

NAME OF COMMITTEE	Audit Committee
DATE	10 January 2013
REPORT TITLE	PROGRESS AGAINST THE 2012/13 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 2012/13 to the 30th November 2012, by:

- Providing a summary of the main issues raised by completed individual audits; and
- Showing the progress made by the section against the 2012/13 annual audit plan, reviewed by this Committee in April 2012.

Financial implications:

None, within existing budgets.

RECOMMENDATIONS:

That the Audit Committee considers the progress made against the 2012/13 Internal Audit Plan and comments on the summary of issues arising.

Officer contact:

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1. BACKGROUND

- 1.1 The Terms of Reference for Internal Audit were presented to the Audit Committee in April 2012 (Minute reference A.36/11) 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 2012/13 and was approved by the Audit Committee in April 2012 (Minute reference A.36/11 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 – 2012/13

Audit Plan 2012/13

- 2.1 The 2012/13 audit plan (Appendix A) was presented and accepted by the Audit Committee at their meeting of April 2012 (A.37/11 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 The Committee has been informed of the following amendment to the 2012/13 plan at previous meetings:

Audit	Plan Days 2012/13	Plan Days Update	Reason for Change
Dartmouth Town Council	5	0	Arrangement terminated by Dartmouth Town Council on cost grounds, after the SHDC plan had been presented to the April Audit Committee.
West Devon District Council	95	100	To cover the Code of Corporate Governance and Annual Governance Statement previously undertaken by the Finance team.

- 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
-	-	0	As para 2.4 - Culmination of overspends below 3.5 days for finalised audits
Total	-	0	Overspends to date – 0 day

Resources and Skills

- 2.6 Sickness to the 30th November 2012 is 6 days (2011/12 equivalent 5 days).
- 2.7 In 2012/13 to date, training has been or is being provided to the audit team as follows:

Chief Internal Auditor

- Assessing Corporate Governance Effectiveness (IIA Bristol);
- Achieving Success in Challenging Times (IIA Exeter);
- Middle Manager Development Programme (internal) – modules on Corporate Services (Constitution etc); Managing Attendance and Managing Change; and
- Localisation of Council Tax (LG Futures, Totnes).

Senior Auditor:

- Achieving Success in Challenging Times (IIA Exeter); and
- Excel 2007 Advanced (E Academy).

Auditor:

- Microsoft Outlook (E Academy); and
- Localisation of Council Tax (LG Futures, Totnes).

Progress Against the Plan

- 2.8 The 2012/13 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.

- 2.9 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.
- 2.10 **Exempt Appendix C** provides a summary of the main issues raised for all of the audits where a final audit report has been issued. In addition, the Appendix shows the results of our follow up of previous audit work and tasks that have not produced an audit report.
- 2.11 **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

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

Fraud, Corruption or Bribery

- 2.13 No actual, suspected or allegations of fraud, corruption or bribery have been identified so far this year.

Performance Indicators

- 2.14 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 2012/13.
- 2.15 At this stage in the year, the key indicator 'Completion of 2012/13 Audit Plan' is as follows:

Indicator	Target %	Actual %	Comments
Audits completed from 2011/12 combined audit plan.	90	96	As reported to the Audit Committee June 2012.
Audits at the 30th November 2012 at various stages of completion from 2012/13 audit plan and their 2011/12 equivalents.			
SHDC	-	59%	(53% at November 2011).
WDBC	-	59%	(60.5% at November 2011).
Combined plan	90	62.5%	(63.5% at November 2011). Target to 30th November 2012: 30%

Internal Audit – Shared Services

2.16 The following has been achieved so far this financial year:

Shared service with West Devon since last Committee:

- Anti Fraud, Corruption and Bribery Strategy promoted through the Members Bulletin and Friday Flash as requested by the Audit Committee;
- Work on a draft revised Finance Procedure Rules has been completed, with the document aligned as closely as it can be.
- Progress on the 2012/13 audit plan reported to the West Devon Audit Committee. A growing number of audits are being completed across the two sites at the same time;
- The formal project management of the 2015 Transformation Programme project on Shared Services Financial Arrangements and Governance is to be closed with the final report to the next Programme Board. Officers will continue to develop processes in this respect from the solid base developed so far.

Teignbridge

- Exchange of audit programmes, advice, official guidance and best practice;
- Single attendance and feedback to the other partner on professional update courses and seminars;
- Co-operation re the 2012/13 audit of Building Control; and
- Liaison over various corporate documents.

