
- Work regarding any investigations.
- Current Performance Indicator statistics.
- Amendments to the section's standard documentation.

3. BACKGROUND

3.1 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:

- 2007/08 Audit Plan – Current Status.
- Audit Work Completed since the previous Audit Board meeting.
- Summary of Investigations.
- Performance Indicator statistics.
- New or updated audit documents.

4. 2007/08 AUDIT PLAN – CURRENT STATUS

4.1 The 2007/08 Audit Plan came into effect on the 1st April 2007. Detailed below is the work completed to date on the audit reviews detailed in the plan.

Description	Section	Start Date	Current Status			Comments
			To Start	Ongoing	Complete	
Audit Reviews						
Project Management Methodology	E-Gov. & CS	Qtr 1		✓		Testing ongoing.
Street Cleansing	St. Scene & Waste Mngmnt	Qtr 1			✓	Audit completed.
Web Development / Updates	E-Gov. & CS	Qtr 1			✓	Audit completed.
Stores & Garage (incl. Business Support)	St. Scene & Waste Mngmnt	Qtr 1	x			To be removed.
Members' Expenses	Legal & Demo.	Qtr 1			✓	Audit completed.
Enforcement	Plan. & Env.	Qtr 1			✓	Audit completed.
Council Risk Registers	Corporate	Qtr 2			✓	Testing completed.
Equality and Diversity	Legal & Demo.	Qtr 2	✓			Audit yet to start.
Refuse Collection & Recycling	St. Scene & Waste Mngmnt	Qtr 2	x			To be removed.
Health & Safety	HR & OD	Qtr 2			✓	Testing completed.
CCTV - Lifeline System	Cult. & Comm.	Qtr 2			✓	Audit completed.
Asset Management	Legal & Demo.	Qtr 2		✓		Testing ongoing.
Performance Indicators & Data Quality	Policy & Perf.	Qtr 2			✓	Testing completed.
E-mail policy & Internet Usage	E-Gov. & CS	Qtr 2	✓			Audit yet to start.
Licensing & Taxi Licensing	Plan. & Env.	Qtr 2	x			To be removed.
Budgetary Control & Strategy	Financial Srvs	Qtr 3	✓			Audit yet to start.
Procurement (incl. E-Procurement & Best Value)	Financial Srvs	Qtr 3		✓		Testing ongoing.

Description	Section	Start Date	Current Status			Comments
			To Start	Ongoing	Complete	
Benefits	Financial Srvs	Qtr 3	✓			Audit yet to start.
Dolphin Centre	Cult. & Comm.	Qtr 3	×			To be removed.
Debtors	Financial Srvs	Qtr 3			✓	Testing completed.
Customer Service Centre	E-Gov. & CS	Qtr 3		✓		Testing ongoing.
Payroll	HR & OD	Qtr 4	✓			Audit yet to start.
Creditors	Financial Srvs	Qtr 4	✓			Audit yet to start.
General Ledger & Bank Reconciliations	Financial Srvs	Qtr 4	✓			Audit yet to start.
Treasury Management	Financial Srvs	Qtr 4		✓		Testing ongoing.
Council Tax	Financial Srvs	Qtr 4	✓			Audit yet to start.
Disabled Facilities & Improvement Grants	Plan. & Env.	Qtr 4			✓	Audit completed.
NNDR	Financial Srvs	Qtr 4	✓			Audit yet to start.
Projects						
Amphlett Hall	Legal & Demo.	Qtr 1		✓		Management Committee attended.
Leadership Development Programme	N/A	Qtr 1			✓	Work completed.
Equalities Champion	Legal & Demo.	Qtr 1		✓		Equalities Champion meetings attended.
Information Management	E-Gov. & CS	Qtr 1		✓		Project support provided.
POP Project	Financial Srvs	Qtr 1		✓		Project support provided.
PPlus System	Policy & Perf.	Qtr 1			✓	Work completed.
Local Code of Corporate Governance	Corporate	Qtr 1			✓	Work completed.
Risk Management	Corporate	Qtr 1		✓		Ongoing facilitation and support.
Spatial Project	E-Gov. & CS	Qtr 1		✓		Project support provided.
Wyre Forest Risk Management	Corporate	Qtr 3			✓	Work completed.

