

<b>REPORT TO</b>	<b>DATE OF MEETING</b>
Governance Committee	28 <sup>th</sup> September 2011

Report template revised June 2008



<b>SUBJECT</b>	<b>PORTFOLIO</b>	<b>AUTHOR</b>	<b>ITEM</b>
Internal Audit Interim Report as at 31 <sup>st</sup> July 2011	Not Applicable	C Ware / D Highton	4

## SUMMARY AND LINK TO CORPORATE PRIORITIES

The purposes of this report are:

- to advise members of the work undertaken in respect of the Internal Audit Plans for South Ribble and Shared Services during the initial four months of 2011/12 and to comment on the outcomes;
- to give an appraisal of the Internal Audit Service's performance to date;
- to inform members of any general developments involving or impacting upon the work of the Internal Audit Service.

The report links with all of the corporate priorities, in particular to be an 'efficient, effective and exceptional Council'.

## RECOMMENDATIONS

That the report be noted.

## DETAILS AND REASONING

### Background

This is the first progress report for the current financial year and covers the period between 1<sup>st</sup> April 2011 and 31<sup>st</sup> July 2011.

### Internal Audit Plans

**Appendix 1** provides a "snapshot" of the overall progress made in relation to the 2011/12 Internal Audit Plan, indicating which audits have been completed, those that are in progress and those that have yet to start. Appendix 1 also shows the time planned and actually spent on individual audits.

Members will note that at this stage, the Internal Audit plan is on target to be achieved. Members will also note that all reviews completed to date have either been given a substantial or adequate assurance rating.

The table below provides a brief summary of the audit work completed during the period together with any control issues identified.

<b>Audit Area</b>	<b>Control Rating</b>	<b>Comments</b>
<b>Shared Services</b>		
Main Accounting	Adequate	Management actions were agreed to improve the evidence held to support service areas' estimated draft budgets and budget monitoring reports.
Capital. Implementation of IFRS	Substantial	No key control issues were identified.
Cash and Bank	Adequate	Improvements to a Service area's income records were agreed and have been fully implemented.
Creditors	Substantial	No key control issues were identified
Payroll	Adequate	Management actions were agreed to improve the completeness and accuracy of claim forms and ensure that data retention issues are addressed.
<b>South Ribble</b>		
Annual Governance Statement	Not applicable	Proactive input was provided in collating information to inform the Annual Governance Statement.
Neighbourhood Management	Adequate	A number of management actions were agreed to enhance the overall management of enforcement. These include improving the cautions process and ensuring that Officers have access to adequate practical training.
Review of External Partnership Funding	Substantial	No key control issues were identified.
Sundry Debtors	Adequate	Management actions were agreed to improve the invoicing process and address data retention issues.

### **Internal Audit Performance**

**Appendix 2** provides information on Internal Audit performance as at the end of July 2011.

The majority of the performance measures are on or around target however, there are 3 areas where performance appears to be below target and these require further explanation, as follows:

#### *% audit plan completed (SRBC)*

An actual out-turn of 17% against a target of 26% was achieved. In addition to the work already completed, a further 2 reports were at draft report stage at the end of July and were unable to be counted as completed for the purpose of this indicator. These reports have now been finalised.

#### *% of agreed management actions implemented*

An actual out turn of 68% Shared Services (SS) and 74% (SRBC) against a target of 100% was achieved. Members may recall that a new monitoring process for ensuring Management Actions are implemented has recently been introduced by Internal Audit.

Management Actions are now monitored 3 times per year as opposed to on an ongoing basis. This transitional period has caused the percentage achieved figure to be lower, however this figure should rise over the course of the year as the new system becomes embedded.

*% of the agreed management actions implemented – the % implemented on time. (SS)*

An actual out turn of 35% against a target of 100% was achieved. This was largely due to the delayed implementation of the new financial system.

## GENERAL DEVELOPMENTS

### IA Involvement in the Member Induction Process.

The Audit Manager has recently been involved with the new Member Induction Process. This included providing training / awareness to newly elected and current members on the Council's governance related policies and the implications of the new Bribery Act and providing one to one support to a newly elected Member.

### Examination Success.

One member of the Internal Audit Team was successful in their recent Institute of Internal Auditor examinations and has now achieved the Diploma in Internal Audit Practice

## WIDER IMPLICATIONS

In the preparation of this report, consideration has been given to the impact of its proposals in all the areas listed below

<b>FINANCIAL</b>	There are no financial implications arising directly from this report.		
<b>LEGAL</b>	The Interim Report is a requirement of the CIPFA Code of Practice for Internal Audit in Local Government (2006).		
<b>RISK</b>	The audit risk assessment forms part of the background papers to this report.		
<b>OTHER (see below)</b>			
<i>Asset Management</i>	<i>Corporate Plans and Policies</i>	<i>Crime and Disorder</i>	<i>Efficiency Savings/Value for Money</i>
<i>Equality, Diversity and Community Cohesion</i>	<i>Freedom of Information/ Data Protection</i>	<i>Health and Safety</i>	<i>Health Inequalities</i>
<i>Human Rights Act 1998</i>	<i>Implementing Electronic Government</i>	<i>Staffing, Training and Development</i>	<i>Sustainability</i>

