

MEETING: 27TH SEPTEMBER 2010

SUBJECT: INTERNAL AUDIT SERVICES – 2010/2011 AUDIT PLAN PROGRESS REPORT**REPORT OF THE HEAD OF INTERNAL AUDIT**

1. Purpose of Report

- 1.1 To consider the performance of Internal Audit up to 13th August 2010, areas of work undertaken, and the internal audit opinion regarding the adequacy of the overall system of internal control within the Authority.
- 1.2 The Internal Audit Operational Plan for 2010/2011 was approved by the Governance Committee on 22nd March 2010. This set out the audit work planned for the year and the performance targets to be achieved.

2. Description of Decision

- 2.1 The Governance Committee is asked to note Internal Audit's performance and consider the internal audit opinion regarding the adequacy of the overall system of internal control within the Authority.

3. Progress of Audit Work

- 3.1 The work planned for the year in respect of systems operated by the Authority includes five audits, as well as time for advice and guidance on systems developments and review of the implementation of recommendations.
- 3.2 In addition to the above, audit work is planned on the Lead Authority's key financial systems, which are used by the Tyne and Wear Fire and Rescue Authority (e.g. payroll). The results of this work will be reported in the Internal Audit Annual Report.
- 3.3 Progress against the planned work is as follows:
 - ◆ Two audits are complete, these being Stores, and Information Governance at the Emergency Planning Unit.
 - ◆ A further audit, Procurement, is currently ongoing and planned to be completed by the end of September.
 - ◆ The timing of the remaining two audits has been agreed and they will be scheduled in consultation with relevant managers.

It is expected that all of the planned audits will be completed within the year.

4. Key Performance Indicators (KPI's)

4.1 The Internal Audit service measures its performance in terms of Efficiency, Quality, Client Satisfaction and Continuous Improvement. Performance to date during the year is shown in Appendix 1. Where possible, performance specifically relating to the Authority is included.

4.2 All KPI's are on target with the following exception:

- The percentage of medium risk recommendations implemented currently stands at 89% against a target of 90%. This has remained the same since the 2009/2010 report.

5 Summary of Internal Audit Work

5.1 Where the internal audit service identify areas for improvement from audits or investigations, recommendations are made to further minimise the level of risk. These are categorised as high, significant, medium or low risk. In addition, observations are also made where there are opportunities for improvements to be made. The numbers of recommendations made in relation to the audits completed are shown below.

Categorisation of Risk	Definition	Number Made
High	A fundamental control weakness which presents material risk to the audited body and requires immediate attention by senior management.	0
Significant	There is a control issue which could have a significant impact on the achievement of the aims and objectives of the organisation, or which presents a significant risk to the organisation's reputation. Prompt management action is required to remedy the situation.	0
Medium	There is a control weakness within the system, which presents material risk to the area or service being audited, and management attention is required to remedy the situation within a reasonable period.	20
Low	There is a minor control weakness or non-compliance within the system and proportional remedial action is required within an appropriate timescale.	2

- 5.2 Of the 20 medium risk recommendations 14 relate to the Information Governance arrangements within the Emergency Planning Unit, where the overall arrangements were considered to be unsatisfactory. Whilst there were a range of controls in place in relation to security and access arrangements there were a number of other areas where the arrangements in place need to be strengthened. The recommendations have all been agreed and a follow-up audit is planned for later in the year to review progress. An updated opinion will be reported in the Internal Audit Annual Report.
- 5.3 Although a number of recommendations to improve internal control were made, particularly in relation to the Information Governance arrangements at the EPU, it is considered that the work undertaken did not identify any matters material to the overall internal control environment of the Authority.
- 5.4 Internal Audit has also provided support and guidance as requested throughout the year to date.

6. Conclusions

- 6.1 This report provides assurance that the planned audit work is expected to be completed within the year.
- 6.2 Using the cumulative knowledge and experience of the systems and controls in place, including the results of previous audit work and the work undertaken to date within 2010/2011, it is considered that overall throughout the Authority there continues to be a sound internal control environment.

Background Papers

Internal Audit Operational Plan 2010/2011 - Governance Committee 22nd March 2010.

Internal Audit Services' Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2010/2011

Cost & Efficiency			
Objectives	KPI's	Targets	Actual Performance
1) To ensure the service provides Value for Money	1) Charge per Audit Day	1) Lower cost than average within CIPFA Benchmarking Club – Comparator Group (Unitary Authorities)	Achieved – Sunderland Cost per audit day £282 and average for comparator group £310
	2) Percentage of planned audits completed (including agreed variations)	2) 100% (profile to period 5 is 32.8%)	1) On Target: At period 5 – 40%
	3) Average number of days between end of fieldwork to issue of draft report	3) 10 working days or less	2) Exceeds Target: 6.5 working days
	4) Percentage of draft reports issued within 15 days of the end of fieldwork	4) 85%	3) Exceeds Target: 100%
	5) Percentage of audits where the number of days between the start of the audit and the end of fieldwork is within a target of twice the budgeted number of days	5) 75%	4) Exceeds Target: 100%

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Quality			
Objectives	KPI's	Targets	Actual Performance
1) To maintain an effective system of Quality Assurance	1) ISO9001:2000 Certification	1) Retain certification	1) Achieved: Certification retained July 2010
2) To ensure recommendations made by the service are agreed and implemented	2) Percentage of high, significant and medium risk recommendations made which are agreed	2) 100%	2) On Target: 100%
	3) Percentage of agreed high, significant and medium risk recommendations which are implemented	3) 100% for high and significant risk 90% for medium risk	3) On Target: 100% Slightly Below Target: 89%
	4) Opinion of External Auditor	4) Satisfactory opinion	4) Achieved: Satisfactory opinion
Client Satisfaction			
Objectives	KPI's	Targets	Actual Performance
1) To ensure that clients are satisfied with the service and consider it to be good quality.	1) Results of Post Audit Questionnaires	1) Overall average score of better than 1.5 (where 1=Good and 4=Poor)	1) Exceeds Target: Overall average score of 1.4 from 9 returns from the Fire and Rescue Authority (score of 1.2 from 46 returns for the whole service)
	2) Results of other Questionnaires	2) Results classed as 'Good'	2) On Target: IPF survey of clients showed overall rating of 'Good'
	3) Number of Complaints / Compliments	3) No target – actual numbers will be reported	3) No complaints. 1 compliment from the Fire Authority

Internal Audit Services' Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2010/2011

Continuous Improvement			
Objectives	KPI's	Targets	Actual Performance
1) To ensure that the service develops in line with modern thinking and practice on Internal Auditing	<p>Improvement in actual performance in relation to previous years in the following areas:</p> <ol style="list-style-type: none"> 1) Average number of days between end of fieldwork to issue of draft report 2) Percentage of draft reports issued within 15 days of the end of fieldwork 3) Percentage of agreed high, significant and medium risk recommendations which are implemented 	Improvement in actual performance from 2009/2010.	<p>Performance in relation to the Fire Authority</p> <ol style="list-style-type: none"> 1) Exceeds Target: Performance 2009/2010 – 8.3 Performance in year – 6.5 2) Exceeds Target: Performance 2009/2010 – 88.9% Performance in year is 100% 3) No change: Performance 2009/2010 – 89% for medium risk recommendations. Performance in year for medium risk – 89%