

Report of Chief Executive and Town Clerk  
to  
**Audit Committee**  
on  
22 June 2011

Report prepared by: Linda Everard, Head of Internal Audit

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## Final Summary Audit Progress Report

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### *A Part 1 Public Agenda Item*

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#### 1. Purpose of Report

- 1.1 To present the final report on the delivery of Internal Audit's strategy and performance targets for 2010/11 and to update the Audit Committee on the proposed Audit Plan for 2011/12.

#### 2. Recommendation

##### 2.1 The Audit Committee:

- agree the Summary Audit Progress Report for 2010/11; and
- approve the updated Audit Plan for 2011/12.

#### 3. Performance Targets 2010/11 Summary

- 3.1 **Appendix 1** shows the annual performance against targets for the financial year 2010/11.

3.2 In overall terms:

- **Productivity** for the joint team was 64% which was slightly below target but remained consistent throughout most the year. The particular pressures faced by the team early in the year influencing productivity have been explained in previous reports and so have not been repeated here.
- **Delivery of the 2010/11 Audit Plan.** The team did not finalise the financial systems reports until May 2011 therefore the target to deliver 90% of the audit plan by 31 March 2011 was missed. This was the first block of work using the updated audit approach and reporting style and so it took longer to complete this work than anticipated. Further training is being provided in 2011/12 to embed the new arrangements, which is enabling the team to produce more focused and efficient audit reviews.

- Nevertheless, as at 31 March:
  - final reports had been issued for 67% of the programme
  - 23% of reviews were at draft report stage or testing was substantially complete
- Information regarding the summary findings of audit reviews completed this quarter is outlined in section 4.
- **Implementation of recommendations made.** 55% of the total number of recommendations due in the year that were followed up, were signed off as implemented after sufficient evidence was obtained to demonstrate they had been actioned and could be relied upon to operate consistently. With regard to the vast majority of remaining recommendations during the year, management had made good progress in addressing them, but further time and evidence was still required that they were completely embedded
- **The External Auditor confirmed he can rely on the work of Internal Audit**
- All the other performance indicators were met.

#### 4. Audit Plan 2010/11

4.1 **Appendix 2** shows the final position with regard to audit plan for the year.

##### **Summary Audit Findings**

4.2 **Appendix 3** summarises the findings from 2010/11 audits completed this quarter, which is primarily the financial systems work.

4.3 The control environment for all 10 systems except Accounts Receivable (Sundry Debtors), Payroll and Income (Cash & Bank) was assessed as good or adequate. For the first time this year, the opinion explicitly covers both:

- systems design; and
- operation of controls.

4.4 An adequate assessment is given when some critical controls within the process could operate better or need to be established but overall the system is still operating in a manner that will deliver its objectives. So for example, the conclusions could be:

- there is some scope to further develop the control environment established to enable the system to consistently deliver the outcomes required of it; and
- the majority of the key controls within the system were found to be operating effectively.

4.5 With regard to those systems where improvement required opinions were given, action is being taken to strengthen arrangements, the main areas of concern being highlighted in Appendix 3.

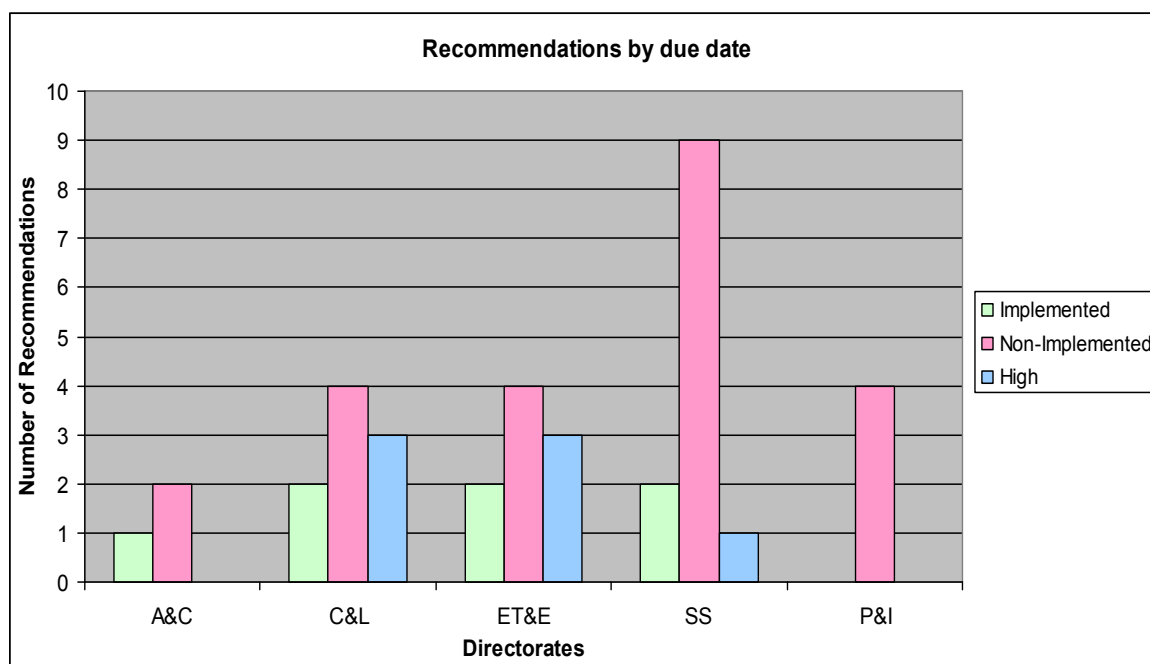
4.6 No ad hoc investigations were undertaken during this period.

