

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

21ST NOVEMBER 2006

INTERNAL AUDIT PERFORMANCE AND WORKLOAD

Responsible Portfolio Holder	Councillor Margaret Taylor
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. Recommendation

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

1. Current status and work completed on the 2006/07 Audit Plan.
2. Work completed by the Internal Audit Section during the first seven months of 2006/07.
3. The work regarding any ongoing investigations.
4. Current Performance Indicator statistics.

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:

- 2006/07 Audit Plan - Current Status.
- Audit Work Completed since the previous Audit Board meeting.
- Summary of Investigations and Recommended Improvements.
- Performance Indicator statistics.
- New or updated audit documents.

4. 2006/07 Audit Plan - Current Status

4.1 The 2006/07 Audit Plan came into effect on the 1st April 2006. 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						
Agency & Casual Staff	HR & OD	Qtr 1	✓			Pre-audit work commenced. Review put on hold until the new agency system is fully embedded.
Staff Leave (incl. Flexi & TOIL)	HR & OD	Qtr 1	✓			Review put on hold due to the new Flexi leave arrangements.
Data Protection	Legal & Demo.	Qtr 1			✓	Final report issued.
Housing Enabling	Plan. & Env.	Qtr 1			✓	Final report issued.
Travel Concessions	St. Scene & Waste Mngmnt	Qtr 1			✓	Final report issued.
CCTV System (incl. Control Room)	Cult. & Comm.	Qtr 2			✓	Final report issued.
Development Control	Plan. & Env.	Qtr 2		✓		Testing completed, draft report prepared.
Sports Development	Cult. & Comm.	Qtr 2			✓	Final report issued.
Information & Knowledge Management	Legal & Demo.	Qtr 2		✓		Steering group meetings attended.
Woodrush Dual Use Centre	Cult. & Comm.	Qtr 2			✓	Final report issued.
Financial Regulations	Financial Srvs	Qtr 2			✓	Internal Audit involvement complete.
Parks & Open Spaces	Cult. & Comm.	Qtr 2			✓	Testing completed, draft report issued.
Museum and TIC	Cult. & Comm.	Qtr 2			✓	Final report issued.
Budgetary Control & Strategy	Financial Srvs	Qtr 3		✓		Pre-audit work commenced.
Treasury Management	Financial Srvs	Qtr 3	✓			To start.

Description	Section	Start Date	Current Status			Comments
			To Start	Ongoing	Complete	
Asset Management	Financial Srvs	Qrtr 3		✓		Testing commenced.
Creditors	Financial Srvs	Qrtr 3		✓		Testing commenced.
NNDR	Financial Srvs	Qrtr 3		✓		Testing commenced.
Customer Service Centre	E-Gov. & CS	Qrtr 3		✓		Testing commenced.
Benefits	Financial Srvs	Qrtr 4		✓		Pre-audit work commenced.
IT Security (Software / Hardware / Back Up)	E-Gov. & CS	Qrtr 4	✓			To start.
Section 106 Monies	N/A	Qrtr 4		✓		Testing completed, draft report prepared.
Payroll	HR & OD	Qrtr 4	✓			To start.
General Ledger & Bank Reconciliations	Financial Srvs	Qrtr 4	✓			To start.
Debtors	Financial Srvs	Qrtr 4	✓			To start.
Council Tax	Financial Srvs	Qrtr 4	✓			To start.
Projects						
Risk Management	Financial Srvs	Ongoing		✓		Audit Risk Register prepared. Steering group meetings attended.
E-Government Projects	E-Gov. & CS	Ongoing		✓		Steering group meetings attended.
Corporate Governance & Recovery Plan	N/A	Ongoing			✓	Local Code of Corporate Governance reviewed and Statement of Assurance approved.
ICT Infrastructure Project	E-Gov. & CS	Ongoing		✓		Assistance in disposing of old IT equipment.

5. Audit Work Completed

5.1 Detailed below is the work completed by the Internal Audit section from 1st September to 31st October 2006.

- The Internal Audit Section has a representative on the Risk Management Steering Group and work is ongoing in embedding a risk management culture within the Authority.
- The Internal Audit Section has a representative on the Information Management Steering Group.
- Draft 2005/06 Payroll and Travel & Subsistence reports have been issued and are still awaiting a management response.
- Providing general contract and procurement advice and guidance on cash and security up procedures.
- Providing ongoing consultancy following the Housing Enabling audit.
- A Council policy and procedure guide and standard template has been presented to Corporate Management Team.
- Preparation of the latest Recommendation Tracker Reports.
- Equalities impact assessments have been completed for all relevant audit documents. The assessments have been reviewed and approved by the Council's Equalities Officer.
- The third Fraud Newsletter has been circulated to staff.
- Monthly monitoring of the Internal Audit Section's 2006/07 Performance Indicators. Further information has been provided in section 7.

