

Audit and Corporate Governance Committee Report



Report of Audit Manager

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To: Audit and Corporate Governance Committee

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**AGENDA ITEM NO
6**

Internal Audit Management Report Quarter 4

Purpose of Report

1. The purpose of this report is:

- to report on management issues
- to summarise the progress of internal audit against the 2007/2008 audit plan
- to summarise the priorities and planned audit work for the remainder of quarter 4 2007/2008.

2. The Committee is asked to note the report.

Background

3. The CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 states that the Head of Internal Audit should prepare a risk-based audit plan, which should outline the assignments to be carried out and the broad resources required to deliver the plan.

4. The CIPFA Code also states that the Audit Committee should approve the annual Internal Audit Plan and monitor progress against the plan.

Management Issues

5. Two new staff members joined the team on the 2 January 2008. Sandy Bayley fills the auditor vacancy at SODC, and Olakunle Oni was recruited at VWHDC to replace Mags Gardner who retired on the 22nd February 2008. The section is now at full complement, and all members of the team are working to the new internal audit approach.
6. Meetings took place with 76 managers at SODC and VWHDC to introduce the new audit approach and to commence the audit planning process for 2008/2009. Feedback on the new approach has been very positive, and the investment of time to meet with each manager individually and listen to their specific issues and observations of the internal audit service seems to have been appreciated. Positive and constructive suggestions for next year's audit plan were made, and within the restriction of available days these have been reflected in the proposed plan.
7. Tender presentations for the provision of internal audit services were received from short-listed companies, and the Tender Project Board is on track to have a contractor in place by the 1 April 2008. The Audit Manager will report further on this item at the next meeting.
8. Since the last Committee meeting a request was made to postpone the Concessionary Fares audit at SODC, due to significant system changes taking place and staff resource pressures. Representations were made to the Chairman of the Audit and Corporate Governance Committee due to time pressures, and it was agreed to postpone the audit until 2008/2009. A suggested protocol for future internal audit items coming to the attention of the Chairman and the full Audit and Corporate Governance Committee is outlined in **Appendix 1**.

Progress against the 2007/2008 Audit Plan

9. Progress against the approved audit plan has been calculated for the quarter and year to date and is summarised in **Appendix 2** attached.

Performance figures are as follows:

	Target	YTD	Q1	Q2	Q3	Q4
Chargeable	63%	53.5%	-	49%	52.5%	57%
Non-Chargeable	20%	28.5%	-	28%	32%	23%
Lost	17%	18%	-	23%	15.5%	20%

10. The section has progressed well with the planned audits schedule, and the level of chargeable work shows a steady increase. However, sickness absence and compassionate leave in quarter 4 has placed pressure on the ability to complete the audit plan. Potentially, 3 planned audits may be in progress at the year end as opposed to the draft reports being issued. However, all planned audits were scheduled on a priority basis and therefore the 3 planned audits in question do not affect Internal Audit's ability to provide an overall opinion on the control environment for 2007/2008.

11. As at the 25 February 2008, the status of audit work is as follows:

	Planned	Complete	Draft	In progress	To commence
PLANNED	48	20	5	14	9
Joint	15	1	3	8	3
SODC	14	7	1	3	3
VWHDC	19	12	1	3	3
ADHOC	9	5	0	2	2
Joint	3	0	0	1	2
SODC	5	4	0	1	0
VWHDC	1	1	0	0	0
FOLLOW - UP	6	0	0	0	6
Joint	0	0	0	0	0
SODC	1	0	0	0	1
VWHDC	5	0	0	0	5

Priorities for Quarter 4 2007/2008

12. The priority for the remainder of quarter 4 is:

- to complete the planned audit schedule and follow-up work;
- to appoint the external contractors who will supplement the internal audit section on a 3 year contract;
- to schedule the planned audit work for 2008/2009;
- to commence drafting the Annual Internal Audit Report which will be presented to the Committee at the next meeting, providing an opinion on the Council's control environment.

13. Planned audit work which is currently ongoing and has been scheduled for the remainder of Quarter 4 is as follows:

Remainder of Quarter 4

Joint Audits	SODC Audits	VWHDC Audits
Capital Accounting	Bank Contract & Arrangement	Abingdon LSP
Creditor Payments	Budgetary Control	Affordable Housing
Data Protection	Business Continuity Planning	Concessionary Fares
Elections	Cleansing Service	Discretionary Grants
Finance PIR	Dog Control	Oxfordshire Waste Partnership
Housing & Council Tax Ben.	Housing Development	Land & Property
ICT	Housing Allocations	Main Accounting
NNDR		White Horse LCContract
Payroll		
Pro-active Anti-Fraud		
Revenues PIR		
Sundry Debtors		
Treasury Management		

ADRIANNA PENN

AUDIT MANAGER

APPENDIX 1

PROTOCOL FOR REPORTING INTERNAL AUDIT ISSUES TO THE AUDIT AND CORPORATE GOVERNANCE COMMITTEE

1. In terms of internal audit, the Audit and Corporate Governance Committee are responsible for:
 - approving the internal audit annual plan and any amendments made to it through the year;
 - receiving reports on the outcomes of internal audit work;
 - monitoring performance of the internal audit section against the plan and receiving reports from the Audit Manager on any internal audit management issues;
 - receiving an annual report from the Audit Manager, providing an overall opinion on the control environment, the extent to which the audit plan has been achieved and a summary of the unresolved issues.

