

 Finance & Audit Scrutiny Committee - 13 September 2011		Agenda Item No. 5
Title	Internal Audit Quarter 1 2011/12 Progress Report	
For further information about this report please contact	Richard Barr Tel: (01926) 456815 E Mail: richard.barr@warwickdc.gov.uk	
Service Area	Finance	
Wards of the District directly affected	Not applicable	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No	
Date and meeting when issue was last considered and relevant minute number	Finance and Audit Scrutiny Committee – 7 th June 2011	
Background Papers	Internal Audit Reports	

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

Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report author's relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Relevant Director	26 Aug 2011	Andrew Jones
Chief Executive		
CMT		
Section 151 Officer	26 Aug 2011	Mike Snow
Legal		
Finance	26 Aug 2011	As S151 Officer
Portfolio Holder	26 Aug 2011	Councillor Mobbs
Consultation Undertaken		
Not applicable.		
Final Decision?		Yes
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 2011/12, summarises the audit work completed in the first 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 OPTIONS 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 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 2011/12 is set out as Appendix 2. As indicated in the third table, progress in completing the Audit Plan is slightly behind. This is due to resources being directed to a major investigation. This was authorised by the Deputy Chief Executive (AJ).

9 **ASSURANCE**

- 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.
- 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

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control with evidence of compliance with all the key controls. 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 is evidence of non-compliance with several of the key controls.
Limited Assurance	The system of control is weak. There may also be evidence of non-compliance with the controls that do exist.

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

10 **SUMMARY OF INTERNAL AUDIT WORK**

- 10.1 The action plans accompanying all Internal Audit reports issued in the quarter are set out as Appendix 3. These detail the recommendations arising from the audits together with management responses, including target implementation dates.
- 10.2 Responses have been received from managers to all recommendations arising from audit reports issued during the last quarter.
- 10.3 Two Internal Audit reports were issued during the quarter where the assurance opinion was less than substantial and these are set out as Appendix 4 for members' attention.

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. There are no issues arising from these that it is considered need to be brought to members' attention.

12 **REVIEW**

12.1 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.