

## INTERNAL AUDIT END OF YEAR REPORT 2006/07 & PROPOSED AUDIT PLAN FOR 2007/08

### 1 SUMMARY

- 1.1 Internal Audit is a statutory function under the Local Government Act 1972, Section 151. The achievement of the 2006/07 Audit Plan is reported for Members consideration plus the proposed 2007/08 Audit Plan.

### 2 INTRODUCTION

- 2.1 Following the progress report on the Audit Plan presented to the 20th February 2007 meeting the year-end position can now be reported.

### 3 2006/07 AUDIT PLAN

- 3.1 The following table shows a comparison of the percentage of the Audit Plan completed against 2005/06 results with a current year target of 97%.

Quarter	1	2	3	4
2006/07	23%	46%	73%	99%
2005/06	28%	56%	78%	102%

- 3.2 Appendix 1 shows the detailed breakdown of actual audit time against planned time. All the proposed audit areas were covered with the exception of Human Resources. Given the focus on the Performance Development Review audit, completed towards the end of 2005/06, no further audit work was considered a priority for this service area during 2006/07. An interim review will be carried out during 2007/08. The audit days available as a result of this were allocated to Partnerships, as this continues to be a growth area of work for the Council.
- 3.3 A total of 18 Audit Reports have been presented to this Committee with 61 recommendations. Four audits were in course at the time of producing this report and will be reported early in the 2007/08 Cycle of Committees. A level of assurance can be placed on all the areas covered by Internal Audit and can be used as evidence to support the Statement on Internal Control.
- 3.4 In addition to audit work within specific areas, a series of “Pro-Active Checks” are carried out throughout the year on a range of subjects including Petty Cash controls, Telephone Calls, Flexi-forms and time recording, asset inventories by Business Areas, Credit Card purchases, forms and Controlled Stationery. Deficiencies, if identified, are raised at the time with the relevant line management. There were no significant deficiencies identified that required escalation to the Senior Management Team.
- 3.5 We have received back 12 post-audit surveys and in all cases the responder felt satisfied that they had received a good audit service. A general

satisfaction survey of key management was also carried out. The overall view was that there was a good relationship between service areas and Internal Audit with our work assisting in improving their management controls. Areas for improvement, such as a deeper understanding of some service areas' technical aspects were identified and will be taken on board

#### **4 PROPOSED AUDIT PLAN FOR 2007/08**

- 4.1 The proposed audit plan is attached for Members' consideration as Appendix 2. Following the resignation of Barry Butler, one of our Principal Auditors, the plan has been constructed to allow for time to recruit and train a replacement. Any further variation to the plan will be reported to Members on a six monthly basis or before if considered urgent.
- 4.2 As part of the Performance Management work for the Audit & Process Review Section, Value for Money reviews will be undertaken across some service areas, the actual ones still to be determined. It is intended to share the skills and knowledge of the internal auditors to assist the Performance Improvement Manager in completing these reviews. A separate work programme will be identified. In turn the performance officers will complete audits identified on the Audit Plan.

#### **5 RISK IMPLICATIONS**

- 5.1 If Internal Audit section is under resourced there is a risk that assurance cannot be given on the Council's Systems. The Audit Plan must reflect a fair cover of the key financial areas of the Council plus those areas that are high risk.
- 5.2 Due to the limit on resources there is always a risk associated with not covering all systems of internal control within the Council.

#### **6 RECOMMENDATION**

- 6.1 It is proposed that the Committee **RESOLVES**

- (1) To note the completion of the 2006/07 Audit Plan.
- (2) To agree the Audit Plan for 2007/08.

Yvonne Woodward

Head of Finance, Audit & Performance Management

---

**Background Papers:-**

None

For further information please contact Tracey Metcalf on:-

Tel:- 01702 318031

E-Mail:- [tracey.metcalf@rochford.gov.uk](mailto:tracey.metcalf@rochford.gov.uk)

If you would like this report in large print, braille or another language please contact 01702 546366.

## APPENDIX 1

## Audit Plan for 2006/07

	Actual Days Used	Planned Days	+/-	Status
<b><u>CORPORATE SYSTEMS</u></b>				
Anti Fraud & Corruption	12.67	12.00	0.67	Report 1
Corporate Governance	2.60	5.00	-2.40	Ongoing
Partnerships	32.87	30.00	2.87	Ongoing
Performance Indicators	33.11	30.00	3.11	Completed
Performance Management	12.06	10.00	2.06	Monitoring the implementation of the new PM system
Risk Management	3.89	10.00	-6.11	Part of the Corporate Risk Group
Statement of Internal Control	11.82	20.00	-8.18	Some Ground work undertaken for 2006/07 process
<b>Section Total</b>	<b>109.02</b>	<b>117.00</b>	<b>-7.98</b>	
<b><u>FINANCIAL SYSTEMS</u></b>				
Cash & Banking	14.29	14.00	0.29	Report 9
Creditors	15.30	14.00	1.30	Report 17
Debtors	14.39	14.00	0.39	Report 15
Income Collection	24.26	25.00	-0.74	Sample Report 13
Main Accounting	17.51	18.00	-0.49	Old System Report 7 New System Report 14
Payroll & Expenses	16.14	14.00	2.14	Report 10
<b>Section Total</b>	<b>101.89</b>	<b>99.00</b>	<b>2.89</b>	

