

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

14TH DECEMBER 2009

INTERNAL AUDIT PERFORMANCE AND WORKLOAD – APRIL – SEPTEMBER 09

| | |
|------------------------------|----------------------------|
| 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. RECOMMENDATION

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

- Current status and work completed in the 2009/10 Audit Plan.
- Work completed by the Internal Audit Section during the first half year, i.e. to end of September 2009
- 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:

- 2009/10 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. 2009/10 AUDIT PLAN – CURRENT STATUS

4.1 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 | |
| <u>Audit Reviews</u> | | | | | | |
| Corporate Governance: Complaints System | Corporate Comms | Qtr 1 | | | ✓ | Completed |
| IT Audit: ICT Services (incl Helpdesk) | E-Gov. & CS | Qtr 1 | | | ✓ | Completed – reported to Audit Board 28.9.09 |
| Parks & Open Spaces | St. Scene & Commtty | Qtr 1 | | | ✓ | Completed |
| Events: Spadesbourne Suite | Legal & Demo. | Qtr 1 | | | ✓ | Completed |
| Corporate Governance: Member Allowances | Legal & Demo. | Qtr 3 | | ✓ | | Audit started |
| Dolphin Centre | St. Scene & Commtty | Qtr 2 | | ✓ | | Audit 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 & Commtty | Qtr 2 | | ✓ | | Audit started |
| Car Parks | St. Scene & Commtty | Qtr 2 | | | ✓ | Completed – reported to this Audit Board. |
| Economic Development: Town Centre Development | Planning & Env Srvs | Qtr 3 | ✓ | | | Not started |

| 2009/10 Plan Description | Section | Start Date | Current Status | | | Comments |
|------------------------------|----------------|------------|----------------|---------|----------|-----------------------------------|
| | | | To Start | Ongoing | Complete | |
| Budgetary Control & Strategy | Financial Srvs | Qtr 3 | ✓ | | | Not started |
| Payroll | HR & OD | Qtr 3 | ✓ | | | Not started |
| NNDR | Financial Srvs | Qtr 3 | | ✓ | | Testing underway |
| Council Tax | Financial Srvs | Qtr 3 | | ✓ | | Testing underway |
| Procurement & Contracts | Financial Srvs | Qtr 3 | | ✓ | | Audit 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**

2009/10 Audit Plan

- 5.1 The Table at 4.1 above shows that five of the audits in the 2009/10 audit plan have been completed with a further six audits started, some of these with testing well under way.
- 5.2 Since the introduction of the revised plan, reported to the September meeting of this Board, it has been agreed that the training of one member of the Internal Audit team will involve block release. In order to facilitate the extra training days involved, and other demands on the section, particularly in relation to the support relating to the WETT shared service proposals, it is likely that two of the fundamental system audits will not be completed, i.e. Debtors and Creditors. These two systems have both been found to be operating well in past years and the possibility has been discussed with the Council's External Auditors who have raised no objection to this change to the plan.
- 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.

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:

- 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'.

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 and second quarters 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 on target to achieve most of the plan for 2009/10, subject to the comments already made at 5.2 above.

| 2009/10 Quarters 1 & 2 (April – September 09) | Planned (days) | Actual (days) | % used | Comments |
|--|-------------------|------------------|------------|--|
| Operational days: | | | | |
| Completion of 08/09 audit work | 21 | 21.53 | 103% | Completed in July 2009 |
| Fundamental systems reviews | 152 | 15.89 | 10% | 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 | 77.54 | 54% | Current work |
| Projects (Risk Management) | 70 | 40.75 | 58% | Ongoing – inc. end of year reporting for 08/09 |
| Contingency (Consultancy) | 40 | 17.68 | 44% | As required |
| Sub-total | 426 | 173.39 | 41% | |
| Non-operational days: | | | | |
| Administration | 24 | 12.67 | 53% | |

| | | | | |
|---|------------|---------------|------------|---|
| Management | 80 | 66.68 | 83% | |
| Leave/approved absences | 90 | 54.2 | 60% | |
| Sub-total | 194 | 133.55 | 69% | |
| Total | 620 | 306.94 | 50% | Period covered is 26 weeks, i.e. 50% of a year |
| Performance indicator: percentage of productive time | | | | |
| Percentage of operational days (i.e. productive time): (N.B. Benchmark is 65%) | 69% | 56% | | 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 – productive time was 51% at the end of quarter 1. |

8. NEW OR UPDATED AUDIT DOCUMENTS

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

9. RECOMMENDATIONS TRACKER

9.1 This is presented as a separate report to this meeting.

10. FINANCIAL IMPLICATIONS

10.1 None as a direct result of this report

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 INCLUDING HEALTH & SAFETY CONSIDERATIONS

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 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.

15. EQUALITIES AND DIVERSITY IMPLICATIONS

15.1 None as a direct result of this report.

16. VALUE FOR MONEY IMPLICATIONS

16.1 None.

17. OTHER IMPLICATIONS

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|---|
| 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

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|-------------------------------|-----|
| Portfolio Holder | Yes |
| Chief Executive | No |
| Executive Director (Services) | Yes |

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|---|-----|
| 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.

CONTACT OFFICER

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