

AUDIT COMMITTEE

22nd September 2010

Internal Audit Monitoring

Report of Internal Audit Manager

PURPOSE OF REPORT

To advise Members of the latest monitoring position regarding the 2010/11 Internal Audit Plan.

This report is public

RECOMMENDATIONS

- (1) That the current monitoring position is noted.
- (2) That the strategy relating to internal audit staffing and the assessment of future audit needs, as set out in paragraphs 2.3 to 2.6 is endorsed.

1.0 Introduction

- 1.1 The 2010/11 Internal Audit Plan was approved by the Audit Committee at its meeting on 30th June 2010. This report is based on the monitoring position up to 25th August 2010.

2.0 Report

Monitoring Position as at 25th August 2010

- 2.1 A detailed monitoring report as at 25th August 2010 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 25/08/10	Remaining	Committed	Original Plan	Variance
Assurance Work					
Core Financial Systems	16	0	16	90	74
Core Management Arrangements	36	27	63	150	87
Risk Based Assurance Audits	44	58	102	135	33
Follow-Up Reviews	28	42	70	70	0
Sub-Total, Assurance Work	124	127	251	445	194
Consultancy Work					
Support Work	37	8	45	100	55
Efficiency & VfM	0	0	0	50	50
Ad-Hoc Advice	28	37	65	65	0
Sub-Total, Consultancy Work	65	45	110	215	105
Other Duties (Non-Audit)	6	9	15	15	0
Audit Management	21	35	56	70	14
Investigations	15	5	20	60	40
General Contingency	0	40	40	40	0
Total	231	261	492	845	353

- 2.2 The monitoring position takes account of ongoing and known work commitments. The summary shows that, overall, audit resources are not yet fully committed (there being 353 planned days 202.5 days uncommitted). There are currently no obvious pressures within the plan.

Staffing Considerations

- 2.3 It was reported to the June meeting of the Committee that the Principal Auditor had left the section for a position elsewhere in the council. At that point it was felt that the post should be filled and the internal audit section maintained at full establishment. Following a more thorough assessment of the situation by the Internal Audit Manager in consultation with the Head of Financial Services and the HR Manager, and particularly having regard to increased threat to the council posed by financial pressures, Management Team have approved the following measures:
- That approval be given to recruit to the post of Principal Auditor on a permanent basis, subject to the vacancy being ring-fenced to the two Senior Auditor postholders; and
 - That any resulting vacancy be held for the time being, subject to clarifying the council's audit requirements in the longer term.
- 2.4 The recruitment process referred to in a) is in hand. A full internal audit needs assessment will be carried out over the next few months. This will seek to identify and reflect the implications for audit of all significant changes in the council's organisation and activities in the light of the awaited government spending review. This will lead on to a further review of audit resources and staffing levels.

- 2.5 A review of audit resources given the current reduction in staffing by one post indicates that 730 days would be available as compared with the 845 included in the original plan (the plan had already assumed that the Principal Auditor post would be vacant for two months).
- 2.6 At present, given that known/anticipated commitments stand at 492 days, there is clearly scope to manage the plan and no remedial measures are proposed at this stage. Any developments or proposals arising from the needs assessment referred to in §2.4 will be reported to the committee in due course. The option remains for the Head of Financial Services to authorise additional resources to be bought in within the savings generated from not filling one of the Senior Auditor posts.

3.0 Details of Consultation

- 3.1 No specific consultation has been undertaken. Management Team has considered and approved the proposals relating to internal audit staffing.

4.0 Options and Options Analysis (including risk assessment)

- 4.1 The options available to the Committee are either to endorse the actions being taken in relation to internal audit staffing, and the proposed review of internal audit needs, or to propose an alternative course of action.
- 4.2 The actions being taken in relation to staffing will result in internal audit resources for 2010/11 being 115 days fewer than included in the annual plan approved by Audit Committee in June 2010. There is a risk, given the scope and extent of organisational change occurring in the council, that reducing internal audit coverage could lead to significant issues being missed. On the other hand, the extent of change likely to result from the financial pressures being felt by the council could lead to a lower future requirement for internal audit resources.
- 4.3 It is felt that the most appropriate and flexible approach at this stage is to keep one post vacant until a fully informed needs assessment can be undertaken, leading to further staffing and audit planning proposals.

5.0 Conclusion

- 5.1 Monitoring of the Annual Internal Audit Plan for 2010/11 indicates the need for staffing changes and future demands for audit work to be reviewed in managing the annual plan. Further information and proposals will be reported to the Audit Committee as they are developed.

CONCLUSION OF IMPACT ASSESSMENT

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

Not applicable

FINANCIAL IMPLICATIONS

Recruiting internally to the Principal Auditor post will result in savings of between £4.3K and £24.6K for the current year, based on an effective date of 01 September. The actual saving will depend on the amount of additional audit resources needed on a short term basis, to cover the resulting senior auditor vacancy.

For future years, savings will depend on what decisions are taken in due course regarding audit needs etc. As an example, if ultimately a decision is taken to replace a senior auditor post with a lower graded assistant, savings of between £13.4K and £17.8K could be generated. The longer term will be influenced to a degree by the effectiveness of this year's proposed arrangements.

The above figures are indicative, based on current grades but allowing for changes in existing pay protection.

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 2010/11

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