

AUDIT COMMITTEE

Agenda Item 63

Brighton & Hove City Council

Subject: Audit & Assurance Services Progress Report

Date of Meeting: 16th December 2008

Report of: Director of Finance & Resources

Contact Officer: Name: Ian Withers Tel: 29-1323

E-mail: ian.withers@brighton-hove.gov.uk

Wards Affected: All

FOR GENERAL RELEASE

1. Summary and Policy Context

- 1.1 This report details the outcome of internal audit work completed since the last meeting of the Audit Committee in November 2008. The report further shows the position regarding the delivery of the Internal Audit Plan for 2008/09.
- 1.2 The Accounts and Audit Regulations 2006 require every local authority to maintain an adequate and effective system of internal audit. Audit & Assurance Services carries out the work to satisfy this legislative requirement and part of its reporting on the outcome is to the Audit Committee.
- 1.3 The terms of reference of the Audit Committee include the requirement to consider the outcomes of work of both internal and external audit.
- 1.4 This report does not include counter fraud activities. This will be the subject of a separate report on outcomes and activities, to the February meeting.
- 1.5 It has been agreed that a report will be provided to the February meeting on the status of agreed management actions arising from finalised audit reports issued in 2008/09 and 2007/08.

2. Recommendations

That the Audit Committee notes the contents of this report, in particular the status of internal audit work since the last meeting.

3. Background Information

- 3.1 The audits contained in the Internal Audit Plan 2008/09 are based on an assessment of risk for each system or operational area. The assessment of risk includes elements such as the level of corporate importance, materiality, service delivery/importance and sensitivity.

- 3.2 The outcome of all audit work is discussed and agreed with the lead service managers. The final reports that include agreed actions to audit recommendations made, are issued to the responsible Director.
- 3.3 The Annual Internal Audit Plan is sufficiently flexible to meet the changing needs and emerging risks of the Council. This is reflected in the level of contingency made for unplanned audit work.

4. Progress against the Internal Audit Plan 2008-09

- 4.1 A full analysis of progress against the agreed Internal Audit Plan 2008-09 is shown at Appendix 1. This is summarised in Table 1.

Table 1: Summary of progress against Internal Audit Plan 2008-09

Audit Stage	Explanation	No.	%
Not Started	Planned but not started	31	30%
Planning	Planning of audit and agreement of Terms of Reference with client	7	7%
Fieldwork	In progress (Interviews, documenting, evaluating and testing of risks and controls)	24	24%
Draft Report	Draft audit report issued and being agreed with client	16	15%
Final Report	Final agreed audit issued and audit complete	25	24%

- 4.2 The achievement of the Annual Internal Audit Plan is based on the issue of final reports i.e. audits completed. The current projection for completion of the plan by the end of year is 88% against a target of 95%. A substantial number of audits are in progress. Other unplanned work is however impacting on the achievement of the plan, in particular Equal Pay, Concessionary Fares and Information Security. All are however considered to be high risk to the council.
- 4.3 So far for 2008/09 the team has experienced a high vacancy level due to recruitment difficulties for the first half year. Although this has improved recently with two new members of staff commencing, there still remains two further recent vacancies and we will be seeking to backfill these as far as possible during the final four months of the year with contractors and agency staff.

5. Final Audit Reports Issued

- 5.1 Since the last Audit Committee meeting, twelve audits have been completed to final report stage. Audit reports are issued as final where their contents have been agreed with client management, in particular management actions with responsibility and timescale. The audit is then effectively closed except for the scheduled implementation review of agreed actions.

No major issues have arising from the final audit reports issued.

The twelve final audit reports issued are shown in table 2 below which includes the assurance levels given and number of agreed actions under assigned priority level.

