

REPORT OF THE ASSISTANT DIRECTOR (AUDIT)
TO THE EXECUTIVE 5 MAY 2006
AND SCRUTINY COMMITTEE 11 MAY 2006

Internal Audit Plan – 2005-06 Out-turn

1.0 Introduction and Report Summary

- 1.1 This report summarises the out-turn of the 2005/06 Internal Audit Plan, and provides a summary of all assignments completed from the 2005/06 plan, and all unplanned assignments carried out.
- 1.2 This report also highlights any unactioned Internal Audit reports, i.e. those where the Action Plan containing our recommendations has not been returned to Audit with the proposed corrective actions.
- 1.3 This report serves as the Annual Report on Internal Audit, as required by the CIPFA Code. (Chartered Institute of Public Finance and Accountancy - Code of Practice for Internal Audit in Local Government in the United Kingdom).
- 1.4 The Contact Officer for this report is Sam Turner, Assistant Director (Audit), Tel: 01235 547615.

2.0 Recommendations

(a) To note the content of the report.

3.0 Relationship with the Council's Vision, Strategies and Policies

- (a) Vision strands A and C.
- (b) No specific strategy.
- (c) Anti Fraud & Corruption Policy

4.0 Background

- 4.1 The 2005/06 Audit Plan was approved by the Executive on 1 April 2005 and noted by Scrutiny on 12 May 2005. In that report the AD (Audit) explained that the plan had been devised to take into account the following factors: an auditor post became vacant at the beginning of April 2005 and was assumed to remain vacant throughout the year, the audit plan target in the preceding years was not met, and the External Auditors had recommended allocating time to "contingency". The 2005/06 audit plan was therefore smaller than previous years' plans.
- 4.2 The target for the completion of the 2005/06 plan was agreed at 100% which represented a challenging but achievable target.

5.0 Out-turn of 2005/06 Audit Plan

- 5.1 The actual out-turn of the 2005/06 Audit Plan was 100%. This represents excellent performance by the Auditors and reflects a consistent commitment to, and focus on, planned audits and other "chargeable" work. This is also evident from the improved percentage of time spent on "chargeable" work which exceeded its 65% target in 2005/06 (actual performance 73%).

5.2 In recent years there had always been a significant time lag whereby each year's audit plan slips into the following year. To correct this problem the 2004/05 audit plan was "cut off" at a much earlier time than in previous years, making 2004/05 shorter than previous (and future) years. This adjustment was made as a deliberate move to bring the audit plans back into line with financial years and the 2005/06 Audit Plan has been successfully contained within the 2005/06 financial year.

5.3 In addition to completing the Audit Plan, unplanned audit reviews were also carried out. These were carried out at the request of the relevant managers in order to improve controls. There were no fraud investigations during 2005/06.

6.0 Schedule of Audits Completed (in descending order of Risk Score)

Planned Audits:	Date Final Report & Action Plan Issued	Date Action Plan Agreed	Outstanding Responses:
Cash	25 August 2005	16 November 2005	
Debtors	16 December 2005	28 March 2006	
Main Accounting	1 November 2005	25 November 2005	
Sharper Commercial Focus	Draft not yet issued	Draft not yet issued	
ICT Security	5 December 2005	23 February 2006	
Risk Management	1 September 2005	20 April 2006	
Benefits	27 March 2005	Not yet due	
Affordable Housing	22 December 2005	3 February 2006	
Access to Services	Draft not yet issued	Draft not yet issued	
Contract Management (3 separate contracts were looked at)	7 September 2005	26 September 2005 11 October 2005 30 January 2006	
Payroll	26 August 2005		Outstanding (HR)
Recycling	10 March 2006		Outstanding (Env Health)
Quality System Audits (ISO 9001:2000)	N/A	N/A	
Business Rates	8 September 2005	20 January 2006	
Council Tax	8 September 2005	9 December 2005	
Capital Accounting	7 November 2005	26 January 2006	
Accounts Payable	22 December 2005	8 February 2006	
Treasury Management	5 September 2005	No recommendations	
Overtime	25 July 2005		Outstanding (HR/Corporate)

Unplanned Audits:

Rent Accounting	30 June 2005	18 October 2005	
Temporary Accommodation	19 December 2005	No formal action plan	
Post Room	13 January 2006	31 January 2006	

7.0 Internal Audit Action Plans

7.1 Following each audit all the audit recommendations are issued in an Action Plan which the relevant managers are required to complete with their responses to the recommendations. The Action Plan is then signed off and returned to Internal Audit.

7.2 The table at section 6.0 is a schedule of the audits completed, the date each Action Plan was issued and then either the date the completed Action Plan was received or an explanation of the status.

7.3 The agreed and signed off Action Plans are attached as an Appendix in Section II of the Agenda.

8.0 Effectiveness of Internal Audit

8.1 The schedule of audits completed shows that there are only a small number of outstanding responses. This reflects a continuing good response to Internal Audit reports over the past year.

8.2 The Annual Audit & Inspection Letter from the External Auditor did not contain any specific references to the work of Internal Audit.

9.0 Opinion on the Overall Adequacy and Effectiveness of the Internal Control Environment

9.1 Standard 9 of the CIPFA Code of Practice requires the Head of Internal Audit to provide an opinion on the overall adequacy and effectiveness of the Council's internal control environment and that the opinion should support the Statement on Internal Control.

9.2 The overall conclusion, based on the results of audit work performed during the year, is that the Council's internal control environment is adequate. However, this is a somewhat tenuous situation and is subject to the following agreed improvements being implemented:

- (a) The full implementation of the Debt Strategy, which is essential to achieving and maintaining robust control over debt.
- (b) The review of the Council's Risk Registers following the senior management restructure, and the production of Business Continuity Plans.
- (c) Improvements in reconciliation of income and the resolution & ownership of discrepancies.

SAM TURNER
ASSISTANT DIRECTOR (AUDIT)

Background Papers:

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