

NAME OF COMMITTEE	Audit Committee
DATE	5th April 2012
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 29th February 2012, 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
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 29th February 2012, other than the carrying forward of Building Control and Asset Management to 2012/13 audit plan for completion in Quarter 1..
- 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
-	-	10	As para 2.4 - Culmination of overspends below 3.5 days for finalised audits
Total	-	10	Overspends to date – 10 days

Resources and Skills

- 2.6 Sickness to the end of February 2011 is 9 days (2010/11 equivalent 10 days).
- 2.7 The number of audit days provided by the Auditor at the end of February was 191 days set against the planned 180 days for the year (2010/11 equivalent 197 days).
- 2.8 In 2011/12, training has been or is being provided to the audit team as follows:

Chief Internal Auditor

- Council Contracts & Your Actions (in-house);
- Future of Local Audit (DCLG; Taunton).

Senior Auditor:

- Council Contracts & Your Actions (in-house);
- Word 2007 Introduction (E Academy);
- Excel 2007 Introduction (E Academy);
- Excel 2007 Intermediate (E Academy).

Auditor:

- Council Contracts & Your Actions (in-house)
- E Academy – various modules including Word 2007; Word 2007 Intermediate; Excel 2007; Excel 2007 Intermediate; Excel 2007 Advanced; Questioning; Listening etc.

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, Corruption or Bribery

- 2.14 No actual, suspected or allegations of fraud, corruption or bribery 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 February at various stages of completion from 2011/12 audit plan and their 2010/11 equivalents.			
SHDC	-	74%	(83% at February 2011).
WDBC	-	84%	(61% at February 2011).
Combined plan Target to end of February 2011 = 81%	90	78%	(83% at February 2011).

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. Council approved in November 2011;

- 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. Council approved in November 2011;
- Progress on the 2011/12 audit plan reported to the West Devon Audit Committee;
- Work on a recharging process to ensure that costs related to the sharing of services is charged to the relevant Council and cross subsidising is avoided.

Teignbridge

- Exchange of audit programmes, advice, official guidance 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 Chief Internal Auditor 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 29 th February 2012 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

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	■								55% complete
Creditor Payments	9									
Payroll	10	■	■	■	■		■			Summary to Audit Committee - April 2012
Council Tax	12	■	■							Issued 08.12.2012. Discussion delayed due to work pressures on manager etc.
Business Rates (NDR)	10	■	■	■	■			■		Summary to Audit Committee - April 2012
Benefits	20	■								45% complete
Debtors	9	■								50% complete
Treasury Management	7	■	■	■	■	■				Summary to Audit Committee - April 2012
Capital Expenditure	8	■	■							Draft issued 14.02.2012
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	■	■	■	■		■			Summary to Audit Committee - April 2012
Private Sector Housing Renewal	8	■	■	■	■		■			Summary to Audit Committee - April 2012
National & Performance Indicators incl. Data Quality	5	■	■	■	■		■			Summary to Audit Committee - November 2011
Salcombe Harbour	10	■	■	■	■		■			Summary to Audit Committee - April 2012
Grants - RDPE Rural Community LAGs	60	82 days used	-	-						252 project claims audited; plus 82 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	46 days used	-	-	-	-	-	-	-	See table at Appendix D.
Corporate Governance	8	■								10% completed
Exemptions to Contract or Financial Procedure Rules	4	2.5 days used	-	-	-	-	-	-	-	9 Exemption applications received April to February 2012 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	89 days used	-	-	-	-	-	-	-	Separate report to WDBC Audit Committee
Dartmouth Town Council	5	■	■	■	■	-	-	-	-	Summary to Audit Committee - September 2011
Other Essential	307									
Elections	8	■	■	■	■		■			Summary to Audit Committee - April 2012
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	-	-	-	-	-	-	-	-	Carried forward to 2012/13.
Employment Estates	8	■	■	■	■			■		Summary to Audit Committee - September 2011
Stores	5	■	■	■	■			■		Summary to Audit Committee - April 2012

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						Excellent	Good	Fair	Poor	
Advice to Information Compliance/Other Groups	3	0.5 day used	-	-	-	-	-	-	-	
Asset Management	7	-	-	-	-	-	-	-	-	Carried forward to 2012/13.
Shared Services	8	■								See Miscellaneous below.
Other	90									
Audit Administration	20	25 days used	-	-	-	-	-	-	-	Office move; additional staff briefings compared with previous year; update to Windows 2007.
Audit Management, including Audit Planning	15	16 days used	-	-	-	-	-	-	-	
Audit Monitoring against the Plan, including Reports to Management and Audit Committee	20	9 days used	-	-	-	-	-	-	-	
Training	10	5 days used	-	-	-	-	-	-	-	
Miscellaneous e.g. Financial Regulations etc.	5	2 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									