

Audit Committee – 26th August 2010

5. Internal Audit Quarter 1 Report 2010-11

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Purpose of the Report

To provide the Audit Committee with a summary of internal audit activity for the period 1st April to 31st July 2010.

Recommendation

The Audit Committee is recommended to note the content of this report.

The Role of Internal Audit

The Internal Audit service for SSSC is provided by South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors, but also follows the CIPFA code of practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Audit Committee at its meeting on 26th February 2004 and by Council on 18th March 2004. The Charter was last reviewed and endorsed by the Audit Committee on 25th February 2010.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes:

- 4 Year Plan of Operational Audit Reviews
- Annual Review of Key Financial System Controls (Managed Audits)

Internal Audit Work Programme for 2010/11

The Audit Plan for 2010/11 was submitted to this Committee on 25th February 2010. The Plan is broken down into 5 themes:

Operational Audits – 15 reviews in plan
Governance Audits – 11 reviews in plan
Managed Audits – 10 reviews in plan
ICT Audits – 3 reviews in plan
Key Control Audits – 6 reviews in plan

The following is a summary of audit progress against the plan for the first quarter:

Operational Audits

Operational audits are a detailed evaluation of a service or functions control environment. A risk evaluation matrix is devised and controls are tested. Where weaknesses or areas for improvement are identified, actions are agreed with management and target dated.

As part of the Auditor's opinion, each review is given a 'star' rating offering management the following levels of assurance:

AC

▲★★★★ Comprehensive - The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively at all times and risks against the achievement of objectives are well managed.

▲★★★★ Reasonable - Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

▲★★★★ Partial - Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

▲★★★★ None - The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Where low to medium control or administrative weaknesses are identified, normal expectation is for reviewed areas to be assessed into the 'Reasonable' category of assurance. However, where the assessed area falls below 'Reasonable', management is expected to address the risks identified as a matter of priority and monitor their progress against the agreed action plan.

The following is a summary of the reviews scheduled for Quarter 1:

Audit Area

Audit Opinion

Catering

▲★★★★ Reasonable

The auditor concluded that while the operating controls were adequate, eleven recommendations were made to further enhance the overall control framework.

The main matter to be addressed is the reporting of the Canteen outturn separately in Revenue Budget Reports to demonstrate to management and members that the service continues to offer value for money. The net total expenditure for 2009/10 was £22,460 excluding internal recharges, which was over £17,000 above the subsidy target for the year. However, it was noted that the actual variance has been steadily decreasing since 2007/08 as the table below demonstrates:

Year	Expenditure Annual Budget	Actual Expenditure	Income Annual Budget	Actual Income	Expected Variance	Actual Variance
2007/08	£103,680	£111,259	-£72,600	-£81,787	£31,080	£29,472
2008/09	£114,750	£121,187	-£94,420	-£95,476	£20,330	£25,711
2009/10	£108,500	£112,586	-£103,200	-£90,126	£5,300	£22,460

Goldenstones
Childcare Nursery

In Progress
Draft Report

Managed Audits

Managed Audits are scheduled for Quarter 3.

Governance Audits:

The audit process for Governance Audits focuses primarily on key risks relating to cross cutting areas that are controlled and/or impact at a Corporate rather than Service specific level. The following reviews have been completed to date:

Audit Area	Audit Opinion
Health and Safety Awareness Training	Draft Report
Data Quality	Draft Report

Internal Audit will use the findings of these reviews to support the assurance we are required to provide as part of the Council's Annual Statement on Governance.

Key Control Audits

Audit Area	Audit Opinion
Cemeteries and Crematoria	Work Completed

This work was not included in the original plan but involves a review of key controls required to be tested for the Accounts sign-off; no opinion is offered.

ICT Audits

Audit Area	Audit Opinion
Threat Protection	Delayed into Quarter 2

Conclusion

The purpose of this report is to update members on progress against the 2010/11 plan. With the exception of the ICT audit, the plan has progressed to schedule with all Quarter 1 audits nearing completion and work already starting on audits scheduled for Quarter 2.

Background Papers: *None.*