

 Finance & Audit Scrutiny Committee - 11 September 2012		Agenda Item No. <div style="text-align: right; font-size: 2em;">4</div>
Title	Internal Audit Quarter 1 2012/13 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Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No	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 – 19 th June 2012	
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
Chief Executive/Deputy Chief Executive	24 Aug 2012	Andrew Jones
Head of Service	24 Aug 2012	Mike Snow
CMT		
Section 151 Officer	24 Aug 2012	Mike Snow
Monitoring Officer		
Finance	24 Aug 2012	As S151 Officer
Portfolio Holder	24 Aug 2012	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 2012/13, 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 2012/13 is set out as Appendix 2.
- 8.2 During the quarter an investigation arose necessitating a diversion of resources away from planned audits. The impact of this on the Audit Plan is yet to be assessed fully but will almost certainly result in the need for the Audit Plan to be revised. If this is the case, an amended Plan will accompany the next Internal Audit Quarterly Progress Report that is brought to this Committee.

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 COMPLETED DURING QUARTER**

- 10.1 Five audits were completed in the first quarter. None of the audits completed during the quarter was awarded an assurance opinion less than substantial. Copies of the reports are available for viewing on the following hyper-link: [REPORTS](#).
- 10.2 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.

10.3 As can be seen, responses have been received from managers to all recommendations arising from audit reports issued during the last quarter.

11 **IMPLEMENTATION OF RECOMMENDATIONS ISSUED PREVIOUSLY**

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 The state of implementation of low and medium risk recommendations made in the second quarter of 2011/12 and one high risk recommendation made in the fourth quarter of 2011/12 is set out as Appendix 4 to this report.

12 **REVIEW**

12.1 Members are reminded that they may see any files produced by Internal Audit that may help to confirm the level of internal control or help to verify the performance of Internal Audit.