

Audit Committee – 1 December 2009**PROGRESS AGAINST THE 2009/10 INTERNAL AUDIT PLAN****Report of the Strategic Director (Resources)**

Statutory Powers: **Accounts and Audit Regulations 2003**

Financial Implications: None, within existing budgets.

Purpose

The purpose of this report is to inform members of the principal activities and findings of the Internal Audit section of Financial Services for 2009/10 to 31 October 2009, by:

- Providing a summary of the main issues raised by completed individual audits; and
- Showing the progress made by the section against the 2009/10 annual audit plan, reviewed by this Committee in April 2009.

Links to **Priorities** - CP6: Improve core service performance in a cost-effective way.

Recommendations

That the Audit Committee RESOLVES to consider the progress made against the 2009/10 Internal Audit Plan and comment on the summary of issues arising.

Background

1. The Terms of Reference for Internal Audit were presented to the Audit Committee in December 2007 (Minute reference A.21/07) and cover:

Terms of Reference

Purpose, Authority and Responsibility;
Independence;
Audit Management;
Scope of Internal Audit's Work;
Audit Reporting; and
Audit Committee.

The Terms of Reference were reviewed and considered not to require update in 2008/09 or so far in 2009/10.

- The Audit Strategy was updated for 2009/10 and was approved by the Audit Committee in April 2009 (Minute reference A.32/08 refers) and covers:

Objectives and Outcomes;
 Opinion on Internal Control;
 Local and National Risk Issues;
 Provision of Internal Audit; and
 Resources and Skills.

Provision of Internal Audit and Progress – 2009/10

Audit Plan 2009/10

- The 2009/10 audit plan (summary at **Appendix A**) was presented and accepted by Audit Committee at their meeting of April 2009.

Local and National Risk Based Amendments to the Plan

- The audit plan is continuously reviewed and updated to reflect emerging risks, and these are incorporated into the audit plan either through the contingency days or by change to the plan, depending on the significance.
- As suggested at the September Audit Committee, the scope of the Leisure Client audit 2009/10 has been extended to include the arrangements for service provision and division of income and expenditure between the Council, Tone Leisure and TADPOOL at Totnes Pavilion.
- The additional detailed work required included contracts, agreements, the system for receipting income and the complexities of how it is distributed, consideration of centre expenditure and who incurs it, meetings with Tone Leisure and TADPOOL etc. The audit scope was agreed with the Head of Landscape and Leisure, a member of the Executive, Tone Leisure and TADPOOL and copied to the S.151 Officer and Head of Financial Services on 27.07.2009. Overspending the planned budget is inevitable and as the required budget becomes clearer the following amendment to the plan has been made:

Audit	Plan Days April 2009	Plan Days Update	Reason for Change
Management Arrangements at Totnes Pavilion	0	29	As described above.
Elections	7	0	Well managed process with relatively low audit risk.
Street Cleaning	9	0	Well managed process with relatively low audit risk.
Corporate Inventories	5	0	Main inventory area, ICT, reviewed under computer audit. Remainder relatively low audit risk.
Single Status	8	0	Agreement on an appropriate way forward has not yet been reached in respect of the job evaluation element of Single Status.

7. Overspends on the estimated time for individual audits occur as the time in the audit plan is an estimate based on risk and generally not the amount of time needed to do the work required. All efforts are made to 'cut our cloth according to our means'. However, in some circumstances where control issues are identified, a risk based assessment of whether additional time is spent is carried out and additional work charged to either contingency or by change to the plan, depending on the significance.
8. The following table sets out the significant overspends on time budgets (3.5 days or more) on individual audits as totalled in Appendix A, and the reasons for the overrun:

Audit	Planned	Used	Reason for Overspend
Net – all finalised audits	0	0	Based on 11 completed audits.
Total	0	0	Overspends – None so far

Resources and Skills

9. Sickness, at 8 days to the end of October 2009, is within that planned but above the equivalent period last year (2008/09 31 October 2008 4 days). The majority of this relates to surgery for the Internal Audit Manager, an allowance for which was allowed in the audit plan's estimate of 25 days.
10. However, compassionate leave of 6 days has been granted to a team member following the death of a close relative, which needs to be reflected in the audit plan. It is therefore intended to reduce the allowance for sickness in the plan to 19 days to take account of the compassionate leave, without reducing audit coverage.
11. The number of audit days provided by the European Grants Officer at the end of October was 127 audit days set against the planned 160 days (2008/09 123 days). Although this is ahead of schedule, the new grant work is expected to grow through the year and this may yet impact on the amount of audit time available. The time demands are not yet clear, and depend on the number of projects approved by the Local Action Groups (LAGs).
12. Limited audit specific external training has been provided so far this year to the audit team. Other related training has and is being undertaken as follows:

Internal Audit Manager

- Managing People: Grievance and Disciplinary (Internal);
- Annual Fire Training etc (Internal).

