

Meeting: AUDIT COMMITTEE

Agenda Item:

Date: 17 March 2008

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INTERNAL AUDIT UPDATE

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1. PURPOSE

1.1 The purpose of this regular update report is for members of the Audit Committee to receive and consider:

- Progress of Internal Audit against the agreed amended Annual Audit Plan for 2007/08 including details of internal audit work undertaken during the period 1 December 2007 and 29 February 2008; and
- The updated position regarding the provision of audit services through partnership working.

2. RECOMMENDATIONS

- 2.1 The Internal Audit quarterly report as at 29 February 2008 is noted; and
- 2.2 The update in the provision of audit partnership services with NHDC is noted.

3. BACKGROUND

- 3.1 The Audit Committee receive an Annual Internal Audit Report from the Audit Manager and the Audit Commission's Audit Opinion as part of the Council's annual governance report. This is supplemented by quarterly updates, the most recent of which was brought to this Committee on 16 January 2008. This latter report was very comprehensive and provided details of significant amendments to the 2007/08 Annual Audit Plan and an update on the provision of audit partnership services.
- 3.2 The work of internal audit needs 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 if appropriate, the quarterly update report also includes proposed amendments to the agreed annual

plan.

4. CONSIDERATIONS

Progress against the 2007/08 Amended Annual Audit Plan

4.1 Internal Audit traditionally set aside the latter end of quarter three and the entirety of quarter four of each financial year to concentrate on delivering audits of the Council's key financial systems. These systems are:

- | | |
|--------------------|---------------------|
| - Creditors | - Cash and Payments |
| - Payroll | - Sundry Debtors |
| - Housing Benefits | - Business Rates |
| - Council Tax | - Housing Rents |
| - Main Accounting | - Asset Management |

Also considered a key financial system is Housing Rents, an audit that is now undertaken for Stevenage Homes Limited (SHL).

- 4.2 Historically, some of the above audits overrun into quarter one of the following year. In part this can be attributed to the increasingly challenging timetables surrounding the completion of this work. The shortfall in audit resource highlighted in the report brought to this Committee in January has also been a contributory factor to the carry forward of three key financial systems audits for 2007/08 into 2008/09. The time required to complete this work is included in the annual plan 2008/09 being brought to this meeting. However, in order to reduce the impact of this, efforts are currently being made to engage a temporary auditor before the end of the financial year to start some of these audits. A verbal update on progress to date will be provided at the meeting.
- 4.3 Responsibility for the provision of an internal audit to SHL has also meant that time has been allocated over the past three months to completing audits on the SHL audit plan.
- 4.4 Attached as Appendix A to this report is the amended Annual Audit Plan for 2007/08 and the status of each agreed audit as at 29 February 2008.
- 4.5 Detailed in Appedix B are details of all audit work, both planned and unplanned, undertaken between 1 December 2007 and 29 February 2008.
- 4.6 Detailed in Appendix C is a list of audits completed to date in the financial year and the number of recommendations made.

Partnership Working

- 4.7 Since the January meeting of the Audit Committee where it was agreed that the shared audit manager pilot should cease at the end of March 2008, an advertisement for a full-time Audit Manager has been placed. Response to the advertisement was positive and interviews took place at the end of February. A verbal update will be given at the meeting.

- 4.8 In order to assist with the current shortfall in resources, two auditors from the North Herts internal audit team have provided support and by the end of the financial year will have completed three audits. Stevenage Borough Council will be recharged the cost of work undertaken by NHDC auditors at the appropriate hourly rates.

5. IMPLICATIONS

5.1 Financial Implications

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

5.2 Other Implications

None.

BACKGROUND DOCUMENTS

Internal audit documentation.

APPENDICES

Appendix A - Status of audits on the amended Internal Audit Plan 2007-08 as at 29 February 2008

Appendix B - Internal Audit work undertaken during the period December 2007 to February 2008

Appendix C - Summary of audits completed and recommendations made - SBC