4.2 During 2007/08 the Internal Audit team has suffered from a shortage of staff resources to deliver the 2007/08 Audit Plan. Although the team has been fully staffed since the 10th October 2007, it is anticipated that rather than having 1040 days for 2007/08, only 892 days will be available. The table below details how it is expected this time will be spent.

Description	2007/08 Planned Days	1.4.07 – 16.11.07 Actual Days	2007/08 Year End Prediction	Comments
Audit Reviews	475.0	197.5	397.0 (84%)	Prediction based on resource levels at 86% for the year.
Projects	120.0	73.0	102.0 (85%)	Prediction based on resource levels at 86% for the year.
Contingency	68.0	31.5	56.0 (82%)	Prediction based on resource levels at 86% for the year.
Previous Years Work	10.0	14.5	14.5 (145%)	Additional time required to complete the 2006/07 reviews.
Fraud	42.0	12.5	20.0 (48%)	Less time due to the section being involved in fewer fraud investigations.
Administration	15.0	11.5	17.0 (110%)	Additional administration time.
Management	128.0	100.5	142.0 (111%)	Additional time required for recruitment, new starter training, the Council's new external auditors and general training.
Leave	182.0	72.0	143.5 (79%)	Prediction based on resource levels at 86% for the year.
TOTAL	1040.0	513.0	892.0 (86%)	Predicted total time, due to Auditor vacancies.

4.3 As it is predicted that by the 31st March 2008 the section will have only had access to 86% of its planned staff resources, it is proposed that four audit reviews (14%) be removed from the 2007/08 Audit Plan:

- Dolphin Centre: due to its low risk score and possible trust transfer. The potential trust transfer is being reviewed as part of the Project Management Methodology audit.

- Licensing & Taxi Licensing: due to its low risk score.
- Refuse Collection & Recycling: although the review received a medium risk score, the Street Cleansing audit, completed September 2007, included several recommendations that related to both services.
- Stores & Garage (incl. Business Support): due to its low risk score and the Street Cleansing including several recommendations that related to both services.

It is anticipated that the other 24 reviews on the 2007/08 Audit Plan will be completed by the 31st March 2008.

5. AUDIT WORK COMPLETED

5.1 In addition to the delivery of the 2007/08 Audit Plan, as detailed in section 4, the following work has been completed by the Internal Audit section between 31st August and 23rd November 2007.

- Ongoing communication with the Council's new external auditors.
- The Internal Audit Section has a representative on the Risk Management Steering Group and has provided ongoing support and facilitation in implementing the Council's Risk Management Strategy.
- Further "Introduction to Risk Management" training sessions have been held for staff.
- The seventh Fraud Newsletter has been circulated to staff.
- Monthly monitoring of the Internal Audit Section's 2007/08 Performance Indicators. Further information has been provided in section 7.
- The National Fraud Initiative (NFI) data matches are being resolved, with assistance from other sections around the Council.
- Additional support on internal investigations.

6. SUMMARY OF INVESTIGATIONS

6.1 Internal Audit has been involved in five investigations since 1st April 2007. Three of the investigations were completed and reported to the Audit Board on the 17th September 2007 (FR303, FR304 and FR305). Internal Audit's involvement in the other two investigations can be summarised by the following:

- Investigation Code FR301: Internal Audit was contacted to provide resources, guidance and support in completing the investigation. The review has been completed.
- Investigation Code F302: Internal Audit was contacted regarding a contract monitoring issue. The review is currently ongoing.

6.2 None of the completed investigations detailed above have resulted in any major risks to the Council and its assets. Additionally, where possible, the issues detailed above and Internal Audit's subsequent involvement resulted in improved systems, processes and a more robust system of internal control within the Council.

7. 2007/08 INTERNAL AUDIT PERFORMANCE INDICATORS

7.1 At the Audit Board meeting on the 19th February 2007, the new 2007/08 Performance Targets were agreed. Detailed below is the first seven months performance against the agreed targets.