Senior Auditor and European Grants Officer:

- Cash, Cheques and Credit Card Management Seminar (IIA, Exeter)
- Annual Fire Training etc (Internal).

European Grants Officer:

- Advanced ECDL: Microsoft Powerpoint. (TDC)

Progress Against the Plan

13. The 2009/10 Internal Audit Plan is attached at **Appendix A**. This has been extended to show the final position for each audit, and replicates a part of the monitoring report presented to the Strategic Director (Resources) and Deputy S.151 Officer on a monthly basis.
14. The reporting of individual high priority recommendations is set out at Exempt **Appendix B**. This is an ongoing part of the report to advise the Audit Committee in detail of significant findings since the last report and confirm that the agreed action has been implemented or what progress has been made.
15. Exempt **Appendix C** provides a summary of the main issues raised for all of the audits where a final audit report has been issued. This too forms part of the report to the Strategic Director (Resources and Deputy S.151 Officer). In addition, the Appendix shows the results of our follow up of previous audit work and tasks that have not produced an audit report.
16. Exempt **Appendix D** provides a summary of unplanned work carried out by the team. This work is by definition unexpected work, which ranges from advice to managers on control issues, to the investigation of potential irregularities. Tasks are budgeted from the 'Contingency' line of the audit plan.

Performance Indicators

17. Internal Audit's performance indicators are mainly collected annually and will be reported to the Audit Committee in full in the year-end report. The full list of those recorded is set out in the Audit Strategy 2009/10.
18. At this stage in the year, the key indicator 'Completion of 2009/10 Audit Plan' is as follows:

Indicator	Target %	Actual %	Comments
Audits completed from 2007/08 audit plan.	90	95	As reported to the Audit Committee.
Audits at the end of October at various stages of completion from 2009/10 audit plan.	-	50	(48% at October 2008). Target 47%.

Future Audit Developments – Shared Services

Teignbridge District Council

19. The SHDC Internal Audit Manager (IAM) attended the TDC June and September Audit Scrutiny Committee following the Chairman having attended the September SHDC Audit Committee as a guest.

20. The 2009/10 audit plan includes selected audits where it will be beneficial for one auditor to carry out the work at both sites. The first of these has been delayed due to other demands on the TDC audit team.

West Devon Borough Council

21. Between the writing of this report and the date of presentation, members may have approved a proposal for 80 days per year of internal audit coverage for West Devon Borough Council to be covered by the South Hams team. The result of such an arrangement will create a saving for both Councils.

22. However, there is not 80 days of spare capacity within the South Hams annual Internal Audit plan, so there is bound to be an impact on audit coverage. If the lower audit risk areas are audited every 5 years, instead of every 3, the extra time created comes close to the 80 days needed. This proposal has been discussed with the Council's external auditor, the Audit Commission, who are content with the suggestion providing we continue to comply with the requirements of the CIPFA Code of Practice. The Code does not specify over what period there should be between audits of lower risk areas.

23. A detailed report setting out the revision of the audit plans will be brought to the March Audit Committee if approval to the arrangement is given.

Dartmouth Town Council

24. Earlier this year we wrote to the Clerk suggesting the need for the Town Council to test the market in respect of internal audit services. This was brought about by firstly the number of years we had carried out the annual audit on their behalf, and secondly because this Council's insurer had significantly increased the indemnity insurance premium, which we have to pass on to the Town Council.

25. We have subsequently heard informally from the Town Clerk that following consideration of other options, the Town Council would like us to continue with the arrangement starting in June 2010 at the increased charge.

Risk Assessment

Opportunity	Issues / Obstacles	Benefits/Mitigated by
A risk based audit plan directs scarce audit resources away towards areas of high risk to the Council.	The directing of scarce audit resources away from areas of high risk may undermine the opinion provided to the Council by the Internal Audit Manager on the System of Internal Control..	Risk based audit plan, reviewed by senior managers and members, and updated as appropriate through the year.

