

**REPORT TO: AUDIT AND PERFORMANCE REVIEW COMMITTEE ON 6 FEBRUARY 2008**

**SUBJECT: REPORT ON THE WORK OF THE INTERNAL AUDIT SECTION IN THE PERIOD FROM 1ST OCTOBER 2007 TO 31ST DECEMBER 2007**

**BY: CHIEF FINANCIAL OFFICER**

**1. REASON FOR REPORT**

- 1.1 This report advises Committee on the work of the Internal Audit section for the period 1<sup>st</sup> October 2007 to 31<sup>st</sup> December 2007.
- 1.2 This report is submitted to Committee in terms of Section I (1 and 6) of the Council's Administrative Scheme relating to monitoring delivery of the audit service by Internal Audit.

**2. RECOMMENDATION**

- 2.1 **That Committee consider the contents of the report, seek clarification on any points arising, and otherwise note the report.**

**3. BACKGROUND**

- 3.1 Internal Audit sets out its planned programme of work on an annual basis, the programme being designed to provide assurance to Committee and Chief Officers of the Council that effective internal controls are introduced and maintained within the Council's systems and procedures.
- 3.2 In the audit plan, approved at the meeting of this Committee on 18 April 2007, members were advised that there was a lack of capacity in the team due to staff absence. In addition, it was reported that the available staff resources were being stretched as the result of a need to support various developing issues facing the Council. These related to corporate governance, risk management, performance management and efficient government all of which required audit input over and above that which would be expected in terms of the traditional audit role of reviewing internal control systems.

- 3.3 The audit plan was approved in view of the noted constraints and temporary additional resources were secured through an agency and via a secondment of a trainee accountant from the Accountancy Section. These additional resources assisted in the short term. Within the past two weeks the vacancy in the team has been filled.

### **Work Programme**

- 3.4 During the period work progressed on a number of planned audit work topics and as noted above audit input into various other corporate issues was also undertaken. A synopsis of the major pieces of work is given in the following paragraphs.
- 3.5 Planned audits of Housing and Council Tax Benefits (Performance Standards) and Payroll were concluded. The executive summaries for both projects are given as **Appendix 1** together with an action plan for the Housing Benefits audit where a number of recommendations for improvement have been made. An audit of Fleet Services was also finalised but responses to the audit recommendations have still to be collated at the time of drafting this report.
- 3.6 Audit work also informed a national study of procurement by the Scottish Local Authorities Chief Internal Auditors Group. This project did not specifically fall within the audit plan but resources were applied to this topic given its significance as a national priority and the publication of a national report (the McClelland report) on public sector procurement in Scotland. The audit recognised that Councils had widely varying procurement practices which had evolved over time and that many were some way from complying with the aspirations of the McClelland report. However, it noted that all Councils were working towards securing further efficiencies through revising procurement practices. Participation in the study provided comprehensive benchmarking data for this Council's own procurement team and the audit methodology will provide a means of evaluating ongoing progress in this area. A copy of the national audit report has been placed in the members' library.
- 3.7 A new framework for corporate governance was published during the autumn and a summary of its requirements was prepared and submitted to the CMT. The framework is to be accompanied by guidance but its publication has been delayed and at the time of preparing this report only draft guidance has been made available. The framework and guidance together provide the standards of good governance against which Councils shall be measured, and provides an outline of the topics to be covered in the governance statement prepared for inclusion with the annual accounts. The remit of Internal Audit is to validate the accuracy of the governance statement and to assist the organisation to ensure the extensive governance requirements are met. Work on this will continue through to the publication of the statement in late Spring.

- 3.8 One of the key requirements in the latest governance framework builds on previous guidance on the topic of risk management. The guidance states 'Risk management is important to the successful delivery of public services. An effective risk management system identifies and assesses risks, decides on appropriate responses and then provides assurance that the appropriate responses are effective.' Members may recall that Internal Audit is currently playing a key role in ensuring that an effective risk management system is in place and that progress is being made towards ensuring that risk management is embedded into the culture of the Authority with managers at all levels recognising that risk management is part of their jobs. Work in this area continues with all teams reviewing and updating their risk registers prior to the financial year-end as a precursor to developing service improvement plans in the coming year. Progress has not been as quick as would have been liked but it is recognised this is but one of many issues service managers have to find time to address.
- 3.9 At the meeting of this Committee in November, a question was raised about the CIPFA audit committee principles and a request made that training be provided to members on how these principles should be translated into practice. The principles have now been reviewed and whilst it should be noted that elements thereof were incorporated into the induction training provided to elected Members following the May elections it would be appropriate to run a further workshop session for members, covering not only audit committee principles but also governance and risk management and Members' responsibilities in this regard.
- 3.10 Other work undertaken during the period involved a review of the work of the central health and safety team. This audit is now looking at the application of health and safety policy within services and its findings will be reported to the next meeting. The audit team also reviewed procedures for income collected by various Council establishments and this will be reported to the next meeting of this committee as a confidential item given the subject matter under review.
- 3.11 Internal audit staff have also been involved in supporting the efficiency and continuous improvement agendas through the work of the Efficient Government Working Group. These activities do not culminate in audit reports but the independent review process adds weight to any recommended changes in working practices. Whilst this adds value to the reviews completed, it detracts from the core controls assurance role of Internal Audit. Efforts are being made to address this as the Council considers the remit and resources of the shared services review project supported by the Scottish Government.

- 3.12 The competing priorities on scarce internal audit resources has also been recognised in terms of the extent to which Internal Audit work can support the work of the External Auditor. A meeting was held with the External Auditor manager in late December to discuss this issue and she is to provide the Team Leader (Audit) with details of the audit projects for completion by Internal Audit in the incoming year.

#### **4. SUMMARY OF IMPLICATIONS**

- (a) Corporate Development Plan/Community Plan/Service Improvement Plan**
- (b) Policy and Legal**
- (c) Resources (Financial, Risks, Staffing and Property)**

In relation to (a) to (c) above the work of Internal Audit contributes towards ensuring plans are achieved, policies are consistently applied, and resources are used to best effect in the areas under review.

#### **(d) Consultations**

Service managers responsible for areas being audited are involved throughout the audit process in relation to their services. There have been no direct consultations in respect of this report.

#### **5. CONCLUSION**

- 5.1 **A significant amount of work has been undertaken during the period notwithstanding the reduced staffing capacity of the team and the range of governance, risk, efficiency, audit and control projects to be covered. The filling of a vacancy within the team is welcomed and should assist the team going forward to re-assess resources and commitments to the various projects mentioned in the report and provide a more stable basis on which to develop the audit plans for 2008/09.**

Author of Report: Atholl Scott, Team Leader (Audit)  
Background Papers: Internal Audit files  
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