No	Description	2007/08 Target	2007/08 Actual	Comments
1	Delivery of Audit Plan (Jobs Finished)	54%	29%	29% of reviews have been completed during 2007/08. Additionally, work has commenced on 39% of the Audit Plan.
2	Delivery of Audit Plan (Resources)	95%	76%	76% of planned resources have been available during 2007/08 due to one secondment and one vacancy. However, the vacant Auditor post has been filled since 8 th October and the team is now fully staffed.
3	Productive audit time	65%	65%	65% of 2007/08 audit time has been classed as productive.
4	Assignments completed within budget	85%	75%	75% of completed reviews for 2007/08 have been delivered within the days allocated. A new audit process has been adopted which should improve performance.
5	Response time to fraud/allegations	5 days	3 days	All allegations and investigations have been responded to within 5 days for 2007/08.
6	Pre-audit meetings held for each audit	100%	100%	Pre-audit meetings have been held for all 2007/08 audit reviews.
7	Post audit meetings held for each audit	100%	88%	Post audit meetings have been held for 88% of 2007/08 audit reviews. This is due to timing and all meetings will be attended by year end.
8	Draft report turnaround	5 days	1 day	All draft reports have been issued within 5 days for 2007/08.
9	Final report turnaround	10 days	13 days	Final reports have been issued within 13 days for 2007/08. This is subject to ongoing consultation with managers and Heads of Service and performance is improving.

No	Description	2007/08 Target	2007/08 Actual	Comments
10	Number of recommendations accepted	95%	99%	99% of audit recommendations have been accepted for 2007/08.
11	Post Audit Questionnaires returned	85%	100%	100% of quality questionnaires have been returned for 2007/08.
12	Customer feedback rating	92%	98%	98% positive feedback has been received from post audit questionnaires returned during 2006//07.
13	Attendance	4.7 days	2.5 days	An average of 2.5 days sickness per team member has been taken during 2007/08.

7.2 Following each final report, the Head of Service and/or Service Manager are issued with a Quality Questionnaire. This enables them to rate the service they received and detail any areas that require improving. From the questionnaires issued since 1st April 2007, the following comments have been received:

- Street Cleansing Process Review:

“I thought the process was very good, the auditor very professional and helpful, and was beneficial to our service.”

- Disabled Facilities and Improvement Grants Process Review:

“I have found the audit very useful in assisting us to review the service and the delivery of grants. The Audit staff have been supportive and helpful in working with my officers to identify more efficient procedures and processes.”

8. **NEW OR UPDATED AUDIT DOCUMENTS**

8.1 A review of all standard Internal Audit manuals, procedures, protocols, charters and documents was completed during October 2007. A few minor amendments were made to ensure the documents are kept up to date. However, these amendments did not require any documents to be resubmitted for approval.

9. **FINANCIAL IMPLICATIONS**

9.1 None outside existing budgets.

10. **LEGAL IMPLICATIONS**

10.1 The Council is required under Regulation 6 of the Accounts and Audit Regulations 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”.

11. COUNCIL OBJECTIVES

11.1 Council Objective 02: Improvement.

12. RISK MANAGEMENT

12.1 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.

12.2 These risks are being managed as follows:

- Non-compliance with statutory requirements:

Risk Register: Financial Services

Key Objective Ref No: 3

Key Objective: Efficient and effective Internal Audit service

- Ineffective Internal Audit service:

Risk Register: Financial Services

Key Objective Ref No: 3

Key Objective: Efficient and effective Internal Audit service

- Lack of an effective internal control environment:

Risk Register: Financial Services

Key Objective Ref No: 3

Key Objective: Efficient and effective Internal Audit service

13. CUSTOMER IMPLICATIONS

13.1 No customer implications.

14. EQUALITIES AND DIVERSITY IMPLICATIONS

14.1 No equalities and diversity issues.

15. OTHER IMPLICATIONS

Procurement Issues:

None

Personnel Implications: None
Governance/Performance Management: Effective governance process.
Community Safety including Section 17 of Crime and Disorder Act 1998: None
Policy: None
Environmental: None

16. OTHERS CONSULTED ON THE REPORT

Portfolio Holder	No
Chief Executive	Yes
Corporate Director (Services)	No
Assistant Chief Executive	No
Head of Service	Yes
Head of Financial Services	Yes
Head of Legal, Equalities & Democratic Services	No
Head of Organisational Development & HR	No
Corporate Procurement Team	No

17. APPENDICES

None.

18. BACKGROUND PAPERS

None.

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