Opportunity	Issues / Obstacles	Benefits/Mitigated by
<p>Audit work completed in line with the audit plan and to the required quality standards will ensure that the external auditor placing places reliance upon the work of internal audit, resulting in no additional charges to carry out the audits required to allow him/her to issue the certificate and opinion on the Council's accounts, including for the Annual Governance Statement.</p>	<p>The external auditor placing no reliance upon the work of internal audit, resulting in additional charges to carry out the audits required to allow him/her to issue the certificate and opinion on the Council's accounts, including for the Annual Governance Statement.</p>	<p>Regular liaison with the external auditor. Risk based audit plan, reviewed by senior managers and members, and updated as appropriate through the year. Regular monitoring of progress by the S.151 Officer and the Audit Committee.</p>
<p>Audit work completed in line with the audit plan and to the required quality standards will ensure that the external auditor placing places reliance upon the work of internal audit, resulting in no additional charges to carry out the audits required to allow him/her to issue the certificate and opinion on the Council's accounts, including for the Annual Governance Statement.</p>	<p>The Council's Annual Governance Statement cannot be signed if Internal Audit fails to complete the work set out in the approved risk based audit plan due to unforeseen circumstances.</p>	<p>Regular monitoring of performance by the S.151 Officer and the Audit Committee. Audit approach adheres to the appropriate professional standards. Closer links with our neighbouring Council's audit team will provide reasonable assurance that higher risk audits are covered each year.</p>

Conclusion

- 26. Appendix A shows the Internal Audit Plan for 2009/10 marked with the progress on individual audits and our opinion result where work is complete and reported.
- 27. There are no issues of a significant nature identified by Internal Audit in the work carried out so far in 2009/10. Appendix B therefore shows the follow up on an area of concern for the Audit Committee in 2008/09.
- 28. Appendices C and D to this report provide a summary of the auditor's opinion and the results of all audits completed.
- 29. The appendices to this report also demonstrate that for 2009/10 to 31 October 2009, the Council's Internal Audit section is making reasonable progress on the work set out in the plan for the year in spite of the staffing issues known to members.

30. A report on the activities for the full audit year will be brought to the Audit Committee after the end of the 2009/10 financial year, and a further quarterly progress reports will be provided before that.

Allan Goodman
Internal Audit Manager

Audit Committee
1 December 2009

John Foxworthy
Head of Financial Services

Mark Seymour
Strategic Director (Resources)

Summary of Appendices

Appendix A: Audit Plan 2009/10 – Progress to 31 October 2009

Appendix B: Planned Audit 2009/10 – Final Reports: Detailed Items

Exempt Appendix C: Planned Audit 2009/10 – Summary of Results

Exempt Appendix D: Unplanned Audit 2009/10 – Summary of Results

Background Documents

CIPFA Code of Practice for Internal Audit in Local Government 2006.

SHDC 3-year Audit Plan 2009/10 to 2011/12.

SOUTH HAMS DISTRICT COUNCIL

INTERNAL AUDIT – ANNUAL PLAN 2009/10

FUNDAMENTAL SYSTEMS

	Priority Rating	Council Objective	Progress or Planned Qtr	2009/10 Days/Result
Main Accounting System and Budgetary Control	1	CP6	3	13
Payments	1	CP6	Draft Report	Good
Payroll	1	CP6	Commenced	11
Council Tax	1	CP6	2	14
NDR	1	CP6	Commenced	13
Benefits Administration	1	CP6	3 Final Report	31 Good
Debtors	1	CP6	2	13
Treasury Management	1	CP6	Final Report	Excellent
Capital Expenditure	1	CP6	3	8
TOTAL: FUNDAMENTAL SYSTEMS				122

OTHER ANNUAL AUDITS**OTHER ESSENTIAL SYSTEMS AND AUDIT WORK**

	Priority Rating	Council Objective	Progress or Planned Qtr	2009/10 Days/Result
COMPUTER AUDIT				
E-Mail Monitoring	2	CP6	Final Report	Good
Internet Monitoring	2	CP6	Final Report	Good
Computer Audit	2	CP6	4	26
Sub-Total				34

ENVIRONMENT SERVICES

Car and Boat Parking	2	CP2 CP3	4	9
Dartmouth Lower Ferry	2	CP2	Final Report	Fair
Sub-Total				18

ENVIRONMENTAL HEALTH

Private Sector Housing Renewal	2	CP1	3	8
Sub-Total				8

IMPROVEMENT

Performance Indicators and Data Quality	2	CP6 Various	Final Report	Good
Sub-Total				35

