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<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	No
<b>Included within the Forward Plan? (If yes include reference number)</b>	No

With regard to officer approval all reports must be approved by the report authors relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).

## Consultation Undertaken

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Not applicable

<b>Final Decision?</b>	Yes
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**Suggested next steps (if not final decision please set out below)**

## **1 SUMMARY**

- 1.1 Report advises on progress in achieving the Internal Audit Plan 2009/10, summarises the audit work completed in the third quarter and provides assurance that action has been taken by managers.

## **2 RECOMMENDATIONS**

- 2.1 That the report be noted and its contents be accepted or, where appropriate, acted upon.

## **3 REASON FOR THE RECOMMENDATIONS**

- 3.1 Members have responsibility for corporate governance, of which internal audit forms a key part.

## **4 ALTERNATIVE OPTION(S) CONSIDERED**

- 4.1 This report is not concerned with recommending a particular option in preference to others so this section is not applicable.

## **5 BUDGETARY FRAMEWORK**

- 5.1 Although there are no direct budgetary implications arising from this report, Internal Audit provides a view on all aspects of governance including that of the Budgetary Framework. An effective control framework ensures that the Authority manages its resources and achieves its objectives economically, efficiently and effectively.

## **6 POLICY FRAMEWORK**

- 6.1 Although there are no direct policy implications, Internal Audit provides a view on all aspects of governance and will take into account the Policy Framework, Community Plan and the Council's policies.

## **7 ROLE AND RESPONSIBILITIES OF AUDIT COMMITTEES**

- 7.1 Guidance on the role and responsibilities of audit committees is available from a number of sources. That which relates to audit committees' relationship with internal audit and in particular the type and content of reports they should receive from internal audit is summarised in Appendix 1.
- 7.2 Essentially, the purpose of an audit committee is:
- To provide independent assurance of the associated control environment.
  - To provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.
- 7.3 To help fulfil these responsibilities audit committees should review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
- 7.4 The following sections provide information to satisfy these requirements.

## 8 **PROGRESS AGAINST PLAN**

- 8.1 At the start of each year Members approve the Audit Plan setting out the audit assignments to be undertaken. An analysis of progress made in completing the Audit Plan for 2009/10 is set out as Appendix 2.
- 8.2 Although not affecting performance in this quarter, this report provides an opportunity to advise that 2 audits have had to be removed from the Audit Plan. One is Internal Communication where it was felt by management that the audit would have been pre-emptory as a Policy was in the process of being produced. It was felt that time would be spent more productively by reviewing the implementation of this policy rather than reviewing arrangements before the policy had been introduced. The time planned for this has, instead, been spent usefully on CAA Use of Resources developments in the field of fraud and corruption. The other audit is Legal Services Functions where there is no longer an in-house function to audit. An audit will be required in this area in the future, however, to review the effectiveness of the arrangements. This time has been utilised instead on an exercise to provide assurance on housing benefit grant claims as requested by management.
- 8.3 Both audits will be re-programmed for future years.

## 9 **SUMMARY OF INTERNAL AUDIT WORK**

- 9.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Authority, Internal Audit review, appraise and report on the efficiency, effectiveness and economy of financial and other management controls. This report summarises the work completed by Internal Audit in the three months ended September 2009. Extracts of internal audit reports issued during the quarter are set out as Appendix 3. (Members are reminded that they may see any files produced by Internal Audit, including the full reports of the audits undertaken, which may help to confirm the level of internal control or help to verify the performance of Internal Audit.)
- 9.2 Each audit report gives an overall opinion on the level of assurance provided by the controls within the area audited. The bands of assurance are shown in Table 1.

**Table 1: Assurance Levels**

<b>Level of Assurance</b>	<b>Definition</b>
Full Assurance	There is a sound system of control designed to address relevant risks with controls being consistently applied.
Substantial Assurance	There is a sound system of control but there is evidence of non-compliance with some of the controls.
Moderate Assurance	Whilst there is a basically sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some of the controls.

Limited Assurance	The system of control is weak and there is evidence of non-compliance with the controls that do exist.
No Assurance	There is no system of control in place.

These definitions have been developed following extensive investigation of other organisations' practices (including commercial operations).

- 9.3 At the request of the Audit and Scrutiny Committee at its meeting of 25 August 2009 the action plans detailing the recommendations arising from the audit reports together with management responses, including target implementation dates, are now included again within this report. They are set out as Appendix 4.

## 10 **RESPONSES TO RECOMMENDATIONS**

- 10.1 Responses have been received from managers to all recommendations arising from audit reports issued during the last quarter.

## 11 **IMPLEMENTATION OF RECOMMENDATIONS**

- 11.1 Managers are required to implement recommendations within the following timescales:

- (a) Recommendations involving controls assessed as high risk to be implemented within three months.
- (b) Recommendations involving controls assessed as low or medium risk to be implemented within nine months.

- 11.2 Responses have been received from managers in respect of the state of implementation of all recommendations arising from audit reports issued during the above periods.