<b><u>OPERATIONAL SERVICES</u></b>				
Central Services	0.00	5.00	-5.00	Current Audit – Telephones To Cover Reports 4 & 6
Contingency	40.37	35.00	5.37	Key Areas Corporate Debt Policy, Payments for Deliveries, LSVT follow- up, Fraud Procedures
Contracts	14.02	15.00	-0.98	To Be Report 18
Council Tax	14.66	14.00	0.66	Report 8
Document Imaging	7.33	7.00	0.33	Report 3
Elections	2.40	3.00	-0.60	Completed
Follow Up & Advisory	20.78	25.00	-4.22	Ongoing
Housing Benefits	28.77	29.00	-0.23	To Be Report 12
Housing Rents	13.74	14.00	-0.26	In Progress - To be Report 16
Human Resources	0.00	0.00	0.00	See Para 3.2 above
Information Technology (IT)	14.16	18.00	-3.84	Report 2
National Non Domestic Rates (NNDR)	14.46	14.00	0.46	Report 11
Proactive Checks	18.11	20.00	-1.89	Reported 10/4/07 (Covers Report 5)
PKF Managed Audit	13.18	14.00	-0.82	New procedures
<b>Section Total</b>	<b>201.98</b>	<b>213.00</b>	<b>-11.02</b>	
<b>Core Audit Time</b>	<b>412.89</b>	<b>429.00</b>	<b>-16.11</b>	

## APPENDIX 2

PROPOSED ANNUAL AUDIT PLAN FOR 2007/08

<u>CORPORATE SYSTEMS</u>	<u>DAYS</u>
<p><b>Statement of Internal Control (SIC) and Corporate Governance</b></p> <p>The Accounts &amp; Audit Regulations 2003 require a statement of internal control to be published and for the Council to review annually the internal control environment this will now include a Self-assessment of the internal audit service.</p>	25
<p><b>Anti Fraud &amp; Corruption &amp; Whistle Blowing Policy</b></p> <p>As part of the requirements of the External Auditors these policies need to be looked at annually. They also feed into the SIC.</p>	11
<p><b>Partnerships</b></p> <p>A selection of Partnerships will be reviewed.</p>	25
<p><b>Performance Indicators</b></p> <p>Best Value Performance Indicators and a selection of Key Local Performance Indicators are audited to enable PKF to submit them to the Audit Commission as accurate and "Unqualified"</p>	20
<p><b>Risk Management Arrangements</b></p> <p>As part of the risk management policy an annual review of the procedures is undertaken by Internal Audit to determine how it is working within the Council. The review will also extend to looking at the service area risk registers to determine what action is being taken to reduce the identified risks.</p>	10
<b><u>FINANCIAL SYSTEMS</u></b>	
<p><b>Payroll &amp; Expenses</b></p> <p>Audited annually as part of the Managed Audit requirements for PKF, the Authority's External Auditor.</p>	14
<p><b>Creditors</b></p> <p>Audited annually as part of the Managed Audit requirements for PKF</p>	13
<p><b>Debtors</b></p> <p>Audited annually as part of the Managed Audit requirements for PKF. This will include a follow-up on the Corporate Debt Policy.</p>	13
<p><b>Cash &amp; Banking</b></p> <p>Audited annually as part of the Managed Audit requirements for PKF</p>	14
<p><b>Main Accounting System</b></p> <p>Audited annually as part of the Managed Audit requirements for PKF.</p>	10

<b><u>OPERATIONAL SERVICES</u></b>	
<b>Housing Benefits</b> Audited annually as part of the Managed Audit requirements for PKF.	<b>29</b>
<b>Housing Benefit Fraud Procedures</b> Review of notification and investigation procedures	<b>7</b>
<b>Council Tax</b> Audited annually as part of the Managed Audit requirements for PKF. Pick up on the Debt Recovery arrangements	<b>14</b>
<b>Contracts</b> A sample of contracts will be reviewed for correct implementation and ongoing management	<b>12</b>
<b>Disabled Facilities Grants</b> A review of procedures for processing grant applications	<b>7</b>
<b>National Non-Domestic Rates (NNDR)</b> Audited annually as part of the Managed Audit requirements for PKF	<b>14</b>
<b>Housing Rents/Rochford Housing Association</b> Audited annually as part of the Managed Audit requirements for PKF. Including a review of the Housing Rents Reconciliation, prior to transfer to Rochford Housing Association (RHA)	<b>20</b>
<b>Licensing</b> A review of procedures after the first full year of operation	<b>12</b>
<b>Elections</b> Review the allocation of ballot papers	<b>5</b>
<b>Central Services</b> Document Imaging Phase 2	<b>10</b>
<b>Procurement</b> A review of procurement procedures within various service areas	<b>10</b>
<b>Proactive Checks</b> Inventories, Honesty Boxes, Post Opening, Petty Cash & Year-end balances, Flexi-Forms, Health & Safety, Controlled Stationery, Authorised Signatures, and Holiday Cards and Section 106 Agreements	<b>25</b>

<p><b>Follow-up and Advisory</b></p> <p>Specific follow-ups Income Collection, Performance Development Review (PDR) Audit</p> <p>Reports from 2006/07 may require some follow-up work to ensure recommendations have been implemented and systems are still operating effectively.</p> <p>Work on behalf of service areas for advice or guidance</p>	<p><b>25</b></p>
<p><b>Contingency</b></p> <p>At this stage it is prudent to allow a number of days as contingency to ensure audit time will be available for new initiatives</p>	<p><b>20</b></p>
<p><b>Service Review</b></p> <p>The areas for review will be identified from a value for money point of view</p>	<p><b>30</b></p> <p><b>See Para 4.2</b></p>
<p><b>TOTAL DAYS ALLOCATED</b></p>	<p><b>395</b></p>