Appendix A

OTHER ESSENTIAL SYSTEMS AND AUDIT WORK (continued)				
	Priority Rating	Council Objective	Progress or Planned Qtr	2009/10 Days/Result
MARITIME				
Salcombe Harbour	2	CP3	3	10
Sub-Total				10
OTHER				
Audit of Government Grants – RDPE Rural Community LAGs	2	Various	12 days used	30
Follow Up Of Previous Year's Audits	2	Various	2 days used	5
Contingency (unplanned)	2	Various	32 days used	60
Sub-Total				95
NON-FINANCIAL/CORPORATE				
Corporate Governance	2	CP6	4	10
Exemptions to Contract Standing Orders or Financial Instructions	2	All	2 days used	5
System of Internal Control (SIC) and Annual Governance Statement (AGS)	2	CP6	AGS to Audit Committee Final Report	June 2009 Good
Risk Management/Business Continuity	1	CP6	3	8
Sub-Total				38
PARTNERSHIP WORKING				
Dartmouth Town Council	2	CP6	Final Report	-
Sub-Total				5
TOTAL: OTHER ESSENTIAL				243
3 YEARLY AUDITS				
OTHER SYSTEMS AND AUDIT WORK				
	Priority Rating	Council Objective	Progress or Planned Qtr	2009/10 Days/Result
COMMUNITY REGENERATION				
Housing Strategy and RSLs	3	CP1	1	8
Sub-Total				8
CORPORATE SERVICES				
<i>Elections</i>	3+	CP6	<i>Suspended</i>	0
Sub-Total				0
CUSTOMER SERVICES				
Homelessness	3	CP1	4	9
Council Tax Collection	3	CP6	Final Report	Good
Sub-Total				18

Appendix A

OTHER SYSTEMS AND AUDIT WORK (Continued)				
	Priority Rating	Council Objective	Progress or Planned Qtr	2009/10 Days/Result
ENVIRONMENT SERVICES				
Public Conveniences	3	CP4	Final Report	Good
Recycling	3	CP4	Final Report	Fair
<i>Street Cleaning</i>	3	CP3 CP4	<i>Suspended</i>	0
Trade Waste	3	CP4	4	10
Sub-Total				29
ENVIRONMENTAL HEALTH				
Licensing	3+	CP2	Final Report	Good
Sub-Total				8
LANDSCAPE & LEISURE				
Leisure Centres: Client	3	CP6	Draft Report	Fair
Management Arrangements at Totnes Pavilion	3	CP6	Report issued to all parties	29
Sub-Total				39
PLANNING AND BUILDING CONTROL				
Building Control	3+	CP3	1	10
Planning Policy incl. S.106 Agreements	3	CP3	2	8
Sub-Total				18
PROPERTY SERVICES				
Building Maintenance	3+	CP5 CP6	Commenced	9
Sub-Total				9
OTHER				
<i>Corporate Inventories</i>	3	CP6	<i>Suspended</i>	0
Sub-Total				0
NON-FINANCIAL/CORPORATE				
CAA: Use of Resources	3	CP6	4	5
Sherford	3	CP3	2	5
<i>Single Status</i>	3	CP6	<i>Suspended</i>	0
Sustainability	3	CP4	Draft Report	Fair
Sub-Total				17
TOTAL: OTHER				146

Appendix A

AUDIT MANAGEMENT	Days Used	Days
Audit Administration	14	20
Audit Management, including Audit Planning	9	15
Audit Monitoring Reports to Management and Audit Committee	9	20
Training	2.5	10
Miscellaneous e.g. Money Laundering	0	5
Sub-Total		70
TOTAL RESOURCES REQUIRED 2009/10	From above	581
RESOURCES AVAILABLE		2009/10 Days
2 Whole Time Officers		520
European Grants Officer - Estimated		160
Sickness <i>Basis of Estimate: CIPFA Guidance plus 10</i>		-19
Compassionate Leave		-6
Bank Holidays		-16
Annual Leave		-58
TOTAL RESOURCES AVAILABLE		581

ANNUAL COMPUTER AUDIT PLAN – 2009/10

AUDIT AREAS	Priority Rating	Council Objective	Proposed Quarter	2009/10 Days
Installation & Healthcheck, including: Using CIPFA Guidance – <ul style="list-style-type: none"> • Database Management • Environment Controls • Input Data and Running Files • Access control • Back-up • Disaster Recovery 	1	CP6	4	7
Departmental IT/ Cost Effectiveness CIPFA Guidance - <ul style="list-style-type: none"> • Management Controls; • Procurement Of ICT Facilities; and • Financial Management of ICT. 	3	CP6	4	7
Project Management & Systems Development CIPFA Guidance - <ul style="list-style-type: none"> • Project Management Controls; and • Post Implementation Review. 	3	CP6	4	8
Other Reviews <ul style="list-style-type: none"> • Follow up of prior year reports; • Internet Controls; and • Other – through liaison with the external auditors and updating of the risk assessment. 	2	CP6	4	4
TOTAL RESOURCES REQUIRED				26
RESOURCES AVAILABLE				2009/10 Days
Computer Audit in Main Audit Plan (Above)				26
TOTAL RESOURCES AVAILABLE				26