Table 2: Final Reports Issued

Audit	Report Status	Assurance Level	Agreed Actions and Priority		
			High	Medium	Low
Home to School Transport	Final	Substantial	0	11	3
Members Code of Conduct – Locally Managed Framework	Final	Substantial	0	3	0
Portslade Community College	Final	Substantial	0	1	1
Corporate Debt Recovery	Final	Reasonable	0	7	0
Schools Procurement	Final	Substantial	0	8	3
Internet and Email	Final	Reasonable	0	14	4
Adult Social Care Residential Contracts	Final	Reasonable	0	17	1
Partnership Governance	Final	Substantial	0	6	1
Creditors – Duplicate Payments	Final	Reasonable	0	2	0

The statement on the level of assurance on the effectiveness of internal controls and mitigation of risks, for each audit is a best practice requirement. Members should also note that the assurance levels assigned and agreed are subjective and based on materiality and significance. They often therefore have no direct relationship with the number of agreed actions to recommendations made.

There are currently five levels of audit assurance used and these are summarised as follow:

FULL	There is a sound system of internal control designed to achieve system and service objectives. All major risks have been identified and managed effectively.
SUBSTANTIAL	Whilst there is basically a sound system of internal control, there are weaknesses that put system objectives at risk.
REASONABLE	Controls are in place but there are gaps in the process. There is therefore a need to introduce additional controls.
LIMITED	Weaknesses in the system of control and /or level of compliance are such to put the system objectives at risk.
NO	Control is significantly weak or non existent leaving the system open to high level of risk from abuse, fraud and error.

6. Advice and Support to Directorates

- 6.1 We have continued to be pragmatic in providing professional proactive advice and this element of our work is seen as invaluable by directorates, particularly in areas of change management. By taking this proactive approach, often problems and risks can be avoided. Specific areas include Procurement, Equal Pay, Concessionary Fares, Information Security and Codes of Conduct.

7. Performance of Audit & Assurance Services

- 7.1 To achieve planned coverage and deliver a high quality service we have well established performance indicators, agreed annually as part of the Internal Audit Plan. Table 3 provides members with an overview of the performance of Audit & Assurance Services against the key targets set.

Table 3: Performance against targets

Performance Indicators	Target	Actual
Effectiveness		
% of agreed recommendations	98%	99%
% implementation of agreed management actions	85%	82%
CPA/CAA Use of Resources Score for Internal Control	Level 4	N/A
Efficiency		
% of planned days delivered	100%	54%
% of productive time	71%	75%
Achievement of Annual Internal Audit Plan	95%	24%
% of draft reports issued within 10 days of fieldwork completion	90%	96%
% response by client to draft reports within 15 days	90%	92%
% of issue of final reports within 10 days of agreement	95%	98%
Quality of Service		
% of customer satisfaction feedback in very good or good	90%	96%

8. FINANCIAL & OTHER IMPLICATIONS:

8.1 Financial Implications:

The Internal Audit Plan for 2008/09 will be delivered within existing budgetary resources.

Finance Officer Consulted: Patrick Rice

Date: 9th December 2008

8.2 Legal Implications:

Regulation 6 of The Accounts & Audit Regulations 2003 (as amended by the Accounts and Audit Regulations (Amendment) (England) Regulations 2006) require the Council to 'maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance

Lawyer Consulted: Oliver Dixon

Date: 8th December 2008

8.3 Equalities Implications:

There are no direct equalities implications arising directly from this report

8.4 Sustainability Implications:

There are no direct sustainability implications arising from this report.

8.5 Crime & Disorder Implications:

There no direct implications for the prevention of crime and disorder arising from this report.

8.6 Risk and Opportunity Management Implications:

The Internal Audit Plan and its outcome is a key part of the Council's risk management process. The internal audit planning methodology is based on risk assessments that include the use of the council's risk registers.

8.7 Corporate / Citywide Implications:

Robust corporate governance arrangements are essential to the sound management of the City Council and the achievement of its objectives as set out in the Corporate Plan.

SUPPORTING DOCUMENTATION

Background Documents

1. Internal Audit Plan 2008/09
2. Code of Practice for Internal Audit in Local Government (CIPFA) 2006
3. Accounts & Audit Regulations 2003 (Amended 2006)