

NAME OF COMMITTEE	Audit Committee
DATE	24 November 2011
REPORT TITLE	PROGRESS AGAINST THE 2011/12 INTERNAL AUDIT PLAN
Report of	Chief Internal Auditor
WARDS AFFECTED	All/Corporate

Summary of report:

The purpose of this report is to inform members of the principal activities and findings of the Council's Internal Audit team for 2011/12 to the 31st October 2011, by:

- Providing a summary of the main issues raised by completed individual audits; and
- Showing the progress made by the section against the 2011/12 annual audit plan, reviewed by this Committee in April 2011.

Financial implications:

None, within existing budgets.

RECOMMENDATIONS:

That the Audit Committee considers the progress made against the 2011/12 Internal Audit Plan and comments on the summary of issues arising.

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1. BACKGROUND

- 1.1 The Terms of Reference for Internal Audit were presented to the Audit Committee in April 2011 (Minute reference A.30/10) and cover:

Purpose, Authority and Responsibility;
Independence;

Audit Management;
 Scope of Internal Audit's Work;
 Audit Reporting; and
 Audit Committee.

- 1.2 The Audit Strategy was updated for 2011/12 and was approved by the Audit Committee in April 2011 (Minute reference A.39/10 refers) and covers:

Objectives and Outcomes;
 Opinion on Internal Control;
 Local and National Risk Issues;
 Provision of Internal Audit; and
 Resources and Skills.

2. PROVISION OF INTERNAL AUDIT AND PROGRESS – 2011/12

Audit Plan 2011/12

- 2.1 The 2011/12 audit plan (Appendix A) was presented and accepted by the Audit Committee at their meeting of April 2011 (A.40/10 refers).

Local and National Risk Based Amendments to the Plan

- 2.2 The audit plan is continuously reviewed and updated to reflect emerging risks, and these are incorporated into the audit plan either through the contingency days or by change to the plan, depending on the significance.
- 2.3 There are no proposed amendments to the 2011/12 plan as at the 31st October 2011.
- 2.4 Overspends on the estimated time for individual audits occur as the time in the audit plan is an estimate based on risk and generally not the amount of time needed to do the work required. All efforts are made to 'cut our cloth according to our means', but in some circumstances where control issues are identified, a risk based assessment is carried out. This constitutes consideration, depending on the significance, of whether additional time should be spent and if so where the work is to be charged, either contingency or by change to the audit plan.
- 2.5 The following table sets out the significant overspends on time budgets (3.5 days or more) on individual audits as totalled in Appendix A, and the reasons for the overrun:

Audit	Planned Days	Days Used	Reason for Overspend
-	-	-	None over 3.5 days
-	-	9	Total of over or under spends of all other finalised audits
Total	8	2	Overspends to date – 9 days

Resources and Skills

- 2.6 Sickness to the end of October 2011 is 4 days (2010/11 equivalent 1 day).
- 2.7 The number of audit days provided by the Auditor at the end of October was 125 days set against the planned 180 days for the year (2010/11 equivalent 122 days).
- 2.8 In 2011/12, training has been or is being provided to the audit team as follows:

Internal Audit Manager

- Council Contracts & Your Actions (in-house)

Senior Auditor:

- Council Contracts & Your Actions (in-house)
- Office 2007 (E-learning)

Auditor:

- Council Contracts & Your Actions (in-house)
- Listening Skills; Questioning Skills; Office 2007 (E-learning)

Progress Against the Plan

- 2.9 The 2011/12 Internal Audit Plan is attached at **Appendix A**. This has been extended to show the final position for each audit, and replicates a part of the monitoring report presented to the S.151 Officer on a monthly basis.
- 2.10 The reporting of individual high priority recommendations is set out at **Exempt Appendix B**. This is an ongoing part of the report to advise the Audit Committee in detail of significant findings since the last report and confirm that the agreed action has been implemented or what progress has been made.
- 2.11 **Exempt Appendix C** provides a summary of the main issues raised for all of the audits where a final audit report has been issued. This too forms part of the report to the S.151 Officer. In addition, the Appendix shows the results of our follow up of previous audit work and tasks that have not produced an audit report.
- 2.12 **Exempt Appendix D** provides a summary of unplanned work carried out by the team. This work is by definition unexpected work, which ranges from advice to managers on control issues, to the investigation of potential irregularities. Tasks are budgeted from the 'Contingency' line of the audit plan.

