

**GOVERNANCE COMMITTEE**

**MEETING: 28TH SEPTEMBER 2009**

**SUBJECT: INTERNAL AUDIT SERVICES – 2009/2010 AUDIT PLAN PROGRESS REPORT**

**REPORT OF THE FINANCE OFFICER**

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**1. Purpose of Report**

- 1.1 To consider the performance of Internal Audit Services (IAS) up to 14<sup>th</sup> August 2009, areas of work undertaken, and the audit opinion regarding the adequacy of the overall system of internal control within the Authority.
- 1.2 The Internal Audit Operational Plan for 2009/2010 was approved by the Governance Committee on 30<sup>th</sup> March 2009. 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 Services' performance and consider the audit opinion of the adequacy of the overall system of internal control within the Authority.

**3. Progress of Audit Work**

- 3.1 A summary of the work planned for 2009/2010 in respect of systems operated by the Authority, is as follows:

<b>Area of Work</b>	<b>Days</b>
9 Audits	113
Advice and guidance	6
Liaison / Follow up work	8.5
Contingency (for any unforeseen work)	14.5
<b>Total</b>	<b>142</b>

- 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 Annual Report at the end of the year.

3.3 Progress against the planned work is as follows:

- ◆ Four of the audits are complete, these being Training and Development, Risk Management Arrangements, Recruitment and Induction, and Management of IT Risks at the Emergency Planning Unit.
- ◆ A further two audits, Income and 'Green IT', are currently ongoing and planned to be completed by the end of October.
- ◆ The remaining three audits remain to be scheduled, in consultation with relevant Managers.

It is expected that all 9 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 2009/2010 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 exceptions:

- The charge per man day currently stands at £279/day against a target of being lower than the average of the CIPFA comparator group, of £279/day. A review of the costs of the overall service is being undertaken to identify efficiency savings.
- The percentage of medium risk recommendations implemented currently stands at 89% against a target of 90%. Work is ongoing with the Authority to seek an improvement in this regard.
- The timeliness of the issue of draft audit reports currently stands at 8 days against last years performance of 7.4 days. Whilst this level of performance is slightly less than last year it is still within the overall target of issuing reports within 10 days.

## 5 Summary of Internal Audit Work

5.1 Where IAS 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 overleaf.

<b>Categorisation of Risk</b>	<b>Definition</b>	<b>Number Made</b>
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.	29
Low	There is a minor control weakness or non-compliance within the system and proportional remedial action is required within an appropriate timescale.	7

5.2 Although a number of recommendations to improve internal control were made, the work undertaken did not identify any matters material to the overall internal control environment of the Authority.

5.3 IAS 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 2009/2010, it is considered that overall throughout the Authority there continues to be a sound internal control environment.

## **Background Papers**

Internal Audit Operational Plan 2009/2010 - Governance Committee 30<sup>th</sup> March 2009.

Internal Audit Services' Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2009/2010

Cost & Efficiency			
Objectives	KPI's	Targets	Actual Performance
1) To ensure the service provides Value for Money	1) Charge per Man Day	1) Lower cost than average within CIPFA Benchmarking Club – Comparator Group (Unitary Authorities)	1) Comparator group £279/day. Sunderland's performance (based upon estimates) is £279/day.
	2) Percentage of planned audits completed (including agreed variations)	2) 100% (profile to period 5 is 32.8%)	2) On Target: At period 5 – 44.4%
	3) Average number of days between end of fieldwork to issue of draft report	3) 10 working days or less	3) Exceeds Target: 8.0 working days
	4) Percentage of draft reports issued within 15 days of the end of fieldwork	4) 85%	4) 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%	5) Exceeds Target: 100%

**Internal Audit Services' Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2009/2010**

<b>Quality</b>			
<b>Objectives</b>	<b>KPI's</b>	<b>Targets</b>	<b>Actual Performance</b>
1) To maintain an effective system of Quality Assurance  2) To ensure recommendations made by the service are agreed and implemented	1) ISO9001:2000 Certification  2) Percentage of high, significant and medium risk recommendations made which are agreed  3) Percentage of agreed high, significant and medium risk recommendations which are implemented  4) Opinion of External Auditor	1) Retain certification  2) 100%  3) 100% for high and significant risk 90% for medium risk  4) Satisfactory opinion	1) Achieved: Certification retained June 2009  2) On Target: 100%  3) On Target: 100% Below Target: 89%  4) Achieved: Satisfactory opinion
<b>Client Satisfaction</b>			
<b>Objectives</b>	<b>KPI's</b>	<b>Targets</b>	<b>Actual Performance</b>
1) To ensure that clients are satisfied with the service and consider it to be good quality.	1) Results of Post Audit Questionnaires  2) Results of other Questionnaires  3) Number of Complaints / Compliments	1) Overall average score of better than 1.5 (where 1=Good and 4=Poor)  2) Results classed as 'Good'  3) No target – actual numbers will be reported	1) Exceeds Target: Overall average score of 1.0 from 5 returns from the Fire and Rescue Authority (score of 1.1 from 67 returns for the whole service)  2) Exceeds Target: IPF survey of clients showed overall rating of 'Excellent'  3) No complaints. 3 compliments from the Fire Authority

**Internal Audit Services' Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2009/2010**

<b>Continuous Improvement</b>			
<b>Objectives</b>	<b>KPI's</b>	<b>Targets</b>	<b>Actual Performance</b>
<p>1) To ensure that the service develops in line with modern thinking and practice on Internal Auditing</p>	<p>Improvement in actual performance in relation to previous years in the following areas:</p> <ol style="list-style-type: none"> <li>1) Average number of days between end of fieldwork to issue of draft report</li> <li>2) Percentage of draft reports issued within 15 days of the end of fieldwork</li> <li>3) Percentage of agreed high, significant and medium risk recommendations which are implemented</li> </ol>	<p>Improvement in actual performance from 2008/2009.</p>	<p>Performance in relation to the Fire Authority</p> <ol style="list-style-type: none"> <li>1) Below Target: Performance 2008/2009 – 7.4 Performance in year – 8.0</li> <li>2) Exceeds Target: Performance 2008/2009 – 88.9% Performance in year is 100%</li> <li>3) No change: Performance 2008/2009 – 89% for medium risk. Performance in year for medium risk – 89% (no additional follow up work undertaken)</li> </ol>