

# AUDIT COMMITTEE

23<sup>rd</sup> September 2009

## Internal Audit Monitoring

### Report of Internal Audit Manager

#### PURPOSE OF REPORT

To advise Members of the latest monitoring position regarding the 2009/10 Internal Audit Plan.

**This report is public**

#### RECOMMENDATIONS

- (1) That the current monitoring position is noted.
- (2) That the proposed adjustments to the Internal Audit Plan as set out in paragraphs 2.10 and 2.11 are approved.
- (3) That the proposed schedule of internal audit assurance work, attached at Appendix B, is endorsed.

#### 1.0 Introduction

- 1.1 The 2009/10 Internal Audit Plan was approved by the Audit Committee at its meeting on 30<sup>th</sup> June 2009. This report is based on the monitoring position up to 26<sup>th</sup> August 2009.

#### 2.0 Report

- 2.1 A detailed monitoring report as at 26<sup>th</sup> August 2009 is attached as Appendix A. In summary, the position as that date was as shown in the following table.

Area of work	Resources (audit days)				
	Actuals to 26/08/09	Remaining	Committed	Original Plan	Variance
<b>Assurance Work</b>					
Core Financial Systems	4.3	34.7	39.0	90	51.0
Core Management Arrangements	13.1	51.9	65.0	75	10.0
Risk Based Assurance Audits	28.4	63.3	91.7	225	133.3
Follow-Up Reviews	38.9	25.0	63.9	50	(13.9)
<b>Sub-Total, Assurance Work</b>	<b>84.7</b>	<b>174.9</b>	<b>259.6</b>	<b>440</b>	<b>180.4</b>
<b>Consultancy Work</b>					
Support Work	57.4	29.5	86.9	45	(41.9)
Efficiency & VfM	4.0	21.0	25.0	50	25.0
Ad-Hoc Advice	13.5	35.0	48.5	60	11.5
<b>Sub-Total, Consultancy Work</b>	<b>74.9</b>	<b>85.5</b>	<b>160.4</b>	<b>155</b>	<b>(5.4)</b>
Audit Management	33.2	21.0	54.2	60	5.8
Other Duties (Non-Audit)	12.6	15.4	28.0	60	32.0
Investigations	155.3	20.0	175.3	125	(50.3)
General Contingency	0.0	0.0	0.0	40	40.0
<b>Total</b>	<b>360.7</b>	<b>316.8</b>	<b>677.5</b>	<b>880</b>	<b>202.5</b>

- 2.2 Whilst this summary shows that, overall, audit resources are not yet fully committed (there being 202.5 days available), there are significant variances in some areas which are creating pressures within the plan.
- 2.3 Most significantly, a major ongoing investigation, which was known and planned for at the start of the year, has taken up more resources than anticipated. The Planned allocation of 125 days to investigative work has already been exceeded by 30 days and completion of existing work is anticipated to require a further 20 days.
- 2.4 Under the heading of Consultancy, the planned allocation for Support Work (45 days) has also been exceeded. This is mainly the consequence of additional work being undertaken in two areas, namely:
- Partnership mapping and evaluation (a commitment of 25 days); and
  - The council's Use of Resources submission (29 days)
- 2.5 The third area where planned allocation has been exceeded (by an additional commitment of 14 days) is in work to follow-up progress with action plans resulting from internal audit reports.
- 2.6 There is scope to partially mitigate these over-commitments, which total 106 days, through reduced commitment in some other areas. At the date of monitoring, it is anticipated that a reduced commitment in "Other Duties", particularly in work associated with the Fair Pay Project, will enable approximately 32 days to be freed up for other purposes. It is also anticipated that a smaller amount (approximately 6 days) may be freed up from "Audit Management" activity and approximately 11 days from "ad-hoc advice".

- 2.7 A further measure could be to allocate some or all of the general contingency of 40 days, although it would be unusual and possibly imprudent to fully expend this resource half way through the year.
- 2.8 It would also be possible to divert resources from the other headings in the plan, namely the programme of assurance work and the provision for efficiency and Value for Money. As these areas constitute the core elements of internal audit work on which management and the Audit Committee will rely in evaluating the council's internal control and governance arrangements, they should normally be regarded as a priority. It follows that diversion of resources from these programmes should be considered as a last resort.
- 2.9 A further option is to consider using some of the consultancy services budget available to Financial Services to provide temporary staff to assist with programmed work.
- 2.10 If the core internal audit programmes of assurance and efficiency & VfM work, are to be maintained, an additional 106 days of audit resource needs to be found to balance the Annual Plan. This can be partially achieved by diverting resources within the internal audit plan, as set out in the following table:

<b>Plan Area</b>	<b>Measure</b>	<b>Resources</b>
Support Work	Increase plan allocation	+42
Follow-Up Reviews	Increase plan allocation	+14
Investigations	Increase plan allocation	+50
<b>Sub-total, increased allocations</b>		<b>+106</b>
Ad-Hoc Advice	Reduce plan allocation	-11
Other Work (Non-Audit)	Reduce plan allocation	-32
Audit Management	Reduce plan allocation	-6
General Contingency	Apply 50% of contingency	-20
<b>Sub-total, reduced allocations\contingency</b>		<b>-69</b>
<b>Balance remaining to be met</b>		<b>37</b>

- 2.11 The above leaves a balance of 37 days to be met. It is proposed that this be managed by the Internal Audit Manager in consultation with the Head of Financial Services and the Chairman of the Audit Committee as necessary.

### **Future Work Programme**

- 2.12 Following consultation with Service Heads, the rolling Risk-Based Assurance Audit work programme has been revised and is attached as Appendix B. The audit work included in this programme has again been prioritised from 1 – High to 3 – Low.
- 2.13 Members are asked to consider, comment on, and endorse the programme.

### **3.0 Details of Consultation**

- 3.1 All Service Heads have been consulted in the development of the proposed Risk Based Audit Assurance Work Programme.

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

- 4.1 The options available to the Committee are either to approve the proposed adjustments to the Internal Audit Annual Plan which are set out in the table in § 2.10 and 2.11, or to propose that the additional commitments identified are met by a different combination of adjustments or measures.
- 4.2 The proposed adjustments are designed to ensure that the core programme of assurance work is safeguarded, and recognise that the overall position regarding work demands will develop and change during the remainder of the year. The proposal provides the Internal Audit Manager with the authority and flexibility to manage the plan. Should any more significant issues arise before the next scheduled meeting of the Committee, the Internal Audit Manager will advise and consult the Chairman on any proposed corrective measures.

#### 5.0 Conclusion

- 5.1 Monitoring of the Annual Internal Audit Plan for 2009/10 shows a number of variations in demand for audit work, which need to be managed over the remainder of the year. It is anticipated at this stage that this can be managed so as not to affect the levels of assurance provided by Internal Audit's core programme of planned work.

#### **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 2009/10

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