## Implementing action plans

4.7 The profile of recommendations outstanding as at 19<sup>th</sup> April 2011 is:

	HIGH	MEDIUM	LOW	TOTAL
All recommendations outstanding	14	34	8	<b>56</b>
Due date between February and April 2011	9	16	5	<b>30</b>
Not fully implemented by the due date	7	11	3	<b>21</b>
Proposed to be closed	0	1	1	<b>2</b>

4.8 The following graph shows both recommendations implemented during the period, those outstanding and the number of high priority actions within that total, split by directorate:



Key: A&C: Adult and Community Services, C&L: Children and Learning, ET&E: Enterprise, Tourism and the Environment, SS: Support Services and P&I: Policy & Improvement

4.9 **Appendix 4** summarises the current status and progress made in addressing all 21 recommendations not fully implemented by the agreed date where:

- five in Support Services relating to the Web Content Management review are to be integrated into a project due for completion by March 2012 that involves:
  - a restructure within the Web Development team; and
  - the introduction of a web content management system that will enable the customers to go online and have more access to Council's services.

- four relate to Children and Learning serious case review which will now be dealt with at the Case Review Panel meeting re-scheduled for 1<sup>st</sup> July, following the cancellation of the meeting to be held on 13th May
- four relate to the application of Contract Procedure Rules, which is being picked up at a corporate level by the new Head of Corporate Procurement Team and will include:
  - revising the Procurement toolkit; and
  - providing targeted training, which for Enterprise, Tourism and the Environment is planned for July
- good progress has been made in addressing the remaining issues. In some cases all that remains is to confirm that the control has operated as designed or will do so consistently.

4.10 **Appendix 5** summarises the recommendations that have been closed as the directorate have concluded that in the current climate, the recommendations are not feasible. Therefore, the risk identified in not implementing the control, will be tolerated.

4.11 The approach to validating whether the risks identified have been fully mitigated is changing in 2011/12. Controls will be re-tested and only signed off when there is evidence that they will operate consistently. Low priority recommendations will not be followed up or reported upon.

## 5. **Audit Plan 2011/12**

5.1 Work has started on delivering the 2011/12 Audit Plan this quarter, an updated version of which is attached at **Appendix 6**. This also highlights the current status of reviews

5.2 Since the last report to the Committee, further discussions have been held with directorates regarding their risk profiles and the focus of potential reviews. The main changes to the Audit Plan are in the Managing Service Risk section and the inclusion of the Information Management audit in the Managing the Business Section.

## 6. **Corporate Implications**

6.1 Contribution to Council's Aims, Priorities and Outcomes

Audit work contributes to the delivery of all corporate priorities and outcomes.

6.2 Financial Implications

The 2010/11 Audit Plan was delivered within approved budgets.

### 6.3 Legal Implications

A formal audit plan is required to ensure that Internal Audit coverage is adequate and effective; otherwise the Council will be in breach of its statutory responsibilities under the Accounts and Audit Regulations 2003. The Code of Practice for Internal Audit in Local Government in the UK (2006) CIPFA (the Code) recommends that progress against the audit plan is regularly reported to Members. This report contributes to discharging this duty.

The Accounts and Audit Regulations 2003 and the (Amendment) (England) Regulations 2006, require councils to have an adequate and effective system of internal audit. This is now defined as compliance with proper professional practice i.e. the Code and it requires Internal Audit to report on whether recommendations made are being implemented. Therefore failure to do so would be a breach of a statutory duty.

### 6.4 People and Property Implications

People issues have been raised in the body of the report.

### 6.5 Consultation

The audit risk assessment and the plan were periodically discussed with the Chief Executive, Corporate Directors, and Heads of Service before being reported to Corporate Management Team and the Audit Committee.

All Terms of Reference and draft reports were agreed by the relevant Corporate Directors and Heads of Service.

### 6.6 Equalities Impact Assessment

The relevance of equality and diversity was considered during the initial planning stage of the audit before the Terms of Reference are agreed.

### 6.7 Risk Assessment

None as final report.

### 6.8 Value for Money

Opportunities to improve value for money in the delivery of services were identified during some reviews and recommendations made as appropriate.

Internal Audit also considered whether it provided a value for money service annually through its Terms of Reference, Strategy, Benchmarking and Performance Indicators.

### 6.9 Community Safety Implications and Environmental Impact

These issues were only considered if relevant to a specific audit review.

## 7. Background Papers

- The Accounts and Audit Regulations 2003 & The Accounts and Audit (Amendment) (England) Regulations 2006

- CIPFA: Code of Practice for Internal Audit in Local Government in the United Kingdom 2006

## **8. Appendices**

- Appendix 1: 2010/11 Final Performance Indicators
- Appendix 2: Delivering the 2010/11 Audit Plan
- Appendix 3: Summary Findings from Audit Reviews
- Appendix 4: Recommendations not fully implemented by the due date
- Appendix 5: Recommendations proposed to be closed
- Appendix 6: Audit Plan 2011/12