Non Compliance with Financial Procedure Rules

- 2.13 There are no significant issues to bring to the attention of the Committee so far this year.

Fraud

2.14 No actual, suspected or allegations of fraud have been identified so far this year.

Performance Indicators

2.15 Internal Audit's performance indicators are mainly collected annually and will be reported to the Audit Committee in full in the year-end report. The full list of those recorded is set out in the Audit Strategy 2011/12.

2.16 At this stage in the year, the key indicator 'Completion of 2011/12 Audit Plan' is as follows:

Indicator	Target %	Actual %	Comments
Audits completed from 2010/11 audit plan.	90	98	As reported to the Audit Committee June 2011.
Audits at the end of October at various stages of completion from 2011/12 audit plan and their 2010/11 equivalents.			
SHDC	-	52%	(53% at October 2010).
WDBC	-	42%	(23% at October 2010).
Combined plan Target to end of October 2011 = 38.5%	90	54%	(48% at October 2010).

Internal Audit – Shared Services

2.17 The following has been achieved since the last Audit Committee:

Shared service with West Devon

- Revised Anti-Fraud and Corruption Strategy aligned and updated to reflect recent manager reviews and shared services and recommended for approval by the Councils' September Audit Committees;
- Revised Contract Procedure Rules updated and aligned for both Councils' and recommended for approval by the Audit Committee for South Hams and the Standards Committee for West Devon;
- Progress on the 2011/12 audit plan.

Teignbridge

- Exchange of audit programmes, advice and best practice;
- Liaison over Contract Procedure Rules; Anti-Fraud and Corruption Strategy, Anti Money Laundering Policy and Risk Management.

3. LEGAL IMPLICATIONS

3.1 Statutory Powers: **Accounts and Audit Regulations 2003, 2006, 2011**

4. FINANCIAL IMPLICATIONS

4.1 None, within existing budgets.

5. RISK MANAGEMENT

5.1 The risk management implications are:

Opportunities	Benefits
A risk based audit plan directs scarce audit resources away towards areas of high risk to the Council.	Audit work completed in line with the audit plan and to the required quality standards will ensure that the external auditor places reliance upon the work of internal audit, resulting in no additional charges to carry out the audits required to allow him/her to issue the certificate and opinion on the Council's accounts, including for the Annual Governance Statement.

Issues/Obstacles/Threats	Control measures/mitigation
The directing of scarce audit resources away from areas of high risk may undermine the opinion provided to the Council by the Internal Audit Manager on the System of Internal Control..	Risk based audit plan, reviewed by senior managers and members, and updated as appropriate through the year.
The external auditor placing no reliance upon the work of internal audit, resulting in additional charges to carry out the audits required to allow him/her to issue the certificate and opinion on the Council's accounts, including for the Annual Governance Statement.	Regular liaison with the external auditor. Risk based audit plan, reviewed by senior managers and members, and updated as appropriate through the year. Regular monitoring of progress by the S.151 Officer and the Audit Committee.
The Council's Annual Governance Statement cannot be signed if Internal Audit fails to complete the work set out in the approved risk based audit plan due to unforeseen circumstances.	Regular monitoring of performance by the S.151 Officer and the Audit Committee. Audit approach adheres to the appropriate professional standards. Closer links with our neighbouring Council's audit team will provide reasonable assurance that higher risk audits are covered each year.

Corporate priorities engaged:	All/Corporate
Statutory powers:	Accounts and Audit Regulations 2003, 2006, 2011

Considerations of equality and human rights:	There are no specific equality and human rights issues arising from this report.
Biodiversity considerations:	There are no specific biodiversity issues arising from this report.
Sustainability considerations:	There are no specific sustainability issues arising from this report.
Crime and disorder implications:	There are no specific crime and disorder issues arising from this report.
Background papers:	CIPFA Code of Practice for Internal Audit in Local Government 2006; SHDC 5-year Audit Plan 2010/11 to 2015/16.
Appendices attached:	Appendix A: Audit Plan 2011/12 – Progress to 31 October 2011 Exempt Appendix B: Planned Audit 2011/12 – Final Reports: Detailed Items Exempt Appendix C: Planned Audit 2011/12 – Summary of Results Exempt Appendix D: Unplanned Audit 2011/12 – Summary of Results

