

**BROMSGROVE DISTRICT COUNCIL**

**AUDIT BOARD**

**15TH MARCH 2010**

**INTERNAL AUDIT PERFORMANCE AND WORKLOAD**

Responsible Portfolio Holder	Councillor Geoff Denaro
Responsible Head of Service	Head of Financial Services
Key Decision / Non-Key Decision	

**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 three quarters of the year, i.e. to end of December 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 25<sup>th</sup> 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 1<sup>st</sup> 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	
<b><u>Audit Reviews</u></b>						
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 & Commtly	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 & Commtly	Qtr 2		✓		Testing underway
Creditors	Financial Srvs	Qtr 2				Taken out of 09/10 audit plan as per previous quarterly report
General Ledger & Bank Reconciliations	Financial Srvs	Qtr 2		✓		Testing underway
Treasury Management	Financial Srvs	Qtr 2	✓			Agreed with auditee to delay audit to early 10/11 to include new Treasury Management Strategy
Grants & Concessions: Travel Concessions	St. Scene & Commtly	Qtr 2		✓		Testing underway
Car Parks	St. Scene & Commtly	Qtr 2			✓	Completed – reported to Audit Board 14.12.09.

2009/10 Plan Description	Section	Start Date	Current Status			Comments
			To Start	Ongoing	Complete	
Economic Development: Town Centre Development	Planning & Env Srvs	Qtr 3		✓		Testing underway
Budgetary Control & Strategy	Financial Srvs	Qtr 3		✓		Audit started
Payroll	HR & OD	Qtr 3	✓			Not started
NNDR	Financial Srvs	Qtr 3			✓	Completed
Council Tax	Financial Srvs	Qtr 3			✓	Completed
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				Taken out of 09/10 audit plan as per previous quarterly report
<b>Projects</b>						
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 seven of the audits in the 2009/10 audit plan have been completed with a further seven audits started, some of these with testing well under way.
- 5.2 As reported to the December meeting of this Board, a number of factors have had an impact on the current audit plan, including training block release and the advent of shared services, particularly the WETT programme for Internal Audit. An interim review of the plan and the requirements for the remainder of the year has shown that:
- a) fewer days will be required for the Fundamental System Reviews with the exclusion of the Debtors and Creditors audits and the putting back of the Treasury Management audit (at the request of the auditee);
  - b) a small number of extra days are required on Other System Reviews to accommodate small overruns where further work has been required (e.g. because the system has not been reviewed for a number of years);

- c) a small number of additional days will be required for Risk Management in order to update the Risk Management Strategy and to integrate the changes to the Council's management structure under the programme of shared services with Redditch BC;
- d) an increase in the number of Management days is required to facilitate additional demands including the preparation necessary for the WETT Internal Audit Shared Service and the block release days.

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:

- 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 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 (as shown). The figures indicate that Internal Audit is on target to complete most of the audit reviews planned for 2009/10, subject to the comments already made at 5.2 above.

2009/10 Quarters 1, 2 & 3 (April – December 09)	Planned (days)	Actual (days)	% used	Comments
<b>Operational days:</b>				
Completion of 08/09 audit work	21	21.53	103%	Completed in July 2009
Fundamental systems reviews, i.e. annual audits of key financial systems, usually concentrated in the latter half of the year (quarters 3 & 4) to enable assurance to be given for the year.	152	41.53	27%	It is anticipated that fewer days than planned will be used as two audits have been omitted and one put back – see 5.2a) above.
Other systems reviews	143	100.72	70%	A small overrun is anticipated – see 5.2b) above.
Projects (Risk Management)	70	66.93	96%	Ongoing – inc. end of year reporting for 08/09. Additional days will be required here – see 5.2c) above.
Contingency (Consultancy)	40	29.07	73%	As required
<b>Sub-total</b>	<b>426</b>	<b>259.78</b>	<b>61%</b>	
<b>Non-operational days:</b>				
Administration	24	18.01	75%	
Management	80	108.95	136%	A significant overrun is anticipated – see 5.2d) above.
Leave/approved absences	90	71.23	79%	
<b>Sub-total</b>	<b>194</b>	<b>198.18</b>	<b>102%</b>	
<b>Total</b>	<b>620</b>	<b>457.96</b>	<b>74%</b>	Period covered is 39 weeks, i.e. 75% of a year
<b>Performance indicator: percentage of productive time</b>				
<b>Percentage of operational days (i.e. productive time):</b>  <b>(N.B. Benchmark is 65%)</b>	<b>69%</b>	<b>57%</b>		The percentage of productive time is increasing (it was 51% at the end of the first quarter) and is likely to have increased further by the end of the fourth quarter. However, it is unlikely to reach its planned target of 69% for the reasons outlined at 5.2 above.

## **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 a separate report.

## **10. FINANCIAL IMPLICATIONS**

10.1 None as a direct result of this report

## **11. LEGAL IMPLICATIONS**

11.1 None as a direct result of this report

## **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 A robust internal control environment ensures that Value for Money is delivered in the service provision across the Council.

**17. CLIMATE CHANGE AND CARBON IMPLICATIONS**

17.1 Climate Change is included as a risk to be managed on the corporate risk register.

**18. OTHER IMPLICATIONS**

Procurement Issues – None
Personnel - none
Governance/Performance Management - none
Community Safety including Section 17 of Crime and Disorder Act 1998 – none
Policy - none
Biodiversity – none

**19. OTHERS CONSULTED ON THE REPORT**

Portfolio Holder	Yes
Joint Chief Executive	No
Executive Director - Partnerships and Projects	No
Executive Director - Services	No
Assistant Chief Executive	No
Head of Service	Yes
Head of Financial Services	Yes

Head of Legal, Equalities & Democratic Services	Yes – where relevant recs are included
Head of Organisational Development & HR	Yes – where relevant recs are included
Corporate Procurement Team	n/a

**20. WARDS AFFECTED**

All Wards

**21. APPENDICES**

None

**22. BACKGROUND PAPERS**

None

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