

AUDIT COMMITTEE – 18 January 2012
INTERNAL AUDIT 2011/12
PROGRESS REPORT AND QUARTER 4 PLAN

Report by the Assistant Chief Executive and Chief Financial Officer

INTRODUCTION

1. The Internal Audit Plan, including activity planned for Quarter 4 is attached as annex 1 to this report. The status of each audit is also recorded, together with a summary of the conclusions for completed audits since the last report was presented to the Audit Committee on 21 September 2011.
2. In addition to the Quarter 4 activity listed, there are two changes to the plan presented previously to the Committee:
 - At the request of the Director for E&E, an audit of the process for managing home to school transport contracts was undertaken. This audit was included as part of the overall audit days allocated for contract audit activity.
 - An audit of 6th Form Funding in schools commenced in Quarter 1, but has not been satisfactorily concluded. A decision has been taken to cancel the audit without conclusion, as unfortunately the work undertaken has not been of the necessary quality to meet audit standards. The main customer of this work was to be the Young Peoples Learning Agency (YPLA), who seeks assurance from Local Authorities on the management of their funds that are paid over to our 6th form centres. This should be an annual audit, but will not be completed this year.
3. There are several audits completed since the last report which have resulted in an audit opinion of "unacceptable"; i.e. CEF and SCS Safeguarding, and the Alert Service. These have all been reported previously to the Audit Working Group, who have called in the Senior Managers and received assurance that actions are being taken promptly to address the weaknesses identified.
4. In addition to the planned audit activity listed in Annex 1 and Annex 2, the Audit Mangers are responding to ad-hoc queries and monitoring progress with key projects. One of these projects, AIS implementation in SCS does not feature in the planned work, because there is no substantive audit to be undertaken, but it is the role of the Audit Manager to monitor and challenge these key projects to ensure audit resources are deployed as required. For AIS, it is expected audit activity will be required in Q1 of 2012/13.
5. The Internal Audit Strategy approved by the Committee is March 2011 includes the further collaboration with Buckinghamshire County Council and the implementation of audit project management software, and action tracking software. There has been no further progress with the implementation of the

audit project management software, and a decision will be taken by the end of January 2012 whether or not to pursue this. The action tracking software has been purchased and we are currently working on the configuration. It was expected to have the system operational by Quarter 4, but resources have had to be reprioritised and the timetable has been put back to 1 April 2012.

6. With the exception of Buckinghamshire County Council, there remains uncertainty with regards to the future income generation from our existing external clients. As a result to date there has been no recruitment to vacant posts. However, following the resignation of another member of the team, who left in December, the in house team is now operating at only four audit staff, plus a CIPFA Trainee, therefore a recruitment process will commence before the end of January. As an interim measure a Senior Auditor has been appointed on a fixed term contract to the beginning of May.
7. Losing a further member of staff in December has impacted on the total number of audit days we can deliver in year. We had planned to deliver 1214 days but the latest estimate is this will reduced by 40 days to 1174. The impact of this is being managed to ensure the assurance based activity is not affected. The following mitigation has been applied:
 - The non-audit duties of the Audit Manager supporting the Corporate Governance Assurance Group have been transferred to a different team.
 - The implementation of the Action Tracking Software has been delayed.
 - Directorate risk and performance leads have been engaged to be more proactive in providing updates on implementation of management actions.
 - Proactive anti-fraud testing has been suspended

Counter - Fraud Plan

8. The Counter-Fraud Plan is attached as annex 2 to this report.
9. There have been no material issues to note in respect of our counter-fraud work, but the Audit Commission have confirmed they are satisfied with the work that has been completed to date in investigating data matches arising from the National Fraud Initiative data matching exercise.

Internal Audit Performance

10. The current status of the planned audit activity is as follows (detailed in Annex 1):

Audits not yet started	6
Audits being scoped	10
Terms of Reference issued	3
Testing	14
Exit Meeting	8
Draft Report	6
Final Report	24
TOTAL PLANNED AUDITS	71

11. The current performance against the key indicators is as follows:
- **Exit Meetings delivered within 3x number of audit days, from issue of Final TOR:**
We have met this for 78% of the exit meetings completed. For 7 audits where the PI was not achieved, 3 of these exceeded the PI by 7 days or less. The other 4 experienced more significant delays ranging between 23 and 43 days over the PI. Reasons for this include delayed start of fieldwork due to the auditees, following TOR issue and also complexity of some of the audits. We have also moved to issuing a preliminary draft report prior to the exit meeting, this impacts on the auditor and audit manager's timeframe, as the report has to be prepared and full file review completed pre exit meeting.
 - **Draft reports issued within 15 days of the exit meeting:**
We have met this for 60% of the draft reports issued. Of those not met 4 reports exceeded the PI by 5 days or less. The other 8 exceeded the PI between 10 days and 51 days over.
 - **Final reports issued within 15 days of the draft report:**
We have met this PI for 38% of the final reports issued. For those where the PI was not met this ranges between 4 and 30 days exceeded the PI. Reasons for some have included the complexity of issues identified, the number of Senior Managers involved in the audits, and with some the impact of organisational change and restructure, for example change in reporting lines.
 - **Customer Satisfaction overall average <2**
20 PAQ issued. 4 have responded. No chasing this year. Average score of response = 1.37
12. There is considerable room for improvement with our performance against the targets set, which in addition to the explanations provided above, is also a reflection of the change in the audit resources in the year. A significant amount of the planned work has been outsourced which has impacted on the overall performance.

RECOMMENDATION

The Committee is RECOMMENDED to note the report.

Ian Dyson
Assistant Head of Finance (Audit)

Background papers: None.

Contact Officer: Ian Dyson 01865 323875