Progress Against the 2011/12 Internal Audit Plan

APPENDIX A

Projects Agreed in the Audit Plan	Planned Number of Days	Fieldwork Commenced	Draft Report	Management Comments Received	Finalised	Opinion (finalised reports only)				Comments
						Excellent	Good	Fair	Poor	
MAS & Budgetary Control	11									
Creditor Payments	9									
Payroll	10									
Council Tax	12	■								20% completed.
Business Rates (NDR)	10									
Benefits	20									
Debtors	9									
Treasury Management	7	■								75% completed.
Capital Expenditure	8									
Fundamental Systems	96									
Email Monitoring	4	■	■	■	■	■				Summary to Audit Committee - November 2011
Internet Monitoring	4	■	■	■	■	■				Summary to Audit Committee - November 2011
Computer Audit	26									
Car and Boat Parking	9									
Dartmouth Lower Ferry	9	■								95% completed.
Private Sector Housing Renewal	8	■	■							Draft issued 10.10.2011
National & Performance Indicators incl. Data Quality	5	■	■	■	■		■			Summary to Audit Committee - November 2011
Salcombe Harbour	10	■								13% completed.
Grants - RDPE Rural Community LAGs	60	60 days used								195 project claims audited (3 quarters); plus 64 Management & Admin invoices

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						Excellent	Good	Fair	Poor	
Follow Up of Previous Year's Audits	10	4 days used				-	-	-	-	
Contingency (Unplanned)	50	28 days used	-	-	-	-	-	-	-	See table at Appendix D.
Corporate Governance	8									
Exemptions to Contract or Financial Procedure Rules	4	2 days used	-	-	-	-	-	-	-	8 Exemption applications received April to October 2011 with 7 approved,
System of Internal Control (SIC) & Annual Governance Statement (AGS)	5	■	■	■	■	-	-	-	-	AGS recommended to the Council for approval following report to the Audit Committee - July 2011. Published September 2011.
Risk Management / Business Continuity	5									
West Devon Borough Council	85 + 4	47 days used	-	-	-	-	-	-	-	Separate report to WDBC Audit Committee
Dartmouth Town Council	5	■	■	■	■	-	-	-	-	Summary to Audit Committee - September 2011
Other Essential	307									
Elections	8	■	■							Issued 05.10.2011
CST/Cash Collection	8	■	■	■	■			■		Summary to Audit Committee - November 2011
Public Conveniences	8	■	■	■	■		■			Summary to Audit Committee - September 2011
Recycling	9	■	■	■	■		■	■		Summary to Audit Committee - September 2011
Leisure Client and Tourism	8	■	■	■	■			■		Summary to Audit Committee - September 2011
Travel and Subsistence	8	■	■	■	■		■			Summary to Audit Committee - September 2011
Building Regulations incl Other Building Control Work	10									
Employment Estates	8	■	■	■	■			■		Summary to Audit Committee - September 2011
Stores	5	■								95% completed.

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						Excellent	Good	Fair	Poor	
Advice to Information Compliance/Other Groups	3	0.2 days used				-	-	-	-	
Asset Management	7									
Shared Services	8	■				-	-	-	-	See Miscellaneous below.
Other	90									
Audit Administration	20	17 days used	-	-	-	-	-	-	-	
Audit Management, including Audit Planning	15	9 days used	-	-	-	-	-	-	-	
Audit Monitoring Reports to Management and Audit Committee	20	7 days used	-	-	-	-	-	-	-	
Training	10	1 day used	-	-	-	-	-	-	-	
Miscellaneous e.g. Financial Regulations etc.	5	1.5 days used	-	-	-	-	-	-	-	Revised Contract Procedure Rules; Anti Fraud and Corruption Strategy, to September 2011 Audit Committee. Anti Money Laundering
Other	70									
Overall Total	601									
Included above:										
Installation & Healthcheck	7									
Computer and Network Management & Security	9									
Change Control	7									
Other Reviews	3									
Computer Audit	26									