

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**REPORT OF THE EXECUTIVE MANAGEMENT TEAM TO THE
AUDIT & RISK COMMITTEE**

Date 15 July 2013

INTERNAL AUDIT SECTION ANNUAL REPORT 2012-13

Submitted by: Audit Manager

Portfolio: Finance and Resources

Ward(s) affected: All

Purpose of the Report

To consider the annual report of the Internal Audit Section for the financial year 2012-13 enclosed as Appendix A.

Recommendations

A That the Internal Audit Section Annual Report for 2012-13 be received.

Reasons

Internal Audit's Strategy is "*To deliver a risk-based audit plan in a professional manner, to provide the organisation with an opinion on the level of assurance it can place upon the internal control environment, and to make the recommendations to improve it*". This report outlines how Internal Audit has achieved this during the 2012-13 financial year.

1. Background

- 1.1 Internal Audit is an independent appraisal function within the Borough Council which reports directly to the Section 151 Officer who is the Executive Director (Resources and Support Services). The Section also provides a service to management by giving assurance that there are adequate internal controls in operation, ensuring the proper, economic, efficient and effective use of resources, to include the security of assets and data and to assist management in preventing and detecting fraud. This is achieved by the completion of routine system and regularity audits and, under a wider remit, by value for money and special audits.
- 1.2 The Council's Internal Audit Section consists of 3.5 FTE staff and is managed by the Audit Manager.
- 1.3 This report aims to provide information about the programme of work undertaken by Internal Audit during the financial year 2012-13, which has been extracted from the Internal Audit time monitoring system. Monitoring of the Section's performance against plan is completed and an analysis undertaken of actual work areas across major audit areas.

- 1.4 The section has continued to contract in specialist external computer support. The contract for 2012-13 was awarded to CW Audit Services.
- 1.5 As required by the Chartered Institute of Public Finance and Accountancy's (C.I.P.F.A.) Code of Practice for Internal Audit in Local Government in the UK 2006, the Audit Manager has developed a Strategy for delivering the Internal Audit Service as per the Terms of Reference, reviewed by Audit and Risk Committee on 30 January 2012. The Strategy states how Internal Audit will contribute to the Council's review of corporate governance arrangements, risk management processes, key internal control systems and how the assurance for the annual statement on internal control will be demonstrated. It establishes the resources and skills required for its delivery and the allocation of audit work.
- 1.6 The Internal Audit year-end report also builds upon the assurance given by the section in support of the Annual Governance Statement on internal control.

2. **Issues**

- 2.1 The Audit and Risk Committee approved the Audit Plan for 2012-13 on the 30 January 2012. The plan accounted for 534 audit days.
- 2.2 Internal Audit have maintained a good level of productivity, 85% against a target of 74%, and completed 91% of the audit plan. Productivity for Internal Audit is measured in terms of the available resource which is calculated in terms of audit days, with each day representing 7.4 working hours. The total available days is then adjusted to take into account annual leave, sickness, training, supervision, corporate work and a contingency allowance. The resulting sum is classed as productive days available for the year, for this reason it is not possible to achieve 100% staff productivity.
- 2.3 The percentage of Internal Audit recommendations implemented by your officers has increased to 91% against a target of 95%. This is due to an increase in the number of recommendations made and also an increase in requests to change the target dates which resulted in a larger number of recommendations that remained outstanding at the end of the year. There are no high or medium risk recommendations that are considered as not receiving adequate management attention.
- 2.4 The work of Internal Audit shows the Council to have an adequate, effective and reliable framework of internal control, which provides reasonable assurance regarding the effective and efficient achievement of the Council's objectives.

3. **Options Considered**

- 3.1 The provision of specialist computer skilled auditors is bought in as a more economically and effective option to training and trying to retain the same quality of staff internally.

4. **Proposal**

Not applicable

5. **Reasons for Preferred Solution**

Not applicable

6. **Outcomes Linked to Corporate Priorities**

- 6.1 Internal Audit contributes to the prevention, identification and investigation of fraud and corruption and contributes to promoting an anti-fraud culture.
- 6.2 Internal Audit helps to ensure that best use is made of the Council's resources and contributes to improving efficiency whilst underpinning the remaining priorities of the Council.

7. **Legal and Statutory Implications**

The Local Government Accounts and Audit Regulations 2011 require every Local Authority to maintain an adequate and effective system of internal audit of its accounting records and of its systems of internal control in accordance with proper internal audit practices.

8. **Equality Impact Assessment**

There are no differential equality impact issues identified from this proposal.

9. **Financial and Resource Implications**

- 9.1 The total budget, for the Section for 2012/13 was £241,540

10. **Major Risks**

- 10.1 Risk issues are covered in the main report, attached Appendix A.

11. **Key Decision Information**

Not applicable

12. **Earlier Cabinet/Committee Resolutions**

Report to Audit & Risk Committee 30 January 2012 – Internal Audit Plan 2012-13
Report to Audit & Risk Committee 30 January 2012– Internal Audit Strategy and Terms of Reference

13. **List of Appendices**

- 13.1 Annual Report of the Internal Audit Section 2012-13

15. **Background Papers**

APACE time recording system
CIPFA Code of Practice for Internal Audit in Local Government