

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

SUBJECT: PROGRESS AGAINST ANNUAL AUDIT PLAN

BY: CHIEF FINANCIAL OFFICER

1. REASON FOR REPORT

- 1.1 To advise Members on progress made against the annual Audit Plan for the nine-month period to 31st December 2007.
- 1.2 This report is submitted to Committee in terms of Section I (1 and 6) of the Council's Administrative Scheme.

2. RECOMMENDATIONS

- 2.1 It is recommended that the Committee note the progress made towards completion of the approved annual audit plan during the nine-month period to 31st December 2007, and the actions being taken to ensure the performance monitoring framework is improved for the 2008/09 financial year.

3. BACKGROUND

- 3.1 As reported previously, Internal Audit has been affected by staff absences /shortages for some time and an extending workload which has ranged across a number of different audit related topics. A consequence of this has been an inability to set an audit plan that can be delivered with certainty and allow performance to be monitored in a meaningful manner.
- 3.2 Since the last Committee meeting a vacant post has been filled and this should go some way to retrieving the situation. But there remains pressure on the team given the volume of topics that Internal Audit supports and these are under review. For example, the new guidance on Corporate Governance referred to in a separate report on this agenda report means further work for the Council; the extent of Internal Audit's role in this remains to be clarified. Risk Management is now well established but how long Internal Audit continues to support this is a matter currently under review by CMT, and may be clarified when the related issue of business continuity is resolved. Work in support of Efficient Government will also be largely influenced by how the shared services review process develops.
- 3.3 All of these factors have impacted on Internal Audit to the extent that monitoring and reporting of the team's performance has become a less than meaningful task. However, this position cannot be allowed to continue indefinitely as the Performance Management process places an obligation on the team to set targets that are reasonably challenging on the one hand but also have a realistic chance of being met on the other.

- 3.4 Committee has previously been advised that I am not yet convinced that the Audit team is staffed at the optimum level and this remains the case. It has been difficult to gauge the likely impact in terms of staff resources because of the variables outlined in Paragraph 3.2 above. It is however intended to resolve some of these issues in early course so that in line with best practice any resources short fall can be quantified in exact terms when the Committee is asked to note the audit plan for 2008/09 at its next meeting.
- 3.5 In terms of current performance measures the principal indicator is adherence to the audit plan, but this is supplemented by a number of other indicators including one that focuses on the status of audit recommendations implemented. It has been standard practice to follow up all audit reports following the agreed date for implementation of audit recommendations but recently, again due to staffing pressures, this work is only carried out as and when time permits.
- 3.6 Current practice is that Internal Audit would only draw Committee's attention to reports where recommendations had not been implemented as agreed (i.e. on an exceptions basis) as part of the overall performance reporting arrangements. However it is understood following a review of performance measures that Committee is now looking for positive assurance that all agreed recommendations have been implemented. It is suggested that an annual report on this would suffice and it is proposed that a report on all recommendations due to be implemented during 2007/08 that were not completed on time will be submitted to the June meeting of this Committee.

4. PERFORMANCE RESULTS

- 4.1 The audit plan allowed for anticipated resources inputs into planned audit projects of 345 days in the nine-month period but this was supplemented by a further 115 days input from the temporary member of staff and the trainee accountant. The table below compares planned coverage with actual activity.

Area of Coverage	Planned days	Actual days	Variance
Core Systems	166	182	16
Departmental Systems	246	142	(104)
Best Value/Efficiency	<u>48</u>	53	5
Unplanned Work		<u>83</u>	<u>83</u>
Totals	<u>460</u>	<u>460</u>	=

- 4.2 In effect whilst resource inputs into core systems are in line with planned days, necessary work on risk, efficiency and governance has been to the detriment of planned work on departmental systems.

5. LINKS TO CORPORATE PLAN

- 5.1 Provision of performance monitoring information is consistent with the working principle of accountability as disclosed in the Corporate Development Plan.

6. CONCLUSION

- 6.1 **The report summarises Internal Audit's progress against the agreed plan for the nine-month period to 31 December 2007.**

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Background Papers: Audit Plans and Time Recording Systems
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