2. If an officer would like to place an internal audit item on the Audit and Corporate Governance Committee agenda for consideration/decision by the Committee (i.e. amendment to audit plan, operational concerns, risk exposure etc), they are asked in the first instance to speak to the Audit Manager. The Audit Manager will consult with the Head of Finance RSSP and provide an initial opinion on the validity of the proposal and whether the item should be placed on the agenda, and then make the representation to the Chairman of the Audit and Corporate Governance Committee on behalf of the staff officer.

3. The Chairman of the Audit and Corporate Governance Committee will review the proposal, taking into consideration the Head of Finance RSSP and Audit Manager's opinion. Where there is a joint consensus between all parties and there are no time restrictions, the item will be placed on the next Audit and Corporate Governance Committee agenda for full Committee review/decision. Where there is not a consensus, the Chairman will contact the staff officer directly to indicate his initial opinion, discuss the staff officer's proposal in more detail and then consult with the Audit Manager again before making a final decision on whether the item should be placed on the agenda. The Audit Manager will communicate the Chairman's final decision to the staff officer.

4. Items for decision that have time restrictions (i.e. an audit proceeding or not) and cannot wait for the next Audit and Corporate Governance Committee will be assessed by the Chairman.

5. In all circumstances, the above protocol should be followed and any assessment made by the Chairman is final. All decisions made by the Chairman in between meetings will be reported to the next Audit and Corporate Governance Committee.

System Name	Progress	Audit Allocation	Total Days Used	Exception Issues
JOINT				
Capital Accounting	In progress	20	16	
Concessionary Fares (VWHDC only)	Outstanding Q4	12	-	
Council Tax	Completed	20	20	
Creditors Payments	Draft out	20	18	
Data Protection	In progress	12	9	
Elections	In progress	20	19	
Finance PIR	Outstanding Q4	12	-	
Housing & Council Tax Benefits	In progress	20	8	
ICT	In progress	18	8	
NNDR	In progress	20	12	
Payroll (inclu. PIR)	In progress	20	14	
Proactive Anti-Fraud	In progress	20	1	
Revenues – PIR	Outstanding Q4	12	-	
Sundry Debtors	Draft out	20	20	
Treasury Management	Draft out	18	16.5	
SODC				
Bank Contract and Arrangements	Outstanding Q4	10	-	
Bank Reconciliation	Completed	10	11	New IA staff member
Budgetary Control	In progress	10	2	
Building Control (inclu. Dangerous Structures)	Completed	10	7	
Business Continuity Planning	In progress	10	0.75	
Cleansing Service	Draft out	10	6	
Didcot Wave & Leisure Centre Contract	Completed	10	12	Discussion on recommendations
Dog Control	Outstanding Q4	10	-	
Housing Development	Outstanding Q4	10	-	
Land Charges	Completed	10	9	
Officers Travelling & Subsistence Expenses	Completed	10	8	
Planning Control	Completed	10	8	
Waste Management	Completed	10	6	
Housing Allocations	In progress	10	7	
VWHDC				
Abingdon LSP	In progress	10	13.5	New IA staff member
Affordable Housing	Outstanding Q4	7	-	
Benefit Counter Fraud	Completed	7	6	
Cash	Completed	8	16	Scope of audit too extensive
Discretionary Grants	In progress	7	1	
Environmental Protection	Completed	7	6	
Excess Charges	Completed	5	4	

Health & Safety (Council)	Completed	8	7	
Homelessness & Temporary Accommodation	Completed	6	9	Investigation of specific issues
Oxfordshire Waste Partnership	Outstanding Q4	10	-	
Insurance	Completed	7	6	
ISO Audits	Completed	8	5	
Land & Property	In progress	8	4	
Main Accounting	Draft out	10	12.5	Difficulties assessing Agresso information
Recycling	Completed	8	7	
Refuse & Street Cleansing	Completed	8	7	
Rent Accounting	Completed	6	12	Investigation of specific issues
SOLL Leisure	Completed	10	8.5	
White Horse LC Contract	Outstanding Q4	6	-	

ADHOC AUDITS 2007/2008

CONSULTANCY

System Name	Progress	Audit Allocation	Total Days Used
Joint Audits			
Anti Fraud and Corruption	Outstanding Q1 08/09	20 Days	-
Corporate Governance	Outstanding Q1 08/09	20 Days	-
Risk Management	In progress	10 Days	1 Day
SODC Audits			
Tender Review	In progress	10 Days	1 Day
VWHDC Audits			
None	-	-	-

CONTINGENCY

System Name	Progress	Audit Allocation	Total Days Used
Joint Audits			
None	-	-	-
SODC Audits			
Investigation 1	Completed	N/A	15.5 Days
Investigation 2	Completed	N/A	17.5 Days
Investigation 3	Completed	N/A	0.5 Day
Investigation 4	Completed	N/A	1.5 Days
VWHDC Audits			
Flood Review	Completed	N/A	12.75 Days

SYSTEM DEVELOPMENT

System Name	Progress	Audit Allocation	Total Days Used
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Joint Audits			
None	-	-	-
SODC Audits			
None	-	-	-
VWHDC Audits			
None	-	-	-