

GOVERNANCE COMMITTEE MEETING: 23RD SEPTEMBER 2013

SUBJECT: INTERNAL AUDIT PROGRESS REPORT

REPORT OF THE HEAD OF INTERNAL AUDIT

1. Introduction

- 1.1 This report sets out the performance of Internal Audit up to August 2013, 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 the report.

3. Key Performance Indicators

- 3.1 Performance against the agreed KPIs to date is shown in Appendix 1. All KPIs are on target.

4. Summary of Internal Audit Work

- 4.1 The audit opinion for the audits carried out so far during the year is shown in Appendix 2 along with the current overall opinion based on the current and two previous years' audit work. Seven audits are included in the current year's plan and the progress on each is as follows:
- Service Planning / Integrated Risk Management Plan - planned for quarter 2
 - Community Fire Safety (Home Safety Inspections) - planned for quarter 2
 - Local Financial Systems - complete
 - Risk Management Arrangements - planned for quarter 3
 - Payroll and HR Management – commenced but on hold
 - Procurement (Contract Management) - planned for quarter 4
 - ICT Strategy - planned for quarter 4

It should be noted that it has been agreed with management that audit work will be placed on hold during September / October, to allow

management to focus on preparations for potential industrial action. The position will be reviewed once the outcome of the national strike ballot is known.

- 4.2 In addition to the above, 10 days were allocated for proactive financial transactions testing to ensure that appropriate controls continue to be in place during a period of change in the back office services. The areas to be covered were Accounts Payable and Payroll. The Accounts Payable work is complete and no concerns arose. The Payroll testing will take place alongside the audit of Payroll and HR Management.
- 4.3 The audit plan also includes an assessment of the Authority's counter fraud arrangements using the Audit Commission's Protecting the Public Purse checklist. This work is planned for quarter 3.

5. Conclusions

- 5.1 This report provides information regarding progress against the planned audit work for the year and performance targets.
- 5.2 Results of the work undertaken so far during the year have not highlighted any issues which affect the opinion that, overall throughout the Authority, there continues to be an adequate system of internal control.

6. Recommendations

- 6.1 Members are asked to consider the report.

Background Papers

Internal Audit Operational Plan for 2012/2013
Governance Committee, 18th March 2013

Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2013/14			
Efficiency and Effectiveness			
Objectives	KPI's	Targets	Progress
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	On target
	2) Percentage of draft reports issued within 15 days of the end of fieldwork.	2) 90%	100%
	3) Percentage of audits completed by the target date (from scoping meeting to issue of draft report).	3) 70%	100%
Quality			
Objectives	KPI's	Targets	Progress
1) To maintain an effective system of Quality Assurance.	1) Opinion of External Auditor	1) Satisfactory opinion	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	n/a for high and significant risk 93% for medium risk
Client Satisfaction			
Objectives	KPI's	Targets	Progress
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)	1.0
	2) Results of other Questionnaires	2) Results classed as 'Good'	None carried out
	3) Number of Complaints / Compliments	3) No target – actual numbers will be reported	None in year to date

Internal Audit Coverage

Key Risk Area	Planned Audit Work 2013/14	Level of Assurance (audits undertaken 2013/14)	Overall Opinion from Previous 3 Years Work
Corporate Governance			Substantial Assurance
Service / Business Planning, IRMP	IRMP Home Safety Inspections		Substantial Assurance
Financial Management	Local Financial Systems Financial Transactions	Substantial	Substantial Assurance
Risk Management	Risk Management Arrangements		Substantial Assurance
Procurement and Contract Management	Contract Management		Moderate Assurance
Human Resource Management	Payroll and HR Management		Substantial Assurance
Asset Management			Substantial Assurance
ICT	ICT Strategy		Moderate Assurance
Fraud and Corruption	Financial Transactions		Substantial Assurance
Information Governance			Moderate Assurance
Business Continuity and Contingency Planning			Moderate Assurance
Performance Management			Substantial Assurance
Payroll	Payroll and HR Management		Substantial Assurance
Partnership Working			Moderate Assurance
Project Management			Substantial Assurance