

# **AUDIT COMMITTEE**

## **Internal Audit Monitoring**

**23<sup>rd</sup> January 2008**

### **Report of Internal Audit Manager**

#### **PURPOSE OF REPORT**

To advise Members of the latest monitoring position regarding the 2007/08 Internal Audit Plan.

**This report is public**

#### **RECOMMENDATIONS**

- (1) That the current monitoring position is noted.**
- (2) That the planned programme of audit work for the remainder of 2007/08, as set out in the monitoring statement at Appendix A is approved.**

#### **1.0 Introduction**

- 1.1 The 2007/08 Internal Audit Plan was approved by the Audit Committee at its meeting on 27 June 2007. This report is based on the monitoring position up to 27 December 2007.

#### **2.0 Report**

##### **Progress With Planned Assignments**

- 2.1 Work In Progress brought forward as at 01 April 2007.

Thirteen jobs from the 2006/07 plan were still in progress as at 01 April 2007, and 40 days have been spent in the current year on completing these. All of these jobs have been completed and reports issued.

## 2.2 2007/08 Planned Work

2.3 A monitoring report as at 27 December 2007 is attached as Appendix A. In summary, the position as that date was as follows:

Days originally planned (approved audit plan)	840
Variations in the Plan	-63
Workload allocated as at 27 December 2007	777
Days undertaken to 27 December 2007	481
Days remaining	296

2.4 At the time of the review, it was calculated that 255 days would be available for the remainder of the year (including an estimated 45 days of bought-in resources). Allowing for an estimated 40 days work in progress to remain at 31 March 2007, this would enable completion of the currently allocated work. The main reason for the reduction in resources devoted to the Plan is lost productive time for all members of the section during the year, due mainly to the office removal from St Leonard's House to Lancaster Town Hall and time required in undertaking the Fair Pay Review process. In total, these have contributed to a loss of approximately 45 days of productive audit time.

2.5 The implications of this situation for the Plan are set out in the table below.

Area of work	Resources (audit days)			Outputs (audit reports & opinions)	
	Planned	Projected	Variance	Planned	Projected
Core Financial Systems	100	89	-11	10-12 reports	12 reports
Core Management Arrangements	120	110	-10	8-10 reports	9 reports
Core Operational Systems	70	15	-55	6-8 reports	1 report
Risk Based Assurance Audits	200	190	-10	15-25 reports	17 reports
Follow-Up Reviews	70	50	-20		
<b>Sub-Total, Assurance Work</b>	<b>560</b>	<b>454</b>	<b>-106</b>	<b>39-55 reports</b>	<b>39 reports</b>
Consultancy Work	155	178	+23		
Investigations	35	80	+45		
Audit Management	45	55	+10		
Non Audit Duties	5	10	+5		
General Contingency	40	0	-40		
<b>Total</b>	<b>840</b>	<b>777</b>	<b>-63</b>		

2.6 As can be seen from the table, additional workload in other areas of the plan, especially in investigations, has had an impact on the level of resources devoted to assurance work. The projected shortfall on assurance work is 106 audit days, representing a reduction of 19% on the approved Plan. Overall this means that the projected number of audit reports to be issued during the year is 39, which is at the lower limit of the range planned for the year.

2.7 Under the category of "Core Operational Systems", a change in emphasis and approach to IT audit means that much of this work is actually being delivered through Core Financial Systems audits. This shift will be reflected in future plans.

2.8 The projections for the remainder of the year assume that the 40 days General Contingency built into the Plan will be absorbed during the final quarter.

### **3.0 Details of Consultation**

3.1 Not applicable

### **4.0 Options and Options Analysis (including risk assessment)**

4.1 Actions taken to manage variations in audit workload and availability of resources mean that objectives set out in the approved plan can be achieved. In terms of assurance work, it is projected that the number of audits and reports completed will be at the lower threshold level set for the year. Whilst this level of performance is below that hoped for, it is within the range established within the approved Plan and is felt sufficient to provide an acceptable level of assurance.

4.2 Given the level of available resources, completion of the current programme is the only realistic option. With many audits already being in progress and those remaining being in core areas of assurance work (particularly in financial systems areas), the scope for adjusting the Plan during the final quarter is very limited.

### **5.0 Officer Preferred Option**

5.1 The preferred option is that the planned programme for the remainder of 2007/08 as set out in the monitoring statement at Appendix A is approved.

### **6.0 Conclusion**

6.1 Changes in workload and staffing issues have led to a shortfall in resources for assurance work. Whilst performance in providing assurance has inevitably been affected, the plan has been managed to ensure that acceptable levels of assurance are provided to management and the Audit Committee.

#### **CONCLUSION OF IMPACT ASSESSMENT**

**(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

Not applicable.

#### **FINANCIAL IMPLICATIONS**

None arising from this report.

#### **SECTION 151 OFFICER'S COMMENTS**

The Section 151 Officer has been consulted and has no further comments.

#### **LEGAL IMPLICATIONS**

None arising from this report.

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments.

**BACKGROUND PAPERS**

Internal Audit Plan 2007/08

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