

AUDIT COMMITTEE

Internal Audit Monitoring 24 January 2007

Report of Internal Audit Manager

PURPOSE OF REPORT

To advise Members of the latest monitoring position regarding the 2006/07 Internal Audit Plan and seek approval for a series of proposed measures for the remainder of the plan.

This report is public

RECOMMENDATIONS

- (1) That the current monitoring position is noted.
- (2) That the adjustments to the Internal Audit Plan set out in Option C (§ 4.4) are approved.

1.0 Introduction

- 1.1 The 2006/07 Internal Audit Plan was approved by the Audit Committee at its meeting on 26 April 2006. This report is based on the monitoring position as at 12 December 2006.

2.0 Proposal Details

Progress With Planned Assignments

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

As set out on page two of the Appendix A, thirteen jobs from the 2005/06 plan were still in progress at 01 April 2006, and 88 days have been spent in the current year on completing these. At the time of writing, all of these jobs have been completed and reports issued, with the exception of job 04/0589 – Commercial Property Management. The draft report for this job has been issued and will be signed off in the final quarter of the year ready for consideration by the Committee at its meeting in April 2007.

2.2 2006/07 Planned Work

Steady progress has been made with the planned assignments for 2006/07. Alterations have been made to the programme in that:

- By agreement with the Head of City Council (Direct) Services, audits of Street Cleansing and Waste Management have been combined to focus on the main issues arising from the Audit Commission's review of Waste Management.
- Work on Transport Policy and Strategy has been postponed, to be picked up again in considering the 2007/08 plan. This decision has been taken in the context of transport policy and strategy responsibilities resting with the County Council and the limited potential for the Council to influence it at the present time. Planning for 2007/08 will consider the scope for work associated with those transportation issues which the Council has identified as priorities.

2.3 The main pieces of work remaining to be covered in the final quarter of the year are set out in Appendix B, with comments on their relative significance and proposals on how they are to be resourced.

2.4 With fifteen days so far having been spent on investigations, there are twenty days remaining in the plan. At the time of writing it seems likely that two investigations will be referred to Internal Audit. It is not therefore proposed to alter this element of the plan.

Workload

2.5 A monitoring report as at 12 December 2006 is attached as Appendix A. In summary, the position as that date was as follows:

Days originally planned (approved audit plan)	924.0
Work in progress brought forward at 01 April 2006	88.2
Adjustments (identified savings/over-runs)	40.0
Revised Workload as at 12 December 2006	1052.2
Days undertaken to 12 December 2006	565.4
Days remaining	487.4

2.6 At the time of the review, it was calculated that 297 days would be available for the remainder of the year (including an estimated 60 days of bought-in resources). Allowing for 65 days work in progress to remain at 31 March 2007, this leaves a shortfall of 125 days. The main reasons for the shortfall are:

- Additional support work, especially in the implementation of the corporate project management methodology (LAMP) – 55 days
- Long-term illness of one member of staff – 45 days
- Minor over-runs on scheduled audits – 27 days

3.0 Details of Consultation

3.1 Not applicable

4.0 Options and Options Analysis (including risk assessment)

4.1 The measures available in relation to the resource shortfall broadly include:

- Applying contingencies built into the plan;
- Reducing the allocation of resources to certain assignments;
- Postponing outstanding planned assignments to the following year;
- Buying additional resources to meet the shortfall;
- A combination of any/all of the above.

4.2 The schedule of remaining work set out in Appendix B identifies a number of possible actions that can be taken, including assignments with the potential for resources to be saved and some with the potential for the work to be postponed to the 2007/08 audit plan.

4.3 The audit plan includes provision for resources to be bought-in from Financial Services' consultancy budget and the current plan provides for this budget supplying 60 days of work. In practice, the number of days obtained will vary depending on the nature and source of bought-in services. Allowing for this expenditure, the Service's consultancy budget will be fully committed with no balance available to fund the purchase of any additional resources.

4.4 The following table sets out the potential sources of savings identified and three possible options to meet the shortfall of 125 days. In all cases, the options seek to ensure that the work done optimises the assurance provided in relation to the annual review of Internal Control and Corporate Governance, which the Audit Committee will be asked to consider.

Source of savings	Potential	Option A	Option B	Option C
Application from General Contingency	45	45	25	35
Postponement of Efficiency & VfM work (projects & reviews)	40	40	40	40
Postponement of unallocated Computer Audit work	22	22	22	22
Savings on Risk Management and Performance Management	15	15	10	15
Postponement of outstanding scheduled audits of:				
• Sundry Debtors	5			
• Asset Management	15			
• Corporate Governance	29.5			
• Performance Management	25			
• Legality	15			
• Risk Management	20			
• Workforce Management Strategy	15		15	15
• Facilities Management	15		15	
Total		122	127	127

4.5 The options vary only slightly. Option A applies the full amount of the general contingency of 45 days, thus avoiding the need to postpone any outstanding audits, but leaving no scope for further variations. Option B takes what is probably the minimum level from the general contingency, but requires the postponement of two outstanding audits. Option C takes an intermediate approach by not applying the whole of the general contingency, and proposing the postponement of one scheduled audit (Workforce Management Strategy).

5.0 Officer Preferred Option

5.1 The officer preferred option is option C, which does not apply the whole of the general contingency at this stage, but leaves 10 days unallocated to provide cover for further variances during the final quarter of the year. The postponement of the Workforce Management Strategy audit is not viewed as critical in the light of the Audit Commission's recently completed review of this area. The proposals should ensure that the work provides effective levels of assurance in relation to the forthcoming review of the Internal Control and Corporate Governance system.

6.0 Conclusion

6.1 Changes in workload and staffing issues have led to a shortfall in resources for the final quarter of the year. Proposals have been made to vary the planned workload which will ensure that effective levels of assurance are provided to management and the Audit Committee in their 2006/07 annual review of the system of Internal Control and Corporate Governance.

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 2006/07

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