

**BROMSGROVE DISTRICT COUNCIL**

**AUDIT BOARD**

Date 27th September 2010

**2010/11 INTERNAL AUDIT PERFORMANCE AND WORKLOAD**

Relevant Portfolio Holder	Councillor Geoff Denaro
Relevant Head of Service	Executive Director (Finance & Corporate Resources)
Key Decision / Non-Key Decision	

**1. SUMMARY OF PROPOSALS**

1.1 To present:

- A summary of the current performance and workload of the Internal Audit Section.
- For approval, a revised 2010/11 Internal Audit Plan that takes into consideration a number of factors that have impacted performance against the plan.

**2. RECOMMENDATION**

2.1 That the Audit Board considers and approves:

- Current status and work completed in the 2009/10 and 2010/11 Audit Plans.
- Work completed by the Internal Audit Section during the first quarter of the year, that is, to end of June 2010.
- A revised 2010/11 Internal Audit Plan as set out in Appendix A.
- Work regarding any investigations.
- Current Performance Indicator statistics.
- Amendments to the section's standard documentation.

**3. BACKGROUND**

3.1 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2003 (as amended 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 practices in relation to internal control".

3.2 To aid compliance with the regulation, the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 details that "Internal Audit work should be planned, controlled and recorded in order to determine priorities, establish and achieve objectives and ensure the effective and efficient use of audit resources".

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- 3.3 A revised three year plan was approved by the Audit Board at its meeting of 28<sup>th</sup> September 2009. The purpose of the three year plan is to ensure that all of the Council's key systems are audited at least once every three years, thus providing assurance that the Council's systems are operating as intended.
- 3.4 The annual plan for 2010/11 is the second year of the three year plan. In accordance with best practice, each year the three year plan should be subject to review to ensure that identified changes, for example, external influences, risk score and process re-engineering, are taken into consideration within the current year's annual plan.
- 3.5 The 2010/11 Internal Audit Plan will aid the effectiveness of the Internal Audit function and ensure that:
- Internal Audit assists the Authority in meeting its objectives by reviewing the high risk areas, systems and processes.
  - Audit plan delivery is monitored on a weekly basis, appropriate action is taken and performance reports are issued on a regular basis.
  - The key financial systems are reviewed annually, enabling the Authority's external auditors to place reliance on the work completed by Internal Audit.
  - An opinion can be formed on the adequacy of the Authority's system of internal control, which is detailed in the annual Internal Audit Opinion report included in the statement of accounts.
- 3.6 The WETT Internal Audit Shared Service came into effect on 1<sup>st</sup> June 2010. Accordingly, the plan for 2010/11 was compiled in accordance with the WETT Business Case.
- 3.7 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:
- Audit Plan – 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. KEY ISSUES**

#### **2009/10 Audit Plan – current status**

- 4.1 There are 3 audits from the 2009/10 Audit Plan (that is, Procurement, Asset Management and Payroll) where draft reports have been issued and we are waiting for the Head of Service to agree the Action Plan before the reports can be finalised.

The following is a list of audits from the 2009/10 Audit Plan that have been completed during quarter 1:

- Budgetary Control and Strategy
- Benefits
- Cash, Bank Reconciliations and General Ledger
- Town Centre Development
- Dolphin Centre
- Travel Concessions

#### **2010/11 Audit Plan – current status**

- 4.2 There are four performance indicators for Internal Audit:

- 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'.

The first two performance indicators are monitored and reported quarterly and the latter two indicators will be measured and reported annually.

- 4.3 The table below details planned time compared with actual time for the first quarter.

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	Plan (days)	Actual (days)	% used	Comments
<b>Operational days:</b>				
Completion of 09/10 audit work	26	32.82	126%	Insufficient days planned to take into consideration all outstanding audit work.
Audit reviews	327	0.68	0%	Q1 concentrated on completion of the 09/10 plan. Additionally, the number of days is based on 2.42fte auditors, as per the WETT business case.
Risk Management	60	25.15	42%	The percentage of time allocated in the first quarter includes: <ul style="list-style-type: none"> <li>resource for supporting the business compiling new financial year risk registers; and</li> <li>training new Senior Management.</li> </ul>
Follow up checks (Agreed Action Tracker process)	0	0.00	0%	No days allocated to Agreed Action Tracker process, therefore, 5.02 days allocated to audit reviews contingency.
Consultancy	10	5.51	55%	As required.
Audit reviews contingency	5	5.02	100%	See above.
<b>Sub-totals</b>	<b>428</b>	<b>69.18</b>	<b>16%</b>	
<b>Non-operational days:</b>				
Non-operational contingency	21	0.00	0%	
Administration	20	3.82	19%	
Leave/approved absences	100	22.50	23%	
Management	60	35.63	59%	No days planned for: <ul style="list-style-type: none"> <li>WETT, for example, attendance at management meetings which totalled 12.08 days in Q1; and</li> <li>Professional training which totalled 4 days in Q1.</li> </ul>
<b>Sub-totals</b>	<b>201</b>	<b>61.95</b>	<b>31%</b>	
<b>Total</b>	<b>629</b>	<b>131.13</b>	<b>21%</b>	
	<b>Planned</b>		<b>Actual</b>	<b>Comments</b>
Percentage of operational days: (benchmark 65%)	68%		53%	Actual is unlikely to reach planned target for reasons outlined above.

