

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

28th SEPTEMBER 2009

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 2008/09 & 2009/10 Audit Plans.
- Work completed by the Internal Audit Section between April 2009 and June 2010.
- 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:

- 2008/09 and 2009/10 Audit Plans – 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. 2008/09 and 2009/10 AUDIT PLANS – CURRENT STATUS

4.1 The 2008/09 Audit Plan came into effect on the 1st April 2008. Detailed below is the work completed to date on the audit reviews detailed in the plan.

2008/09 Plan Description	Section	Start Date	Current Status			Comments
			To Start	Ongoing	Complete	
Audit Reviews						
E-mail & Internet Usage Policy	E-Gov. & CS	Qtr 2			✓	Audit completed.
Regulation of Investigatory Powers Act	E-Gov. & CS	Qtr 2			✓	Audit completed.
Customer Services Centre	E-Gov. & CS	Qtr 2			✓	Audit completed
Debtors	Financial Srvs	Qtr 2			✓	Audit completed.
NNDR	Financial Srvs	Qtr 3			✓	Audit completed
Housing Benefits	Financial Srvs	Qtr 3			✓	Audit completed.
Asset Management	Legal & Demo.	Qtr 3			✓	Audit completed.
Council Tax	Financial Srvs	Qtr 3			✓	Audit completed
Licensing	Plan & Env	Qtr 3	✓			Not Started
Refuse Collection & Recycling	St. Scene & Commtly	Qtr 3	✓			Not Started
Budgetary Control & Strategy	Financial Srvs	Qtr 4			✓	Audit completed
General Ledger & Bank Reconciliations	Financial Srvs	Qtr 4			✓	Audit completed
Treasury Management	Financial Srvs	Qtr 4			✓	Audit completed
Payroll	Financial Srvs	Qtr 4			✓	Audit completed
Creditors	Financial Srvs	Qtr 4			✓	Audit completed
Projects						
Corporate Governance	Corporate	Qtr 1 - 4			✓	Ongoing facilitation and support.
Risk Management	Corporate	Qtr 1 - 4			✓	Ongoing facilitation and support.

4.2 The 2009/10 Audit Plan came into effect on the 1st April 2009. Detailed below is the work completed to date on the audit reviews detailed in the plan.

2009/10 Plan Description	Section	Start Date	Current Status			Comments
			To Start	Ongoing	Complete	
Audit Reviews						
Corporate Governance: Complaints System	Corporate Comms	Qtr 1		✓		Testing underway
IT Audit: ICT Services (incl Helpdesk)	E-Gov. & CS	Qtr 1		✓		Testing underway
Parks & Open Spaces	St. Scene & Commtly	Qtr 1		✓		Testing underway
Events: Spadesbourne Suite	Legal & Demo.	Qtr 1		✓		Testing underway
Corporate Governance: Member Allowances	Legal & Demo.	Qtr 3	✓			Not started
Dolphin Centre	St. Scene & Commtly	Qtr 2	✓			Not started
Creditors	Financial Srvs	Qtr 2	✓			Not started
General Ledger & Bank Reconciliations	Financial Srvs	Qtr 2	✓			Not started
Treasury Management	Financial Srvs	Qtr 2	✓			Not started
Grants & Concessions: Travel Concessions	St. Scene & Commtly	Qtr 2	✓			Audit started
Car Parks	St. Scene & Commtly	Qtr 2		✓		Testing underway
Economic Development: Town Centre Development	Planning & Env Srvs	Qtr 3	✓			Not started
Budgetary Control & Strategy	Financial Srvs	Qtr 3	✓			Not Started
Payroll	HR & OD	Qtr 3	✓			Not Started
NNDR	Financial	Qtr 3	✓			Not started

2009/10 Plan Description	Section	Start Date	Current Status			Comments
			To Start	Ongoing	Complete	
	Srvs					
Council Tax	Financial Srvs	Qtr 3	✓			Not started
Procurement & Contracts	Financial Srvs	Qtr 3	✓			Not started
Benefits	Financial Srvs	Qtr 4	✓			Not started
Asset Management	Legal & Demo.	Qtr 4	✓			Not started
Debtors	Financial Srvs	Qtr 4	✓			Not started
Projects						
Risk Management	Corporate	Qtr 1 – 4		✓		Ongoing facilitation and support.

5. **AUDIT WORK COMPLETED**

2008/09 Audit Plan

- 5.1 Due to the delay in starting 2008/09 work at the beginning of last year (as reported to the Audit Board), it was necessary to complete a number of audits from 2008/09 in the first quarter of 2009/10. This work was carried out to ensure that adequate controls were in place for the Use of Resources judgement for 2008/09. However, it should be noted that the overrun into the start of 2009/10 was far less than last year.
- 5.2 In addition to reducing the time for some audits there was still a shortfall of approximately 30 – 40 days in 2008/09. This shortfall was met by Worcester City Council Audit Services.
- 5.3 Five 2008/09 audits were finalised during 2009/10, although a substantial proportion of the testing had been completed in 2008/09.
- 5.4 The Audit Section has now completed all but two of the audits within the 2008/09 audit plan as can be seen from the table at 4.1 above. These two audits will not now be undertaken.