## BACKGROUND DOCUMENTS

Audit Risk Assessment  
2011 / 2012 Internal Audit Plans

## INTERNAL AUDIT PLANS 2011/12

AUDIT AREA	PLAN (Days)	ACT (Days)	BAL (Days)	CONTROL RATING	COMMENTS
<b>SHARED SERVICES</b>					
<b>FINANCE</b>					
Main Accounting System	20	0.1	19.9		Process mapping in progress
Creditors	20	4.9	15.1		Process mapping in progress
Payroll	20	2.1	17.9		Process mapping in progress
Treasury Management	15	1	14		Process mapping in progress
Cash & Bank / Cheque Control	20	3.7	16.3		Process mapping in progress
Travel & Subsistence	15	0	15		To commence Q2
<b>REVENUES &amp; BENEFITS</b>					
Council Tax	15	0	15		To commence Q3/4
National Non Domestic Rates	15	0	15		To commence Q3/4
Housing & Council Tax Benefits	20	0	20		To commence Q3/4
Debtors	20	0.2	19.8		To commence Q3/4
<b>ASSURANCE</b>					
Emergency Plan & Business Continuity	20	7.8	12.2		In progress
<b>GENERAL</b>					
<b>Residual Work from 2010/11</b>	20	32.8	-12.8		
Main Accounting System				Adequate	Complete
Capital – Implementation of IFRS				Substantial	Complete
Cash and Bank				Adequate	Complete
Creditors				Substantial	Complete
Payroll				Adequate	Complete
Post Audit Reviews	15	4.7	11.8		On-going
Unplanned Reviews / Contingency	10	0	10		No requests received
<b>TOTAL</b>	<b>245</b>	<b>57.3</b>	<b>187.7</b>		
<b>SOUTH RIBBLE</b>					
<b>CORPORATE AREAS</b>					
Annual Governance Statement	15	9.1	5.9	N/A	Complete
Anti-Fraud & Corruption / Awareness	15	3.4	11.6		On-going
NFI	30	10.4	19.6		On-going
System Interrogations	10	0	10		Not yet started
Financial Regulations	5	0	5		To commence Q4
<b>CORPORATE GOVERNANCE</b>					
Bribery Act / Registers of Disclosures	10	2	8		To commence Q3
Licensing	20	0	20		To commence Q2
<b>POLICY, COMM ENGAGEMENT &amp; HR</b>					
Performance Management / Pls	5	0	5		To commence Q3
Partnerships	5	0.2	4.8		On-going
Project Management	15	0	15		To commence Q3/4
<b>BUSINESS TRANSFORMATION &amp; ITC</b>					
Government Connect	15	0.2	14.8		To commence Q3/4
Data Protection/ Freedom of Information	20	0	20		To commence Q3/4
<b>REGEN &amp; HEALTHY COMMUNITIES</b>					
Regeneration Projects	10	2.8	7.2		In progress
<b>NEIGHBOURHOODS</b>					
Neighbourhood Management	10	7.2	2.8	Adequate	Complete
Maintenance / Inspection Regimes	20	20	0	Adequate	In progress
<b>PLANNING / HOUSING / PROPERTY</b>					
Asset Management – Civic Suite Project	10	1.4	8.6		In progress
Commercial Properties / Estates	10	0.7	9.3		To commence Q2/3

AUDIT AREA	PLAN (Days)	ACT (Days)	BAL (Days)	CONTROL RATING	COMMENTS
<b>GENERAL AREAS</b>					
Irregularities (Contingency)	20	0	20		No reviews undertaken to date
Post Audit Reviews	15	5.3	9.7		On-going
<b>Residual Work from 2010/11</b>	10	15.6	-5.6		
External Partnership Funding				Substantial	Complete
Sundry Debtors				Adequate	Complete
Land Charges				Adequate	On-going – additional work undertaken
<b>Unplanned Reviews (Contingency)</b>	45				
Worden Park Kiosk		2.7	42.3		In progress
Governance Committee	20	6.9	13.1		On-going
<b>TOTAL</b>	<b>335</b>	<b>87.9</b>	<b>247.1</b>		

### KEY TO CONTROL RATINGS

<b>Substantial</b>	The Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.
<b>Adequate</b>	The Authority can place only partial reliance on the controls. Some control issues need to be resolved.
<b>Limited</b>	The Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist.

### NOTE

The above control ratings relate only to the point in time when the final audit report was issued. They represent a historic rather than a current judgement as managers are charged with implementing corrective action plans to address the control issues raised. This is in turn supported by a programme of follow-up reviews by the Internal Audit Service.

INTERNAL AUDIT PERFORMANCE INDICATORS AS AT 31<sup>ST</sup> JULY 2011

	Indicator	Audit Plan	Target 2011/12	Target to Date	Actual to Date	Comments
1	% of planned time used	SS	100%	20%	23%	Target exceeded
		SRBC	100%	26%	26%	On target
2	% audit plan completed	SS	92%	20%	20%	On target
		SRBC	92%	26%	17%	Further 2 reviews are near completion
3	% management actions agreed	SS	97%	100%	100%	On target
		SRBC	97%	100%	100%	On target
4	% of agreed management actions implemented.	SS	100%	100%	68%	17 out of 25 agreed management actions implemented 8 revised dates agreed
		SRBC	100%	100%	74%	34 out of 46 agreed management actions implemented 12 revised dates agreed
5	Of the agreed management actions implemented – % implemented on time	SS	100%	100%	35%	6 out of 17 management actions implemented on time
		SRBC	100%	100%	85%	29 out of 34 management actions implemented on time
6	% overall customer satisfaction rating (assignment level)	SS	90%	90%	77%	Based on 4 satisfaction surveys received
		SRBC	90%	90	89%	Based on 1 satisfaction survey received

SS = Shared Services

SRBC = South Ribble