

<b>REPORT TO</b>	<b>DATE OF MEETING</b>
<b>GOVERNANCE COMMITTEE</b>	<b>26<sup>th</sup> SEPTEMBER 2012</b>

Report template revised June 2008



<b>SUBJECT</b>	<b>PORTFOLIO</b>	<b>AUTHOR</b>	<b>ITEM</b>
<b>Internal Audit Interim Report as at 31<sup>st</sup> July 2012</b>	<b>N/A</b>	<b>D. Highton C. Ware</b>	<b>7</b>

## **SUMMARY AND LINK TO CORPORATE PRIORITIES**

The purposes of this report are:

- To advise Members of the progress made on the South Ribble and Shared Services 2012/2013 Internal Audit Plans during the first four months of the financial year 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 and / or performance of the Internal Audit Service.

The report links with all of the corporate objectives, especially to be an 'efficient, effective and exceptional council'.

## **RECOMMENDATIONS**

That the report be noted.

That the Committee approve the recommendation relating to the review of Internal Audit Key Performance Indicators, as proposed within this report.

## **DETAILS AND REASONING**

### **Background**

This is the first progress report for the 2012/13 financial year and covers the period 1<sup>st</sup> April to 31<sup>st</sup> July 2012.

### **Internal Audit Plans**

**Appendix 1** provides a "snapshot" of the overall progress made in relation to the 2012/13 Internal Audit Plans, indicating which audits have been completed and their control rating, 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 of the 9 reviews completed to date, all have been given either 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 (11/12)	Adequate	Management actions were agreed to improve controls relating to journals and virement coding.
Creditors (11/12)	Substantial	No key control issues
Payroll (11/12)	Adequate	Some issues relating to overtime were identified and these will be incorporated within an in-depth review of both Flexi Time and Overtime to be undertaken by Internal Audit during Quarter 2 of 2012/13.
Treasury Management (11/12)	Substantial	No key control issues
Cash and Bank / Cheque Control (11/12)	Substantial	No key control issues
Travel and Subsistence (11/12)	Adequate	Detailed guidance has been issued by Human Resources in order to improve the completion of travel and subsistence forms.
<b>South Ribble</b>		
Annual Governance Statement	Not applicable	Proactive input was provided in collating information to inform the Annual Governance Statement.
Data Quality – Corporate Plan Success Measures	Adequate	Management actions were agreed to review and update the Data Quality Policy and ensure that detailed definitions are in place for all Corporate Plan Success Measures.
Indoor Leisure Contract	Substantial	No key control issues
Disabled Facilities Grant	Adequate	Management actions were agreed to put into place more effective and efficient performance monitoring processes.

### **Internal Audit Performance**

**Appendix 2** provides information on Internal Audit performance as at the end of July 2012.

It is pleasing to note that the majority of indicators have either been achieved or exceeded.

## **GENERAL DEVELOPMENTS**

### **Key Performance Indicators**

At the June meeting, Members were informed of a discussion at the Shared Services Joint Committee on Internal Audit Key Performance Indicators (KPIs). This encouraged a discussion by Members of this Committee, especially relating to the targets which are in place; there was a mixed response.

Officers agreed to undertake a benchmarking exercise to identify the Performance Indicators that are collected and reported by other Internal Audit Services.

This work is in progress, however, these discussions have prompted a more fundamental question as to whether the current performance indicators are still fit for purpose. It is clearly important that the measures adopted add real value without being administratively burdensome to collect and calculate.

Furthermore, CIPFA and the Institute of Internal Auditors (IIA) are undertaking a joint review of Internal Audit Standards.

We are therefore recommending to the members of both Governance Committees and the Shared Services Joint Committee that a baseline review of Internal Audit KPIs is undertaken and proposals be reported to the January meetings to enable any changes to take effect from 2013/14. The existing measures and targets will remain in place for this financial year.

### **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

### **Staffing Issues**

One of the Principal Auditors, Jan Minchinton, has tendered her resignation and left the Service on the 25<sup>th</sup> September. Jan intends to enjoy her retirement in the South West of England.

An initial approach has been made to Lancashire Audit Service to procure some additional days to aid the completion of the Audit Plans.

### **External Contract - St Catherine's Hospice**

The first of two reviews has been completed. The Chief Executive subsequently received a letter from St. Catherine's Chief Executive expressing his thanks for the positive way in which the audit had been conducted.

## WIDER IMPLICATIONS

In the preparation of this report, consideration has been given to the impact of its proposals in all the areas listed below, and the table shows any implications in respect of each of these. The risk assessment which has been carried out forms part of the background papers to the report.

<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>THE IMPACT ON EQUALITY</b>	There are no equality impacts within this report
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<b>OTHER (see below)</b>	
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<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

Risk Assessment  
2012 / 2013 Internal Audit Plans for South Ribble Borough Council and Shared Services.