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4.3 Since coming into effect on the 1st April 2010 a number of factors have impacted the 2010/11 plan. These include:

- The WETT programme for Internal Audit, that is, consultation began in November 2009 with additional demands arising. For example, attendance at Worcestershire Internal Audit Shared Service (WIASS) management meetings.
- The likelihood that the 0.42fte resource, included within the WETT Business Case, will not be provided.
- Insufficient days allocated taking into consideration all outstanding audit work from the 2009/10 Audit Plan.
- The impact of the shared service/transformation programme will affect approach to audits in the areas involved.
- Increased number of days for Risk Management required to provide additional support for new members of the Senior Management Team.
- Fundamental activities omitted from the original plan, for example, follow up checks and professional training block release.

4.4 An interim review of the plan with the Section 151 Officer has taken into consideration the factors detailed above and, based on risk, identified reviews to remove, add or change the emphasis to reflect requirements for the remainder of the year.

A revised 2010/11 Internal Audit Plan is attached at Appendix A.

#### **Summary of investigations**

4.6 Responsibility for investigations is held by the Council's Corporate Anti Fraud Team with no investigations being undertaken by Internal Audit.

#### **New or updated Audit documents**

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

#### **Recommendations Tracker**

4.8 This is a separate report.

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#### **5. FINANCIAL IMPLICATIONS**

5.1 None as a direct result of this report.

#### **6. LEGAL IMPLICATIONS**

6.1 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2003 (as amended 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”.

#### **7. POLICY IMPLICATIONS**

7.1 None.

#### **8. COUNCIL OBJECTIVES**

8.1 Council Objective 02: Improvement.

#### **9. RISK MANAGEMENT INCLUDING HEALTH & SAFETY CONSIDERATIONS**

9.1 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.

9.2 These risks are being managed as follows:

- Risk Register: Financial Services
- Key Objective Ref No: 3
- Key Objective: Efficient and effective Internal Audit service

#### **10. CUSTOMER IMPLICATIONS**

10.1 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.

#### **11. EQUALITIES AND DIVERSITY IMPLICATIONS**

11.1 None as a direct result of this report.

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**12. VALUE FOR MONEY IMPLICATIONS, PROCUREMENT AND ASSET MANAGEMENT**

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

**13. CLIMATE CHANGE, CARBON IMPLICATIONS AND BIODIVERSITY**

13.1 Climate Change is included as a risk to be managed on the Corporate and service area risk registers.

**14. HUMAN RESOURCES IMPLICATIONS**

14.1 None.

**15. GOVERNANCE/PERFORMANCE MANAGEMENT IMPLICATIONS**

15.1 Effective governance process.

**16. COMMUNITY SAFETY IMPLICATIONS INCLUDING SECTION 17 OF CRIME AND DISORDER ACT 1998**

16.1 None.

**17. HEALTH INEQUALITIES IMPLICATIONS**

17.1 None.

**18. LESSONS LEARNT**

18.1 Previously two reports, Performance & Workload and Annual Plan, have been compiled. These have been combined into one report to make it more user friendly.

**19. COMMUNITY AND STAKEHOLDER ENGAGEMENT**

19.1 None as a direct result of this report.

**20. OTHERS CONSULTED ON THE REPORT**

Portfolio Holder	No
Chief Executive	No

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Executive Director (S151 Officer)	Yes
Executive Director – Leisure, Cultural, Environmental and Community Services	No
Executive Director – Planning & Regeneration, Regulatory and Housing Services	No
Director of Policy, Performance and Partnerships	No
Head of Finance and Resources	Yes
Head of Legal, Equalities & Democratic Services	No
Corporate Procurement Team	No

**21. WARDS AFFECTED**

All Wards.

**22. APPENDICES**

Appendix A Updated 2010/11 Internal Audit Annual Plan

**23. BACKGROUND PAPERS**

None.

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