

## Bath & North East Somerset Council

MEETING:	Corporate Audit Committee	
MEETING DATE:	6 <sup>th</sup> December 2011	AGENDA ITEM NUMBER
TITLE:	Internal Audit– Update	
WARD:	ALL	
<b>AN OPEN PUBLIC ITEM</b>		
<b>List of attachments to this report:</b>		
Appendix 1 – Audit Plan 2011/12 – Position Statement as at 31 <sup>st</sup> October 2011		

### 1 THE ISSUE

1.1 The Annual Internal Audit Plan for 2011/12 was presented to the Corporate Audit Committee on the 24<sup>th</sup> May 2011. Accordingly, attached at Appendix 1 is an update on progress against the Plan six months into the year.

### 2 RECOMMENDATION

2.1 The Corporate Audit Committee is asked to:

Comment on the progress made against the Internal Audit Plan 2011/12.

### 3 FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications relevant to this report.

### 4 THE REPORT

#### 4.1 Audit Plan Progress

4.2 Appendix 1 shows the 2011/12 Annual Audit Plan and the current status of each review.

4.3 As at the 31<sup>st</sup> October 2011, the Audit & Risk Team has completed or has work in progress amounting to 63% of the Plan and subject to any significant unplanned work or staff sickness it is hoped that at least 95% of the plan will be complete at the end of the financial year. This is a significant increase on past years and is a reflection of improvements made as a result of restructuring the audit and risk teams earlier in the year.

- 4.4 During this current financial year one member of staff had to undergo surgery which required a long period of convalescence and the impacts of losing key members of staff in a relatively small team can be significant. However a significant increase in productivity focussed on the audit follow-up process has compensated for this lost time and helped overall performance against the plan to remain high.
- 4.5 Appendix 1 details that 21 Audit Reviews and 28 Audit 'Follow-Ups' have been completed. The number of 'Follow-Up' reviews carried out during the first half of this year is unusually high as a decision was taken to prioritise this work to obtain assurance that audit recommendations were being implemented in a timely manner. 22 of the 28 (78%) 'Follow-Up' reviews identified that all the audit recommendations made had been implemented at the time of the review.
- 4.6 Of the 21 Audit Reviews, 74% were assessed at an Assurance Level of 3 or above (Adequate to Good Framework of Internal Control with five reviews achieving a 'Weak' Assurance Level (Level 2). Three of these reviews are at 'Draft' Report stage so we are liaising with management about the recommendations. The remaining two reviews have been completed and management have agreed to implement all the audit recommendations.
- 4.7 Audit activity recorded as 'unplanned' is recorded in Appendix 1 and currently activity in this area is relatively low which is aiding the current projections on completing the overall plan.
- 4.8 In addition to focussing on completing the agreed audit plan time has been spent on the following areas –
- a) **Integration of the Internal Audit and Risk Management team functions** (joint team with effect from 1<sup>st</sup> April 2011). Based on the need to achieve financial savings, a restructure of the Risk & Assurance Service resulted in the separate Risk Management Team being brought together with the Internal Audit Team.
  - b) **Reviewing and updating the Audit Brief and Audit Report templates.** The objective of review was to increase the use of the Internal Audit software to automatically produce these documents and also to tailor the content to that required by the audit client. The plan is to commence use of the revised templates by the beginning of 2012.
  - c) **Reviewing and updating the Post Audit Questionnaire.** This is used to obtain feedback from the audit client related to audit work completed. The results provide useful data on the performance of the team and individual auditors enabling action to be taken if areas for improvement are identified. The use of the revised questionnaire will commence in December.
  - d) **Reviewing and amending the Audit Review 'Follow-Up' process** to ensure agreed recommendations are implemented in a timely manner. The method of carrying out 'Follow-Ups' was focussed on each individual Audit Review. The scheduling of the 'Follow-Up' was therefore delayed until after the date of the last recommendation to be implemented as agreed and recorded in the 'Final' version of the Audit Report. This could mean that the check to confirm implementation of a 'Critical' or 'High' risk

recommendation may be delayed until months after the agreed implementation date. The intention is to 'Follow-Up' individual / groups of recommendations based on implementation date, thus ensuring that important recommendations are implemented in a timely manner.

- e) **Reviewing the approach to School audit's** based on a reduction of capacity. A theme approach adopted by other LA auditors has been agreed following consultation with Children Services and School Headteachers / Governors.

#### 4.9 **Impact of Academies**

4.10 In the May 2011 report to this Committee it was highlighted that we had been successful in being appointed as the "Responsible Officer" (in effect, an Internal Auditor) by 3 new Academies. Since then a number of other schools have obtained Academy status and we have been approached by a further 6 schools to provide this role.

4.11 The key to being offered this work has been the close working relationships with Schools over a number of years. This included the work with schools when they were working towards and achieving the Financial Management Standard in Schools (FMSiS), which was abolished by the Department for Children, Schools & Families in 2010/11.

4.12 It should be noted that the replacement for FMSiS, the Schools Financial Value Standard (SFVS) will require B&NES non Academy Schools to complete a self-assessment process in 2012/13.

4.13 Audit & Risk are being proactive in providing the necessary guidance to schools and will assist the Council's Chief Financial Officer in completing an Annual Assurance Return, however none of this work is chargeable.

#### 4.14 **Performance Indicators**

4.15 The Audit & Risk Team use a number of Performance Indicators to help manage the performance of the team and a sample of these are included below.

<b>Service PI</b>	<b>As at 30<sup>th</sup> September 2011</b>
% of Audits completed within time allocated	100%
% of Services which rate Internal Audit as Excellent / Good	100%
% of recommendations agreed (based on management response recorded in Final version of Audit Reports issued).	98%
% of recommendations implemented (based on findings of 'Follow-Up' Reviews completed and reported to management).	88%

#### 4.16 **Future Service Delivery**

4.17 As reported to previous audit committees over the last 18 months we have reviewed the options for service delivery for Internal Audit in light of the changing financial environment.

4.18 Our preferred intention is to move to a form of partnership either with an existing provider or to form our own local one with neighbouring authorities. Progress unfortunately remains slow and whilst there appears to be appetite locally to develop a sustainable partnership there is limited activity from our neighbours to progress at this time.

4.19 As can be seen this is not currently having an impact on performance internally, however the reductions in budgetary terms that have been achieved have resulted in reduced audit coverage. This can be mitigated in the short-term however, with pro-active risk assessment with services of current and emerging risks and close working relationships with external auditors and other partners to maximise all resources in this area.

4.20 The committee will therefore be kept up-to-date with developments and should it become clear in the next few months that the local partnership option is no longer viable a further re-assessment will need to take place prior to any final decision on changing the existing method of service delivery.

### 5 RISK MANAGEMENT

5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

### 6 EQUALITIES

6.1 A proportionate equalities impact assessment has been carried out in relation to this report. There are no significant issues to report to the Committee.

### 7 CONSULTATION

7.1 The report was distributed to the S151 Officer and Monitoring Officer for Consultation.

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<b>Background papers</b>	<i>Report to Corporate Audit Committee –24<sup>th</sup> May 2011 – Internal Audit - Annual Report (Outturn 2010/11&amp; Annual Plan 2011/12)</i>
<b>Please contact the report author if you need to access this report in an</b>	

**alternative format**