

**Meeting: AUDIT COMMITTEE**

Agenda Item:

**Date: 14 December 2009**

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## **INTERNAL AUDIT PROGRESS REPORT**

Author - Gursh Bains                      Ext No. 2426

Lead Officer - Clare Fletcher   Ext No. 2933

### **1. PURPOSE**

- 1.1 The purpose of this report is for the Audit Committee to receive and consider progress against the 2009/10 Internal Audit Plan and approve the amendments to the Audit Plan.

### **2. RECOMMENDATION**

- 2.1 The Internal Audit quarterly report as at 30 November 2009 be noted and the amendments to the Audit Plan be approved.

### **3. BACKGROUND**

- 3.1 The Audit Committee receive periodic progress updates against the Annual Internal Audit Plan, the most recent of which was brought to this Committee on 22 September 2009.
- 3.2 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit function is fulfilling its statutory obligations. It is considered good practice that progress reports also includes proposed amendments to the agreed annual audit plan.

### **4. CONSIDERATIONS**

#### **Progress against the 2009/10 Audit Plan**

- 4.1 Progress against the Internal Audit Plan is attached, see Appendix A. The following reports and assignments have been issued or completed in the period:
- Payroll (Draft report issued)
  - Treasury Management (Final report issued)

- Creditors (Draft report issued)
- Debtors (Draft report issued)
- Risk Management Benchmarking Exercise
- Holiday Pay Investigation
- Delivery of one Ethics and Probity training course
- 23 sets of Probity checks on interim contract payments
- Eight Financial Appraisals
- Ad hoc advice/assurance was provided on seven occasions, which included advice on a potential new Financial Appraisal System "Checkit" and assurance to Hertfordshire County Council on our internal controls relating to pensions banding.

4.2 As at 30 November 2009, 51% of the 2009/10 Audit Plan has been delivered (excludes unused contingency). This is 16% lower than the target level that would be required to complete the Audit Plan by 31 March 2010. External service providers have been appointed to deliver 17% of the remaining Audit Plan, this would require the in-house team to deliver 32% of the Audit Plan by the 31 March 2010. Based on the current in-house team's delivery capacity and the use of external service providers, it is anticipated that 95% of the total Audit Plan can be completed by 31 March 2010, this would include delivery of all the Key Financial Systems audits. The anticipated non delivery of 5% of the Audit Plan equates to approximately 30 audit days, which may mean that the majority of remaining 34 days in contingency may not be available in the event that they are required.

4.3 The Audit Committee requested at its meeting on 12 January 2009 that audits that exceed their budgeted time allocation by more than 100% should be reported to them. None of the audit activity that has been completed in this period has overrun by more than 100%. However the Car Parking audit and the Building Control audit, which are both currently in progress, have already exceeded their budget allocation by more than 300% (Car Parking) and 400% (Building Control) so far. There are two main reasons for this overrun:

- A significant number of control weaknesses have been identified (Car Parking)
- There is still an underlying issue with the delivery of audit assignments within the budgeted time allocation.

### **Proposed amendments to the Audit Plan**

4.4 The following amendments to the Audit Plan have been agreed with the Head of Finance and are detailed in paragraph 4.5 and 4.6 below for Audit Committee approval.

4.5 In total 19 days to be taken from contingency for the following reasons:

- 4 days - To complete an additional Risk Management benchmarking exercise
- 6 days - To complete a proactive review of the Council's laptop data security audit, following a high profile laptop data loss in Hertfordshire.
- 6 days - To undertaken an audit of the non main bank accounts, as result of an operational risk identified by a service manager.
- 3 days - To undertake a holiday pay audit following the identification of an

error in the way holiday pay was calculated for a former employee.

4.6 In total 13 days to be added back to contingency for the following reasons:

- 3 days - The Officer Interests in Contracts Follow Up audit deferred to 2010/11, as some recommendations are due to be implemented in April 2010 and therefore fall outside of the 2009/10 financial year.
- 5 days - The CCTV Follow Up audit deferred to 2010/11, as some recommendations are due to be implemented in April 2010 and therefore fall outside of the 2009/10 financial year.
- 5 days - The Asset Management Walkthrough audit deferred to 2010/11, as majority of the controls that external audit will be looking to place reliance on are used at the year end, therefore there is limited value in conducting an audit before the 31 March 2010.

### **High priority recommendations**

4.7 It was agreed at a previous Audit Committee that Internal Audit progress update reports would include the high priority recommendations and their implementation status. Appendix B details six high priority recommendations that have been formally agreed with Council officers. The implementation dates for three of these recommendations are not due until the end of December 2009. The remaining three recommendations have been partially implemented. Members will continue to be updated at future Audit Committees.

## **5. IMPLICATIONS**

### **5.1 Financial Implications**

5.1.1 This report is financial in nature and consequently financial implications are included in the body of the report.

### **5.2 Legal Implications**

5.2.1 None identified at this time.

## **BACKGROUND DOCUMENTS**

None.

## **APPENDICES**

- Appendix A - Progress against the 2009-10 Audit Plan as at 30 November 2009
- Appendix B - High Priority Recommendations