## INTERNAL AUDIT PLANS 2012/13

AUDIT AREA	PLAN (Days)	ACT (Days)	BAL (Days)	CONTROL RATING	COMMENTS
<b>SHARED SERVICES</b>					
<b>FINANCE</b>					
Main Accounting System	15	0	15		To commence Q4
Creditors	15	0	15		To commence Q4
Payroll	20	0	20		To commence Q4
Treasury Management	15	0	15		To commence Q4
Cash & Bank / Cheque Control	20	0	20		To commence Q4
<b>REVENUES &amp; BENEFITS</b>					
Council Tax	15	0	15		To commence Q3
National Non Domestic Rates	15	0	15		To commence Q3
Housing & Council Tax Benefits	15	0	15		To commence Q3
Debtors	20	0	20		To commence Q3
<b>GENERAL</b>					
Post Audit Reviews	10	2.7	7.3		On-going
Unplanned Reviews / Contingency	10	0	10		No requests received
<b>Residual Work from 2011/12</b>	15	31.6	(16.6)		
Main Accounting				Adequate	Complete
Creditors				Substantial	Complete
Payroll				Adequate	Complete
Treasury Management				Substantial	Complete
Cash & Bank / Cheque Control				Substantial	Complete
Travel & Subsistence				Adequate	Complete
<b>TOTAL</b>	<b>185</b>	<b>34.3</b>	<b>150.7</b>		
<b>SOUTH RIBBLE</b>					
<b>CORPORATE AREAS</b>					
Annual Governance Statement	15	5.7	9.3	N/A	Complete
Anti-Fraud & Corruption / Awareness	10	1	9		On-going
NFI	30	10.4	19.6		On-going
System Interrogations	10	0	10		Not yet started
Corporate Inventories	10	0	10		To commence Q2
Corporate Projects	10	0	10		Not yet started
<b>CORPORATE GOVERNANCE</b>					
Data Quality	5	5.1	(0.1)	Adequate	Complete
Equality	10	1.3	8.7		In progress
<b>BUSINESS TRANSFORMATION &amp; ITC</b>					
Active Directory	15	1.1	13.9		In progress
Desk Top Roll Out	15	0.7	14.3		In progress
Project Management Framework	10	0	10		To commence Q3
<b>REGEN &amp; HEALTHY COMMUNITIES</b>					
My Neighbourhoods	15	0	15		To commence Q3
Indoor Leisure Contract	10	10	0	Substantial	Complete
Catering Services	10	0.1	9.9		To commence Q3
<b>PLANNING / HOUSING / PROPERTY</b>					
Disabled Facilities Grant	15	14.2	0.8	Adequate	Complete
Community Infrastructure Levy	10	1.8	8.2		In progress
Wesley Street Mill	10	7.3	2.7		In progress
Window Replacement Project	10	7.6	2.4		In progress

AUDIT AREA	PLAN (Days)	ACT (Days)	BAL (Days)	CONTROL RATING	COMMENTS
<b>HUMAN RESOURCES &amp; COMMUNICATIONS</b>					
Overtime Payments	15	9.4	5.6		In progress
Flexi Time System	15	14.7	0.3		In progress
<b>GENERAL AREAS</b>					
Irregularities (Contingency)	15	0	15		No reviews undertaken to date
Post Audit Reviews	10	2.7	7.3		On-going
<b>Residual Work from 2011/12</b>	10		7.2		
Data Protection & FOI		0.8			Complete
Project Management		2			Complete
<b>Unplanned Reviews (Contingency)</b>	15	15.1	(0.1)		
Overtime Claims					In progress
Governance Committee	25	10.7	14.3		On-going
<b>TOTAL</b>	<b>325</b>	<b>121.7</b>	<b>203.3</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 27th July 2012.

	Indicator	Audit Plan	Target 2011/12	Target to Date	Actual to Date	Comments
1	% of planned time used	SS	90%	10%	18%	Target exceeded
		SRBC	90%	30%	37%	Target exceeded
2	% audit plan completed	SS	100%	22%	22%	Target achieved
		SRBC	100%	30%	30%	Target achieved
3	% management actions agreed	SS	98%	98%	98%	Target achieved
		SRBC	98%	98%	100%	Target exceeded
4	% of agreed management actions implemented.	SS	100%	100%	100%	Target achieved
		SRBC	100%	100%	60%	3 out of 5 agreed management actions implemented 2 revised dates agreed.
5	Of the agreed management actions implemented – % implemented on time	SS	100%	100%	67%	6 out of 9 management actions implemented on time
		SRBC	100%	100%	0%	0 out of 3 management actions implemented on time.
6	% overall customer satisfaction rating (assignment level)	SS	90%	90%	97%	Target exceeded
		SRBC	90%	90%	97%	Target exceeded

SS = Shared Services  
SRBC = South Ribble