

AUDIT & GOVERNANCE COMMITTEE

15th November 2011

INTERNAL AUDIT – UPDATE ON DELIVERY AGAINST 2011/12 PLAN

Relevant Portfolio Holder	Councillor Michael Braley
Portfolio Holder Consulted	No
Relevant Head of Service	Jayne Pickering, Executive Director (Finance and Corporate Resources)
Wards Affected	All Wards
Non-Key Decision	

1. SUMMARY OF PROPOSALS

To respond to Members' request to provide:

- an update on delivery against the 2011/12 Internal Audit Plan as at 30 October 2011; and
- an update on the actions that Internal Audit have taken to ensure that management and those charged with governance are provided with the required coverage and assurances over the system of internal control for 2011/12

2. RECOMMENDATIONS

The Committee is asked to RESOLVE that the report be noted.

3. BACKGROUND

The Council is required under Regulation 6 of the Accounts and Audit Regulations 2003 (as amended 2006) to “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

4. KEY ISSUES

Performance against 2011/12 Plan as at 30 October 2011

- 4.1 This section of the report provides commentary on Internal Audit's performance for the period 1 April 2011 to 30 October 2011 against the performance indicators agreed for the service for 2011/12.
- 4.2 The tables in Appendices 1 and 2 show that significant progress has been made since 31 July 2011 towards delivering the Internal Audit Plan and achieving the targets set for the year. Chargeability and productivity have increased significantly from 17% to 55% and 33% to 48% respectively. As at 30 October 2011 a total of 191 chargeable days had been delivered against a target of 479 days for 2011/12.

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Actions taken to accelerate delivery against the 2011/12 Plan

- 4.3 The Service Manager for Worcestershire Internal Audit Shared Service has taken the following steps to ensure that delivery against the 2011/12 Plan is such that management, external audit and members are provided with the assurances that they require over the system of internal control and for the Annual Governance Statement and Statement of Accounts:
- The Service Manager has met with the authority's Section 151 officer to discuss progress against the plan and the actions being taken to assist with the delivery of the plan;
 - Additional resource has been recruited to the team and resource within the team has been managed robustly in order to accelerate the delivery against the plan and ensure that the service remains effective;
 - The Service Manager is rigorously monitoring delivery against the Plan to ensure that performance and delivery continue to improve and that risk is managed effectively; and
 - The Service Manager is proactively and rigorously monitoring and managing absenteeism across the service.
- 4.4 The Service Manager for the Worcestershire Internal Audit Shared Service is confident that, having taken the actions noted above, she will be able to provide the required coverage for the year over the authority's core financial systems, work on which is historically undertaken in the third and fourth quarters of the year, as well as over other systems which have been deemed to be high and medium risk by Internal Audit and / or the authority's section 151 officer.

Conclusion on delivery against the 2011/12 Plan

- 4.5 The Shared Service Manager is confident that, by continuing to take and having taken the actions noted in paragraph 4.3, risk is being managed appropriately. Delivery against the Plan for 2011/12 will continue to accelerate and be such that management, external audit and members are provided with the assurances that they require over the system of internal control and for the Annual Governance Statement and Statement of Accounts.

5. OTHER IMPLICATIONS

Financial Implications

- 5.1 There are no direct financial implications arising out of this report.

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Legal Implications

- 5.2 The Accounts and Audit (Amendment) (England) Regulations 2006 state that Local Authorities must maintain an adequate and effective system of Internal Audit to ensure its systems of internal control are operating effectively. This report is one way the Council can monitor its Internal Audit Service.

Service/Operational Implications

- 5.3 There are no direct operational implications arising out of this report.

Customer / Equalities and Diversity Implications

- 5.4 There are no implications arising out of this report.

6. RISK MANAGEMENT

- 6.1 The main risks associated with the details included in this report are:
- Failure to complete the planned programme of audit work within the financial year; and
 - The continuous provision of an internal audit service is not maintained.
- 6.2 These risks are being managed via the 4Risk risk management system within the Finance and Resources risk area. The Service Manager for the Worcestershire Internal Audit Shared Service is confident that, as stated at paragraph 4.5, these risks are being managed appropriately to ensure that such that management, external audit and members are provided with the assurances that they require over the system of internal control and for the Annual Governance Statement and Statement of Accounts.

7. APPENDICES

- Appendix 1 Delivery against Internal Audit Plan for 2011/12 as at 30 October 2011
- Appendix 2 Performance against Key Performance Indicators for 2011/12 at 30 October 2011

8. BACKGROUND PAPERS

None.

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APPENDIX 1

Delivery against Internal Audit Plan for 2011/12 as at 30 October 2011

Audit Area	DAYS USED TO 30/10/11	2011/12 PLANNED DAYS
Core Financial Systems (Note 1)	0	116
Corporate Audits	5	43
Other Systems Audits	162	267
TOTAL PRODUCTIVE	167	426
Audit Management Meetings	3	23
Corporate Meetings / Reading	0	9
Annual Plans and Reports	2	12
Audit Committee support	11	9
Other chargeable	8	0
TOTAL CHARGEABLE	191	479
Annual leave	55	75
Statutory leave	19	23
Sickness	17	21
Other leave	10	5
Training	7	16
General administration	26	32
General management	12	12
Attendance at general meetings	8	8
WIASS projects	4	4
TOTAL	349	675

Note 1

Core Financial Systems are audited in quarters 3 and 4 in order to maximise the assurance provided for Annual Governance Statement and Statement of Accounts.

REDDITCH BOROUGH COUNCIL

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APPENDIX 2

Performance against Key Performance Indicators as at 30 October 2011

	KPI	As at 31st July 2011	As at 30th October 2011	Target	Frequency of monitoring	Frequency of reporting
1	Chargeability %	17%	55%	71%	Monthly by WIASS management	Monthly to Client Officer Group Quarterly to Audit Committee
2	Productivity %	35%	48%	63%	Monthly by WIASS management	Monthly to Client Officer Group Quarterly to Audit Committee
3	% Plan delivered excluding overruns	12%	29%	95% for year	Monthly by WIASS management	Monthly to Client Officer Group Quarterly to Audit Committee
4	Overruns as a % of time spent	35%	25%	5%	Monthly by WIASS management	Monthly to Client Officer Group Quarterly to Audit Committee
5	Customer satisfaction surveys	100%	100%	95% Good or above	Monthly by WIASS management	Monthly to Client Officer Group Quarterly to Audit Committee
6	Number of audits delivered compared to plan	N/a (Annual)	N/a (Annual)	41	Annually by WIASS management	Annually to Client Officer Group and Audit Committee
7	Annual survey of Internal Audit Service	N/a (Annual)	N/a (Annual)	Good or above	Annually by WIASS management	Annually to Client Officer Group and Audit Committee

The Internal Audit Self-Assessment checklist assessing compliance with the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 will also be completed at the end of the annual cycle. Any areas of partial or non-compliance with the Code will be reported as exceptions to the Client Officer Group and Audit Committee.