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 follow this table:

Corporate priorities engaged:	All/Corporate
Statutory powers:	Accounts and Audit Regulations 2003, 2006, 2011
Considerations of equality and human rights:	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:	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 2012/13 – Progress to 30th November 2012 Exempt Appendix B: Planned Audit 2012/13 – Final Reports: Detailed Items Exempt Appendix C: Planned Audit 2012/13 – Summary of Results Exempt Appendix D: Unplanned Audit 2012/13 – Summary of Results

STRATEGIC RISKS TEMPLATE

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
1	Opportunity of Make the Best Use of Scarce Audit Resource	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.	-	-	-	↔	A risk based audit plan directs scarce audit resources towards areas of high risk to the Council.	Chief Internal Auditor
2	Inappropriate Use of Scarce Audit Resource	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.	2	2	4	↔	Risk based audit plan, reviewed by senior managers and members, and updated as appropriate through the year.	Chief Internal Auditor

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
3	Links with External Audit	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.	2	2	4	↔	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.	Chief Internal Auditor
4	Assurance for the Annual Governance Statement	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.	2	2	4	↔	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 without fail.	Chief Internal Auditor

Direction of travel symbols ↓ ↑ ↔

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	13									
Creditor Payments	11									
Payroll	10	■								10% completed
Council Tax	14	■								95% completed
Business Rates (NDR)	12	■								31% completed
Benefits	20									
Debtors	10									
Treasury Management	7									
Capital Expenditure	8	■								37% completed
Fundamental Systems	105									
Salcombe Harbour	10	■	■							Draft report issued 05.12.2012
Dartmouth Lower Ferry	9	■	■	■	■		■			Summary to Audit Committee - January 2013
Street Scene - Car and Boat Parking	9									
Private Sector Housing Renewal	8	■	■	■	■		■			Summary to Audit Committee - January 2013
Data Quality & Performance Indicators	5	■	■							Draft report issued 22.11.2012
Email Monitoring	4	■	■	■	■		■			Summary to Audit Committee - January 2013
Internet Monitoring	4	■	■	■	■		■			Summary to Audit Committee - January 2013
Computer Audit	26									
Grants - RDPE Rural Community LAGs	50	50 days used	-	-	-	-	-	-	-	99 project claims audited; plus 41 management & Admin invoices.

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						Excellent	Good	Fair	Poor	
Follow Up of Previous Year's Audits	10	4.5 days used	-	-	-	-	-	-	-	
Contingency (Unplanned)	55	39 days used	-	-	-	-	-	-	-	
Corporate Governance	8									
Exemptions to Contract or Financial Procedure Rules	5	1.5 days used	-	-	-	-	-	-	-	8 Exemption applications received and processed April to November 2012.
System of Internal Control (SIC) & Annual Governance Statement (AGS)	5	■	■	■	■		■			AGS recommended to the Council for approval following report to the Audit Committee - August 2012. AGS to be published September 2011. Audit report summary to Audit Committee - September 2012
Risk Management / Business Continuity	5									
West Devon Borough Council	95 + 5	76 days used	-	-	-	-	-	-	-	Separate report to WDBC Audit Committee
<i>Dartmouth Town Council</i>	<i>5 - 5</i>	<i>X</i>	<i>X</i>	<i>X</i>	<i>X</i>	<i>X</i>	<i>X</i>	<i>X</i>	<i>X</i>	<i>Arrangement ended by Town Council.</i>
Other Essential	307									
Community Parks and Open Spaces	9	■	■	■	■		■			Summary to Audit Committee - September 2012
Building Maintenance	9	■	■	■	■		■			Summary to Audit Committee - September 2012
Print Room	9	■	■	■	■		■			Summary to Audit Committee - September 2012
Health and Safety at Work	9	■	■							Draft report issued 22.11.2012
Pannier Markets	9	■	■	■	■			■		Summary to Audit Committee - January 2013
Insurance	9	■	■							Draft report issued 30.10.2012
Complaints System	5	■	■	■	■			■		Summary to Audit Committee - September 2012
Building Control	5	■	■	■	■		■			Summary to Audit Committee - January 2013
Capital Receipts	5									

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						Excellent	Good	Fair	Poor	
Inventories	3	■	■							Draft report issued 28.11.2012
Procurement	10									
Schemes with Other Organisations	9	■	■	■	■		■			Summary to Audit Committee - January 2013
Land Charges including Street Naming	9	■	■	■	■		■			Summary to Audit Committee - September 2012
Major Developments (including Sherford)	6	■	■				■			Summary to Audit Committee - January 2013
Advice to Information Compliance/Other Groups	3	1 day used	-	-	-	-	-	-	-	
Asset Management	7	■								24% completed
Corporate Management Cost Centre	6	■	■	■	■	■				Summary to Audit Committee - January 2013
Shared Services	5	■	■	■	■		■			Summary to Audit Committee - January 2013 12.9days used also includes 2015 Project Management; visit to Vale of White Horse D.C. and drafting Financial Procedure Rules.
Other	127									
Audit Administration	20	10 days used	-	-	-	-	-	-	-	
Audit Management, including Audit Planning	20	11 days used	-	-	-	-	-	-	-	
Audit Monitoring against the Plan, including Reports to Management and Audit Committee	15	9 days used	-	-	-	-	-	-	-	
Training	10	8 days used	-	-	-	-	-	-	-	
Miscellaneous e.g. Financial Procedure Rules	5	1.5 days used	-	-	-	-	-	-	-	
Other	70									
Overall Total	601									