



**AUDIT COMMITTEE**  
**5 SEPTEMBER 2005**

**AGENDA  
ITEM**

**INTERNAL AUDIT: PERFORMANCE FOR QUARTER ENDING 30 JUNE 2005**

**Ward(s)** None affected directly by this report.

**Portfolio:** Cllr J O'Hare – Deputy leader of the council and finance portfolio holder

**Summary of report:**

The report presents internal audit's performance against targets for the quarter ending 30 June 2005, summarised below.

| Quality Targets/PI's<br>(e.g. Response Time)                                      | %<br>Target | %<br>Achieved<br>2005/06 | %<br>Achieved<br>2004/05 |
|---|-------------|--------------------------|--------------------------|
| Audits completed within planned time  | 95          | 100                      | 95                       |
| Spending within budget  | 100         | 100                      | 100                      |
| Productivity rate (estimated)   | 65          | 65                       | 70.1                     |
| Audit plan achievement (estimated)  | 90          | 90                       | 95.1                     |
| Report issued within 10 working days of exit meeting                              | 80          | 100                      | 94                       |
| Recommendations accepted/ implemented or agreed                                   | 95          | 100                      | 98                       |
| Returned customer questionnaires to show satisfaction                             | 95          | 100                      | 100                      |
| Overall perception of quality of service from Council wide Internal Audit survey  | 95          | -                        | -                        |
| Recommendations confirmed as actually implemented at next audit visit (see below) | 95          | 68                       | 73                       |

On completion of an audit, a recommendation action plan is agreed with the relevant directorate manager who is then responsible for ensuring its implementation. 73% has been achieved in both of the last two years against a target of 95%. This has now dipped to 68% in quarter 1 of 2005/6 which is disappointing. Implementation of agreed recommendations is a directorate manager's responsibility, but a follow-up process is in place to attempt to improve performance in this area.

**Background papers:**

Internal audit report: monitoring summary

**Reason for scrutiny:**

The quarterly review of internal audit work enables the committee to form a view on the current effectiveness of the internal control environment.

**Recommendation:**

1. To note that as at quarter 1 of 2005/6, Internal Audit has delivered on all of its performance targets; maintaining the high levels of overall performance achieved last year.

**Signed:** .....

**Executive Director: Carole Evans**

**Date: 10 August 2005**

**Resource and legal considerations:**

Paragraph 6 of the Accounts and Audit Regulations 2003 requires councils to maintain an adequate and effective system of internal audit of accounting records and system of internal control in accordance with proper internal audit practices. Under section 151 of the Local Government Act 1972, the council has designated the executive director (finance, law and performance) as the chief finance officer; who is responsible for making arrangements for the proper administration of the council's financial affairs. The cost of providing internal audit is fully charged to services based on audit activity.

**Citizen impact:**

Internal audit work is intended to ensure that effective systems of internal control are in place. This protects the council and its officers and provides an assurance to stakeholders regarding the security of our operations.

**Environment impact:**

None arising directly from this report

**Performance management and risk management issues:**

Many of the audit committee's activities are an important and integral part of the council's performance management and corporate governance framework, and can challenge, review and advise on service delivery, council activity and policy with a view to improving results. The internal audit strategic plan is risk assessed to ensure areas most at risk are examined as a priority. A copy of each quarterly performance report is scrutinised by the section 151 officer to assist in satisfying her responsibilities under the Local Government Act 1972.

It is important that agreed internal audit recommendations are implemented promptly by accountable managers, as this helps to secure and strengthen the internal control environment. The process is as follows:

- Internal audit advise all managers being audited that failure to implement agreed audit recommendations may result in them being called to the audit committee to provide explanation;
- Within a short period of completing the audit, formal confirmation is sought from the manager that agreed recommendations contained within the audit report action plan have been implemented;
- If the manager does not respond to the initial confirmation request, a follow up reminder is issued advising that failure to implement may result in their being asked to provide explanation to the audit committee;
- Failure by the manager to then respond results in a memorandum/letter advising that should their response be not received by a certain date (ie:: after a further 7 days) it will be assumed that the recommendations are agreed and will be fully implemented.

A sample of those in the final category above are examined for validation. Although this approach has proved successful in most cases, a small number of managers have been found to have inaccurately confirmed that recommendations had been implemented when in fact they had not been. This has resulted in a performance level against this indicator of 68% in quarter one; a slight reduction over previous years. This level is expected to improve during the year.

#### **Equality implications:**

None arising from this report

#### **Consultation:**

The proposed annual work plan was discussed with relevant senior managers during April and May 2005. Following completion of each piece of audit work, and before issuing the final version, the manager's agreement to implement recommendation(s) listed in the audit report action plan is sought.

#### **Vision impact:**

Internal audit work contributes towards the council's vision in ensuring services operate in a sound control environment and provide excellent customer services.

#### **Contact Officer**

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