

REPORT TO THE Final Accounts and Audit Committee

Report No. 12

Date of Meeting	16 April 2007
Title of Report	Internal Audit Progress Report
Link to Corporate Priorities	No links to corporate priorities, however links to corporate aims: 2. To ensure high quality, cost effective services. 4. To safeguard and enhance the assets and resources of North Wiltshire and the wider community.
Public Report	Yes

<p>Summary of Report</p> <p>To update the Final Accounts and Audit Committee on progress against the 2006/2007 Internal Audit Plan.</p>
<p>Officer Recommendations</p> <p>That the update is noted.</p>

Other than those implications agreed with the relevant Officers and referred to below, there are no other implications associated with this report.				
Financial Implications	Legal Implications	Community & Environmental Implications	Human Resources Implications	Equality & Diversity Implications
NONE	NONE	NONE	NONE	NONE

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1. Introduction

- 1.1 This report details progress made by the Internal Audit section against the approved 2006/2007 internal audit plan

2. Options and Options Appraisal

- 2.1 Option 1: The report be noted.
- 2.2 Option 2: N/A

3. Background Information

- 3.1 At its meeting on the 29th of June 2006 the Final Accounts and Audit Committee approved the Internal Audit Plan for 2006/2007. This report will detail the progress made against this plan.
- 3.2 Internal audit in local authorities is undertaken so as to comply with the CIPFA Code of Practice for Internal Audit in Local Government in the UK (2006) (the code of practice). One of the requirements is that internal audit produce an annual report detailing its performance and the key issues arising from audits – this report will contribute to that objective.
- 3.3 Internal audit's role is to provide:
- An independent appraisal function.
 - Opinions on the effectiveness of internal controls.
 - A contribution to the efficient use of resources.
 - A service to management.
 - Added value to North Wilts District Council.

4. Year end position against Audit Plan

- 4.1 As at the end of the year, 82% of the audit plan had been completed against a target of 90%. As reported to the committee in February, 4 audits (VAT, Strategic projects, Capital Expenditure and Contract management) were not completed in year, and will be address in the first quarter of 2007/2008. In addition two audits, Housing Benefits and Budgetary Control, were work in progress at year-end.
- 4.2 Of the audit work completed, 23 audit reports were issued giving an opinion on the control environment in place.
- 4.3 Of these 23, a table below sets out the allocations of opinions across the different opinion levels.

	Excellent	Good	Satisfactory	Limited	No Assurance
Total Audits	1	11	8	3	0
Managed Audits	0	2	5	2	0

4.4 Whilst the overall picture of the Council's control environment appears positive, with good controls in place, the high number of managed audits returning only satisfactory opinions is of concern. The managed audits cover the key financial systems which External Audit will require assurance on when forming their opinions on assurance for the annual Financial Statements. Follow up audits will be undertaken for all managed audits 6 months after their issue, and we will be expecting recommendations to have been implemented within required timescales.

5. Performance Information

5.1 The Audit strategy set out a number of performance indicators to measure the effectiveness of the Internal Audit service. Attached at Appendix B are the performance indicators for the service as at 30/03/2007. It should be noted that a number of customer feedback forms are still outstanding and a number of audit reports are yet to be finalised, so the final figures may vary slightly. An updated report will be presented to the June Committee giving the true position of the section.

5.2 Whilst the failure to achieve the target for completion of the audit plan is disappointing, given the number of significant issues arising in the financial year which have had an impact on the audit section the performance gives encouraging signs for achieving the plan in 2007/2008.

5.3 The positive feedback we have received from auditees combined with the willingness to accept our recommendations also shows that the service is meeting the needs of service users and is addressing their concerns.

5.4 Cost per productive audit day is higher than the sector average, largely due to the increase in non-productive time taken to train the new auditor and also to do with the sections inability to accurately classify productive and non-productive unplanned audit work. Systems will be introduced to address this issue in 2007/2008.

5.5 The indicator of greatest concern to the Audit Section is the failure to meet target for final reports to be issued within 15 days of issuing of the draft report. We will need to work closely with auditees in future to ensure they appreciate the importance of returning management responses in a prompt manner.

6. Overall Opinion

6.1 The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom recommends that the Internal Audit Manager report to the committee an overall opinion on the control environment in place at the Council.

6.2 Progress against the audit plan and performance information on the effectiveness of the service have been reported above. The other areas required to be covered are an assessment of the section's compliance against the Code of Conduct and an overall opinion on the control environment.

6.3 The Audit Commission carried out a detailed assessment of the section's compliance with the Code of Conduct in summer 2006, and their findings were reported to this committee as part of the Annual Governance Report Recommendations raised have been monitored and reported on to this committee throughout the year and we will continue to do so.

6.4 The overall opinion of the Audit Manager is that there is an adequate control environment in place at the Council and it is operating effectively. This opinion is

based on work undertaken by the Audit section during the year, and on the reports produced by the Audit Commission including their recent Use of Resources report.

- 6.5 Whilst significant improvements have been made to address concerns raised in previous years, it is considered unlikely that this opinion will improve until the overall assurance framework at the Council, including Audit, Risk Management, Performance Management and Legal, is brought together effectively.
- 6.6 The key areas in which the organisation will need to improve the control environment are in the promotion of a counter fraud culture, improvements in risk management and tighter controls over financial management and reconciliations. Evidence gathered this year indicates that the authority is heading in the right direction, and work proposed in the next financial year will continue to address these concerns.

Implications

None

Risk Analysis

None

Appendices:	Appendix A – Audits Completed Appendix B – Performance Information
Background Documents Used in the Preparation of this Report:	<ul style="list-style-type: none"> • None

Previous Decisions Connected with this Report

Report	Committee & Date	Minute Reference
None	N/A	N/A