

Governance Committee

Meeting: 22nd September 2008

Subject: Internal Audit Services – 2008/2009 Audit Plan Progress Report

Report of the Finance Officer

1. Purpose of Report

- 1.1 To consider the performance of Internal Audit Services (IAS) up to 15th August 2008, 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 Strategy and Operational Plan for 2008/2009 was approved by the Governance Committee on 31st March 2008. This set out the audit work planned for the year and the 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 at this stage in the financial year.

3. Planned and actual resource available

- 3.1 Sunderland City Council, as lead authority for finance, provides the internal audit service. The section has a range of qualified staff which are available to complete audit work for the Authority as follows:

Qualified Accountants:	5
Institute of Internal Auditors - Professional Level:	6
Association of Accounting Technicians:	6
Qualification in Computer Audit:	2

Please note that some staff hold more than one of the above qualifications.

- 3.2 A summary of the audit days planned for 2008/2009 in respect of systems operated locally within the Authority, is as follows:

Area of Work	Days
7 Audits	107
Advice and guidance	11
Liaison / Follow up work	8.5
Contingency (for any unforeseen work)	14
Total	140.5

In addition to the above, audit work is planned on the Lead Authority's key financial systems, which are used by the TWFRAs (e.g. payroll). The results of

this work will be reported in the annual report at the end of the year.

3.4 Progress against the planned work is as follows:

- ♦ The audits of Attendance Management Arrangements and Corporate Governance Arrangements have been completed and the audit reports finalised.
- ♦ A further two audits, Application Controls – Fire Safety Inspections and Operational Management Information are being undertaken together as there are inter-related issues. These are currently ongoing and planned to be completed by the end of October.
- ♦ The remaining three audits will be planned in the second half of the year in consultation with relevant Managers.

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

4 Key Performance Indicators

4.1 Internal audit measures its performance in terms of Efficiency, Quality, Client Satisfaction and Continuous Improvement. Performance regarding KPIs relevant to the Fire and Rescue Authority are shown below:

- ♦ The section has received a favourable report from its external ISO9001:2000 inspection, in February 2008.
- ♦ Internal Audit Services carry out follow up work to ascertain progress in implementing agreed recommendations. The results of follow up work undertaken within the last 12-months show that 92% (previous year's annual report 82%) of the agreed recommendations have been implemented at the time of the follow-up. This exceeds the target of 90%.
- ♦ The target number of days for the issue of draft reports is 15 days from the date of completion of fieldwork. Current performance based on the audits completed within the last 12 months is 7.2 days (previous year's annual report (11.1 days).
- ♦ The Section has recently received two compliments from the Fire and Rescue Authority, as follows:

In relation to the audit of Attendance Management Arrangements, the Area Manager, John Baines commented "*Thanks for the draft report. Well considered and constructed...your approach to the audit was very well received by all concerned and I believe this was key to the efficiency and effectiveness of the process.*"

In relation to further discussions regarding an audit completed in 2007/2008 regarding Asset Management, Estates Manager, Stew Watson commented “*Thanks again for taking the time to see me, I hope future audits can be as successful as those completed in the past with Graham.*”

- ♦ Results from Post Audit Questionnaires received from the Fire and Rescue Authority within the past 12 months (8 in total) show an average rating of 1.1 (where 1 is good and 4 is poor). This exceeds the target performance of a score of less than 1.5.
- ♦ The performance indicator in relation to continuous improvement considers the Audit Commission’s opinion of IAS, this will be reported in the Annual Report when the opinion has been received.

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, medium or low risk. In addition, observations are also made where there are opportunities for improvements to be made but there is no weakness in control. The numbers of recommendations made in relation to the two 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
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.	0
Low	There is a minor control weakness or non-compliance within the system and proportional remedial action is required within an appropriate timescale.	10

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. The audit opinion in relation to the two completed audits is that the arrangements in place to manage the risks are good.

5.3 IAS has also provided support and guidance as requested throughout the year to date.

6. Conclusions

6.1 This report provides details of the performance to date of IAS to the Committee and seeks to give reassurance that the service is being delivered to meet statutory responsibilities and that the service is continually seeking to improve its standards and performance.

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 2008/2009, it is considered that overall throughout the Authority there continues to be a sound internal control environment.

Background Papers

Internal Audit Strategy and Operational Plan 2008/2009 - Governance Committee
31st March 2008.