

**MEETING: 24TH JUNE 2011**

---

**SUBJECT: INTERNAL AUDIT ANNUAL REPORT – 2011/2012**

---

**REPORT OF THE HEAD OF INTERNAL AUDIT**

---

**1. Purpose of Report**

- 1.1 To consider the performance of Internal Audit for 2011/2012, areas of work undertaken, and the internal audit opinion regarding the adequacy of the overall system of internal control within the Authority.

**2. Description of Decision**

- 2.1 The Governance Committee is asked to consider and note the Internal Audit Annual Report.

**3. Key Performance Indicators**

- 3.1 The Internal Audit service measures its performance in terms of Efficiency, Quality and Client Satisfaction. Performance during the year is shown in Appendix 1. Where possible, performance specifically relating to the Authority is included.
- 3.2 All KPI's were achieved with the following exceptions:
- The target for post audit questionnaire scores. The target was an overall average score of better than 1.5 (where 1=Good and 4=Poor). The score achieved from three returns from the Fire and Rescue Authority was 1.7 (although a score of 1.1 was achieved from 47 returns for all of the service's work).
  - The level of medium risk recommendations implemented. The target was 90% and the actual was 88%.

**4 Summary of Internal Audit Work**

- 4.1 All of the audits included within the plan for the year were completed. The findings of these audits have been taken together with the findings of audits from the previous two years to form an opinion on each of the identified key risk areas and an opinion of the adequacy of the overall system of internal control for the Authority. The detailed analysis of these opinions is provided at Appendix 2.

4.2 As a result of the audits carried out, a number of recommendations have been made to improve internal control. The numbers of recommendations made are shown below:

<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.	3
Low	There is a minor control weakness or non-compliance within the system and proportional remedial action is required within an appropriate timescale.	2

4.3 One of the audits carried out was in relation to the arrangements for compliance with the good practice guidance contained within the Local Government Association Data Handling Guidelines (DHG). The guidelines are not mandatory but outline areas of good practice intended to help organisations to manage the risk of suffering a loss of data. At the planning stage of the audit it was established that the majority of the required actions included in the Guidelines were either still in development or progress towards their implementation had not yet started. This means that the audit opinion in relation to compliance with the Data Handling Guidelines is unsatisfactory at present. Internal Audit Services provided advice to assist in progressing implementation.

4.4 The work undertaken did not identify any matters material to the overall internal control environment of the Authority.

## **5. Effectiveness of the System of Internal Audit**

5.1 The Audit Commission have carried out an independent review of the effectiveness of Internal Audit by reference to the CIPFA Code of Practice for Internal Audit. The Audit Commission concluded that the service continues to comply with the relevant standards.

## **6. Conclusions**

6.1 This report provides assurance that all of the planned audit work was 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 within 2011/2012, it is considered that overall throughout the Authority there continues to be an adequate internal control environment.

### **Background Papers**

Internal Audit Operational Plan 2011/2012 - Governance Committee  
21<sup>st</sup> March 2011.

Internal Audit Services' Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2011/2012			
Cost & Efficiency			
Objectives	KPI's	Targets	Actual Performance
1) To ensure the service provided is effective and efficient.	1) Complete sufficient audit work to provide an opinion on the key risk areas identified.	1) All key risk areas covered over a 3 year period	1) Achieved – all audits completed
	2) Percentage of draft reports issued within 15 days of the end of fieldwork.	2) 90%	2) Achieved – 100%
	3) Percentage of audits completed by the target date (from scoping meeting to issue of draft report).	3) 80%	3) Achieved - 100%
Quality			
Objectives	KPI's	Targets	Actual Performance
1) To maintain an effective system of Quality Assurance	1) Opinion of External Auditor	1) Satisfactory opinion	1) Achieved
2) To ensure recommendations made by the service are agreed and implemented	2) Percentage of agreed high, significant and medium risk internal audit recommendations which are implemented.	2) 100% for high and significant. 90% for medium risk	2) Achieved - No high / significant risk recommendations to follow up. Not Achieved - Medium risk 88%

Internal Audit Services' Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2011/2012			
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) Not Achieved - Overall average score of 1.7 from three returns from the Fire and Rescue Authority (although score of 1.1 from 47 returns for the whole service)
	2) Results of other Questionnaires	2) Results classed as 'Good'	2) Achieved – last CIPFA survey showed overall rating of 'Good'
	3) Number of Complaints / Compliments	3) No target – actual numbers will be reported	3) No complaints. Two compliments.

## Internal Audit Coverage

Key Risk Area	Planned Audits	Conclusion (audits undertaken 2011/12)	Overall Opinion from Previous 3 years work
Corporate Governance		-	Good
Service / Business Planning, IRMP		-	Good
Financial Management	PFI Contract Management	Good	Satisfactory
Risk Management		-	Good
Procurement and Contract Management	PFI Contract Management	Good	Satisfactory
Human Resource Management		-	Good
Asset Management		-	Good
ICT	Data Handling Guidelines	Unsatisfactory	Satisfactory
Fraud and Corruption		-	Good
Information Governance	Data Handling Guidelines	Unsatisfactory	Satisfactory
Business Continuity and Contingency Planning	Follow up work to be completed	Satisfactory	Satisfactory
Performance Management		-	Good
Payroll	Payroll Testing	Good	Good
Project Management	Project Management Arrangements	Good	Good