

REPORT TO	DATE OF MEETING
Governance Committee	1 st February 2012

Report template revised June 2008



SUBJECT	PORTFOLIO	AUTHOR	ITEM
Internal Audit Interim Report as at 2 nd December 2011	Not Applicable	C Ware / D Highton	9

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 up to the 2nd December 2011 and to comment on the outcomes;
- to give an appraisal of the Internal Audit Service's performance to date;
- to inform members of any significant management actions which are outstanding together with any underlying reasons;
- 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 second progress report for the current financial year and covers the period between 1st August 2011 and 2nd December 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.

As previously advised in the first interim report, the Internal Audit Plan is firmly on course to be delivered and the following table summarises the main elements of the work undertaken in this period together with any control issues identified.

All reviews completed within this period, have again been given either an adequate or substantial assurance rating.

Audit Area	Control Rating	Comments
Shared Services		
Key Financial Systems: Shared Financial Services Main Accounting Creditors Payroll Treasury Management Cash and Bank Travel and Subsistence	Not applicable at this stage. Testing to be carried out in quarter 4	The work undertaken to date involved reviewing and documenting each key financial system in order to identify the risks and mitigating controls to determine their adequacy. The following management actions were agreed; Main Accounting - enhance internal review arrangements carried out by the Systems Team and ensure that quarterly random sampling of reconciliations is undertaken. Treasury Management - introduce a Scheme of Delegation.
Key Financial Systems: Human Resources Payroll	Not applicable at this stage Testing to be carried out in quarter 4	A full review of all internal policies and procedures has been agreed to ensure they are up to date and reflect current practice.
South Ribble		
Financial Regulations	Not applicable	Internal Audit assisted with the review of Financial Regulations.
Review of Licensing	Substantial	No key control issues were identified
Performance Management / Indicators	Not applicable	Processes used to compile a sample of the Corporate Plan's Success Measures were verified to ensure that figures reported are accurately produced and fairly stated.
Maintenance Inspection Regime	Adequate	A number of management actions were agreed relating to: Tree works; Parks and open spaces; Play equipment; Car parks; Bus shelters.
Asset Management / Civic Suite Project	Adequate	The civic suite project did not utilise the Council's recently revised Project Management Framework. It was agreed the framework would be fully applied for the next large scale project (window replacement).

Audit Area	Control Rating	Comments
Worden Park Kiosk	Adequate	Management actions were agreed to strengthen internal procedures and to consider the current levels of floats for the kiosk.

Internal Audit Performance

Appendix 2 provides information on Internal Audit performance as at the 2nd December 2011. Explanations of the performance indicators which are below target are detailed below:

% of planned time used (SRBC)

An out-turn of 53% against a target of 66% was achieved. Appendix 1 highlights a significant number of days against the headings “irregularities and unplanned reviews (Contingency)” which to date have not been required.

% audit plan completed (SRBC) and (SS)

Although the figures for both South Ribble and Shared Services are slightly below target this is largely due to workload scheduling over the full year and there are ample days available to complete the remaining elements of the audit plans.

% of agreed management actions implemented (SRBC) and (SS)

Members will recall that a new monitoring process for ensuring management actions are implemented was introduced earlier this year. The new process has resulted in SRBC’s figure rising from 74% at the end of July to 89% at the 2nd December. It is expected that this figure will continue to rise as the new system becomes more embedded.

There has been little movement in the reported figure for Shared Services but this is due to there being few additional actions becoming due for implementation since the last progress report to members. Again we anticipate that this figure will rise under the new monitoring process.

Outstanding Management Actions

All significant management actions have been implemented within a reasonable timescale, therefore there are no management actions to report.

GENERAL DEVELOPMENTS

Internal Audit has recently been approached by St Catherine’s Hospice, to procure 10 Audit days work in the final quarter.

The Chief Executives of both South Ribble Borough Council and Chorley Borough Council have agreed on the basis that there is some unused contingency / capacity to do this and it will provide a welcome contribution towards the overall cost of the service.

There is also the possibility of a further, small amount of additional work for St Catherine’s Hospice extending into the 2012/13 financial year.

Internal Audit is currently preparing the 2012 / 2013 Annual Plans for SRBC. There is an opportunity for Members to contribute to the Plan. Should Members wish to do so, please contact the Internal Audit Manager on 01257 515470 (CBC), 01772 625249 (SRBC) or email at cware@southribble.gov.uk The Plan will be presented to the April 2012 meeting of the committee for approval.