2009/10 Audit Plan

- 5.1 The Table at 4.2 above shows that a number of audits in the 2009/10 audit plan have already been started, with testing well underway. Completion of the audit plan for 2009/10 is expected to be in line with the Section's Performance Indicators.
- 5.2 Due to the delays in the commencement of the 2009/10 Audit Plan, the plan was reviewed to ensure compliance with our internal control framework within the time remaining. As fundamental system audits are completed each year, some have been reviewed as 'light touch'. These audits will have been undertaken as a full review
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during the previous few years and any issues have already been identified and managed or resolved, therefore ensuring that the risks inherent with the system have been removed or reduced to an acceptable level. A 3-year rolling audit plan has been developed to ensure that all of these systems are subjected to a full review every third year.

5.3 Other duties undertaken by the Section include:

- Ongoing communication with the Council’s 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.
- Support and advice to Service Providers to ensure adequate controls are present within systems.

5.4 To encourage joint working and capacity across all of the Districts in the county consideration is being given to joint working under the Worcestershire Enhanced Two Tier programme (WETT).

6. SUMMARY OF INVESTIGATIONS

6.1 Responsibility for investigations has now been transferred to the Council’s Corporate Fraud Team. Hence, fraud work has been taken out of the Audit Plan for 2009/10.

7. 2009/10 INTERNAL AUDIT PERFORMANCE INDICATORS

7.1 The performance indicators for internal audit have been reduced to four:

- i) Actual time compared with planned time,
- ii) Percentage of productive time,
- iii) Number of jobs planned for the year actually finished,
- iv) Number of customer surveys returned that scored the service as ‘good’.

7.2 The first two performance indicators will be monitored and reported quarterly (see table below); the latter two indicators will be measured and reported annually.

7.3 The table below sets out the planned time compared with the actual time used in the first quarter of 2009/10, split between the different areas of audit work. Different areas of work are concentrated in different parts of the year (see ‘Comments’ column). The figures indicate that the Internal Audit is broadly on target to achieve the plan for 2009/10.

2009/10 Quarter 1 (April – June 09)	Planned (days)	Actual (days)	% used	Comments
Operational days:				
Completion of 08/09 audit work	21	19.61	93%	Completed in July 2009

Fundamental systems reviews	152	3.58	2%	Annual audits of key financial systems concentrated in the latter half of the year (i.e. quarters 3 & 4) to enable assurance to be given for the year
Other systems reviews	143	18.78	13%	Current work
Projects (Risk Management)	70	22.95	33%	Ongoing – inc. end of year reporting for 08/09
Contingency (Consultancy)	40	6.7	17%	As required
Sub-total	426	71.62	17%	
Non-operational days:				
Administration	24	3.82	16%	
Management	80	27.15	34%	
Leave/approved absences	90	38.18	42%	
Sub-total	194	69.15	36%	
Total	620	140.77	23%	Period covered is 12 weeks, i.e. 23% of a year
Performance indicator: percentage of productive time				
Percentage of operational days (i.e. productive time): (N.B. Benchmark is 65%)	69%	51%		Management time has been concentrated at the start of the year in order to revise and update the audit plan. This percentage is expected to improve as the year progresses.

8. NEW OR UPDATED AUDIT DOCUMENTS

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

9. RECOMMENDATIONS TRACKER

9.1 The use of the recommendations tracker was suspended in 2008/09 because of the need to complete the 2007/08 audit work in 2008/09 and the consequent pressure of work. As reported elsewhere in this agenda, it is intended to recommence the use of the recommendations tracker in 2009/10.

10. FINANCIAL IMPLICATIONS

10.1 None outside existing budgets.

11. LEGAL IMPLICATIONS

11.1 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”.

12. COUNCIL OBJECTIVES

12.1 Council Objective 02: Improvement.

13. RISK MANAGEMENT

13.1 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.

13.2.1 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

14. CUSTOMER IMPLICATIONS

14.1 No customer implications.

15. EQUALITIES AND DIVERSITY IMPLICATIONS

15.1 No equalities and diversity issues.

16. VALUE FOR MONEY IMPLICATIONS

16.1 None.

17. 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

18. OTHERS CONSULTED ON THE REPORT

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

19. WARDS AFFECTED

19.1 All Wards are affected.

20. APPENDICES

20.1 None.

21. BACKGROUND PAPERS

21.1 None.

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