

# **Audit and Corporate Governance Committee Report**



Listening Learning Leading

Report of Head of Finance

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To: Audit and Corporate Governance Committee

DATE: 29 June 2010

## **AGENDA ITEM NO 9**

## **Internal audit management report quarter one 2010/2011**

### **Purpose of Report**

1. The purpose of this report is:
  - to report on management issues within Internal audit.
  - to summarise the progress of internal audit against the 2010/2011 audit plan up to the 11 June 2010
  - to summarise the priorities and planned audit work for quarter two 2010/2011.
2. The Committee is asked to note the report.

### **Strategic Objective**

3. To assist the Council to manage its business effectively by providing an assurance framework to monitor the overall adequacy and effectiveness of the internal control environment.

## Background

4. 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.
5. The CIPFA Code also states that the audit committee should approve the annual Internal Audit Plan and monitor progress against the plan. This committee approved the annual Internal Audit Plan on the 23 March 2010.

## Management Issues

6. Marcia Slater continues to act in a temporary supervisory capacity during the internal audit manager's maternity leave and meets with William Jacobs, head of finance on a regular basis to discuss operational issues. He is aware of the staff resource matters as reported below which have impacted on the commencement of the 2010/2011 internal audit plan.

## Progress against the 2010/2011 Audit Plan

7. During this period, Piers Nunn (auditor) left the employment of the Council. Marcia Slater has organised the recruitment process and taken responsibility for picking up the outstanding audit work from Piers Nunn, which has resulted in her doing less audit work.
8. The recruitment process has been successful and it is hoped a new auditor will start in July pending the successful completion of the recruitment checklist.
9. Progress against the approved audit plan has been calculated for the quarter up to 11 June 2010 and year to date and is summarised in **Appendix 1** attached.
10. Performance figures are as follows:

	Target	YTD	Q1 10/11	Q2 10/11	Q3 10/11	Q4 10/11
<b>Chargeable</b> (identifiable client and/or specific IA deliverable)	61.5%	56.4%	56.4%	-	-	-
<b>Non-Chargeable</b> (corporate, not IA deliverable)	8.5%	3.2%	3.2%	-	-	-
<b>Lost</b> (i.e. leave, study, sickness)	30%	40.4%	40.4%	-	-	-

11. Due to the management issues identified above, performance has been affected. However, the team continue to work diligently to the planned audit programme and it is the head of finance's opinion that most of the variance against target will be attributable to resource and management pressures.

12. As at 11 June 2010, the status of audit work against the 2010/2011 audit plan is as follows:

Planned

Strategic, operational and financial assurance work known and approved by the Audit and Governance Committee.

2010/2011	Planned	Complete	Draft	In progress	To commence
<b>PLANNED</b>	<b>57</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>53</b>
Joint	46	0	0	1	45
SODC	6	0	1	1	4
VWHDC	5	0	0	1	4

Adhoc

Unplanned project work based on agreed terms of reference with the Audit Manager (i.e. implementation of new systems) and responsive work issued and agreed by the S151 Officer, Members or Senior Management Team (i.e. investigations).

2010/2011	Requested	Complete	Draft	In progress	To commence
<b>ADHOC</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Joint	0	0	0	0	0
SODC	0	0	0	0	0
VWHDC	0	0	0	0	0

Follow-Up

Work undertaken to ensure that agreed recommendations have been implemented. The number of follow-up audits is a rolling number, all internal audit reports are followed up after 6 months.

2010/2011	Requested	Complete	Draft	In progress	To commence
<b>FOLLOW-UP</b>	<b>31</b>	<b>11</b>	<b>0</b>	<b>4</b>	<b>16</b>
Joint	24	6	0	4	14
SODC	4	3	0	0	1
VWHDC	3	2	0	0	1

### Priorities for 2010/2011 quarter two (July 2010 - September 2010)

13. The priority for quarter two are:

- Complete outstanding follow-up reviews.
- Complete the following 2009/2010 audits:
  - Capital Accounting (Joint)
  - NNDR (Joint)
  - Proactive Anti-Fraud Review (Joint)
  - S106 Commuted Sums (Joint)
  - Sundry Debtors (Joint)
  - Treasury Management (Joint)

14. Planned audit work which is currently ongoing and that has been scheduled for quarter 2 is as follows:

Joint Audits	SODC Audits	VWHDC Audits
HR Grievance Procedure	Cash Office	Car Loans
HR Recruitment	Cornerstone - EP, DR & BCP	Handling of Postal Cash & Cheques
Health and Safety	Leader Project Assurance	Licensing
International Financial Reporting Standards	Leader Project Grant Verification	
Leisure Centres		
Project Management		
Time Management Across SODC/VWHDC		

15. Follow-up work which is scheduled for quarter two is as follows:

Joint Audits	SODC Audits	VWHDC Audits
Bank Reconciliation process	Facilities Management	

Joint Audits	SODC Audits	VWHDC Audits
Design VFM in Procurement Housing & Council Tax Benefits Overpayments and Recovery Follow up		

### **Financial Implications**

16. There are no financial implications attached to this report.

### **Legal Implications**

17. None.

### **Risk Implications**

14. Identification of risk is an integral part of all audits

WILLIAM JACOBS  
 HEAD OF FINANCE