5.2 Work has also been ongoing on the National Fraud Initiative (NFI). The NFI is the Audit Commission's data matching exercise that tackles a broad range of fraud risks faced by the public sector. The NFI has been embedded in the statutory external audit process for audited and inspected bodies since 1998 and is currently run every two years. The results from the most recent exercise (NFI 2004/05) broke all previous NFI records, enabling participants across the UK to identify over £111 million worth of fraud and overpayments.

The core of NFI is the matching of data to help reduce the level of housing benefit fraud, occupational pension fraud and tenancy fraud. As part of the exercise, the Council is required to provide certain Creditors, Payroll, Housing Benefit and Pension Payroll information. The results of the matching exercise will be issued to the Council during January 2007 for evaluation. The data required by the Audit Commission was sent on the 12th October 2006, and included:

- Payroll; and
- Creditors.

Housing Benefit data is provided by the Council to the Department for Work and Pensions (DWP) on a monthly basis. This data is then forwarded by the DWP to

the Audit Commission for the matching exercise. The Pension Payroll data is supplied by the Council's pension provider, Worcester County Council.

6. Summary of Investigations and Recommended Improvements

6.1 Internal Audit has been involved in three investigations since the previous Audit Board meeting. Internal Audit's involvement in each case can be summarised by the following:

- Investigation Code FR201: Internal Audit was required to perform an internal process review and complete detailed testing of the area. A full report, including an agreed Action Plan of improvements, was circulated to management on the 4th October 2006.
- Investigation Code FR204: Internal Audit was consulted regarding best practice and compliance with Council procedures. The review is currently ongoing.
- Investigation Code FR205: Internal Audit was contacted regarding a recent procurement practice. Advice was provided to the relevant section and improvements agreed.

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. 2006/07 Internal Audit Performance Indicators

7.1 At the Audit Board meeting on the 25th April 2006, the new 2006/07 Performance Targets were agreed. Detailed below is the first seven months performance against the targets.

No	Description	2006/07 Target	2006/07 Actual	Comments
1	Delivery of Audit Plan (Jobs Finished)	37%	33%	33% of audit reviews have been completed to date against a target of 37%. Additionally, work has commenced on 60% of audit reviews for 2006/07.
2	Delivery of Audit Plan (Resources)	95%	99%	Planned resources for 2006/07 are within target.
3	Productive audit time	67%	64%	Days spent on new starter training, annual leave and bank holidays, all planned for.

No	Description	2006/07 Target	2006/07 Actual	Comments
4	Assignments completed within budget	85%	90%	One audit assignment has been completed outside budget. However, performance is still within target for 2006/07.
5	Response time to fraud/allegations	5 days	2 days	All allegations and investigations have been responded to within 5 days for 2006/07.
6	Pre-audit meetings held for each audit	100%	100%	Pre-audit meetings have been held for all 2006/07 audit reviews.
7	Post audit meetings held for each audit	100%	100%	Post audit meetings have been held for all 2006/07 audit reviews.
8	Draft report turnaround	5 days	1 day	All draft reports have been issued within 5 days for 2006/07.
9	Final report turnaround	10 days	7 days	All final reports have been issued within 10 days for 2006/07.
10	Number of recommendations accepted	90%	98%	98% of recommendations have been accepted for 2006/07.
11	Post Audit Questionnaires returned	85%	86%	86% of post audit questionnaires have been returned 2006/07.
12	Customer feedback rating	90%	99%	99% positive feedback has been received from post audit questionnaires returned during 2006//07.
13	Attendance	4.5 days	2.0 days	Staff sick days are within target for 2006/07.

7.2 Following each final report, the Head of Service and Service Manager are issued with a Quality Questionnaire. This enables them to rate the service they received and details any areas that need improving. From the questionnaires issued so far this financial year, the following comments have been received:

- “The ability to flag up areas of concern prior to the audit that Thelma could investigate in a way that I could not. I found Thelma very helpful and focused and am very grateful for her offer of ongoing support at least for a short time while some discrepancies are unraveled.”

- “From previous experience I found this audit to be more open and honest. This created a two way process, which meet both, parties’ objectives and will lead to service level improvements.”
- “An excellent audit that has allowed off site managers an in-depth look at the operation which result in service improvements.”

8. New or updated audit documents.

8.1 A review of all standard Internal Audit manuals, procedures, protocols, charters and documents was completed at the end of October 2006. 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 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. Corporate Objectives

11.1 Council Objective 04: Improvement.

12. Risk Management

12.1 The Council is required under Regulation 6 of the Accounts and Audit Regulations 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”. Not fulfilling this requirement would have a negative impact on the Authority.

13. Customer Implications

13.1 No customer implications.

14. Other Implications

14.1

Procurement Issues	None
Personnel Implications	None
Governance / Performance Management	None
Community Safety including Section 17 of the Crime and Disorder Act 1998	None

Policy	None
Environmental	None
Equalities and Diversity	None

15. Others Consulted on the Report

15.1

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

16. Appendices

16.1 None.

Background Papers

Audit Board agenda and reports - 18th September 2006.

Contact officer

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