WIDER IMPLICATIONS

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

FINANCIAL	There are no financial implications arising directly from this report.
LEGAL	The Interim Report is a requirement of the CIPFA Code of Practice for Internal Audit in Local Government (2006).
RISK	The audit risk assessment forms part of the background papers to this report.
OTHER (see below)	

<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
SHARED SERVICES					
FINANCE					
Main Accounting System	20	9.2	10.8		Finance Report (1) complete Testing to be undertaken in Q4
Creditors	20	9.1	10.9		Finance Report (1) complete Testing to be undertaken in Q4
Payroll	20	10.6	9.4		Finance Report (1) complete Testing to be undertaken in Q4
Treasury Management	15	9.6	5.4		Finance Report (1) complete Testing to be undertaken in Q4
Cash & Bank / Cheque Control	20	11.5	8.5		Finance Report (1) complete Testing to be undertaken in Q4
Travel & Subsistence	15	6.8	8.2		Finance Report (1) complete Testing to be undertaken in Q4
REVENUES & BENEFITS					
Council Tax	15	8.3	6.7		In progress
National Non Domestic Rates	15	2.3	12.7		In progress
Housing & Council Tax Benefits	20	0.3	19.7		In progress
Debtors	20	5.8	14.2		In progress
ASSURANCE					
Emergency Plan & Business Continuity	20	30.6	-10.6		Report drafted
GENERAL					
Residual Work from 2010/11	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	6.6	8.4		On-going
Unplanned Reviews / Contingency	10	2.2	7.8		On-going
TOTAL	245	145.7	99.3		
SOUTH RIBBLE					
CORPORATE AREAS					
Annual Governance Statement	15	9.1	5.9	N/A	Complete
Anti-Fraud & Corruption / Awareness	15	6.6	8.4		On-going
NFI	30	24.9	5.1		On-going
System Interrogations	10	0.6	9.4		To commence Q4
Financial Regulations	5	1.2	3.8		Complete
CORPORATE GOVERNANCE					
Bribery Act / Registers of Disclosures	10	3.8	6.2		To commence Q4
Licensing	20	17.4	2.6	Substantial	Complete
POLICY, COMM ENGAGEMENT & HR					
Performance Management / PIs	5	5.4	-0.4	N/A	Complete
Partnerships	5	0.2	4.8		On-going
Project Management	15	1.8	13.2		To commence Q4
BUSINESS TRANSFORMATION & ITC					
Government Connect	15	0.5	14.5		To commence Q4
Data Protection/ Freedom of Information	20	16.9	3.1		In progress
REGEN & HEALTHY COMMUNITIES					
Regeneration Projects	10	2.8	7.2		In progress

AUDIT AREA	PLAN (Days)	ACT (Days)	BAL (Days)	CONTROL RATING	COMMENTS
NEIGHBOURHOODS					
Neighbourhood Management	10	8.8	1.2	Adequate	Complete
Maintenance / Inspection Regimes	20	21.3	-1.3	Adequate	Complete
PLANNING / HOUSING / PROPERTY					
Asset Management – Civic Suite Project	10	8.5	1.5	Adequate	Complete
Commercial Properties / Estates	10	0.7	9.3		To commence Q4
GENERAL AREAS					
Irregularities (Contingency)	20	0	20		No reviews undertaken to date
Post Audit Reviews	15	7.8	7.2		On-going
Residual Work from 2010/11	10	17.9	-7.9		
External Partnership Funding				Substantial	Complete
Sundry Debtors				Adequate	Complete
Land Charges				Adequate	On-going – additional work undertaken
Unplanned Reviews (Contingency)	45	6.2	38.8		
Worden Park Kiosk				Adequate	Complete
Governance Committee	20	14.5	5.5		On-going
TOTAL	335	176.9	158.1		

KEY TO CONTROL RATINGS

Substantial	The Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.
Adequate	The Authority can place only partial reliance on the controls. Some control issues need to be resolved.
Limited	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 2nd DECEMBER 2011

	Indicator	Audit Plan	Target 2011/12	Target to Date	Actual to Date	Comments
1	% of planned time used	SS	100%	55%	60%	Target exceeded
		SRBC	100%	66%	53%	Un-utilised time for irregularities / unplanned
2	% audit plan completed	SS	92%	56%	50%	Slightly below due to 2 reports at draft stage
		SRBC	92%	61%	50%	Below target – remaining work in progress but not yet completed
3	% management actions agreed	SS	97%	97%	100%	Target exceeded
		SRBC	97%	97%	100%	Target exceeded
4	% of agreed management actions implemented.	SS	100%	100%	67%	24 out of 36 agreed management actions implemented 10 revised dates agreed. 2 actions superseded
		SRBC	100%	100%	89%	51 out of 57 agreed management actions implemented 6 revised dates agreed.
5	Of the agreed management actions implemented – % implemented on time	SS	100%	100%	33%	8 out of 24 management actions implemented on time
		SRBC	100%	100%	67%	34 out of 51 management actions implemented on time.
6	% overall customer satisfaction rating (assignment level)	SS	90%	90%	88%	On target
		SRBC	90%	90%	93%	Target exceeded.

SS = Shared Services
SRBC = South Ribble