

	<p style="text-align: center;"><b>Audit Committee</b> 22 September 2011</p> <p style="text-align: center;"><b>Report from the Director of Finance and Corporate Services</b></p>
For Information	Wards Affected: ALL
<p><b>1<sup>st</sup> Internal Audit Progress Report 2011/12</b></p>	

## **1. Summary**

- 1.1. This report sets out a summary of the work of Internal Audit for the period 1<sup>st</sup> April 2011 to 31<sup>st</sup> August 2011. The attached report provides further detail together with the assurance ratings and priority 1 recommendations for limited assurance reports and management responses for those audits for which final reports have been issued since April 2011 (including reports for the 2010/11 financial year).

## **2. Recommendations**

- 2.1. That the Audit Committee note the progress made in achieving the 2011/12 Internal Audit Plan.

## **3. Detail**

- 3.1. The Internal Audit Plan for 2011/12 comprises 1,200 days, of which 905 are allocated to Deloitte Touche Public Sector Internal Audit Limited, and 295 to the in-house team.
- 3.2. At the end of August 2011, a total of 370 days had been delivered against the overall Plan, made up of 280 Deloitte PSIA days and 90 in-house days. This represents 31% of the Plan.
- 3.3. In so far as it was possible to allocate audits to a specific quarter prior to the start of the year, the majority of these have progressed as planned. As explained in previous years, the days are not planned to be delivered in an even twelve month split. There is a requirement for financial systems to be audited towards the end of the year, in order for sample testing to cover a significant proportion of the accounting period and satisfy the Audit Commission's assurance needs. In addition, given that the Plan has been

aligned to many of the developments taking place as part of the One Council programme, a further key factor in the timing of work is the status of implementation of each of these developments.

- 3.4. The Plan is kept under continuous review in order to determine whether changes will be required in certain areas, on the basis that internal audit work will not be considered relevant in respect of certain projects due to the implementation status. Where this is the case, alternative areas are identified, so as to ensure that the total planned days are delivered by year-end.
- 3.5. A number of systems audits have been completed and are in progress across the Council. In addition, work has been undertaken in relation to the new Project Management Framework being developed and implemented by Regeneration and Major Projects. This work involved an initial assessment of the adequacy of the controls making up the new Framework, and was completed by one of Deloitte's specialist contract auditors, taking account of their construction industry knowledge and experience of good practice across the public sector. The purpose of the work was to assist management to determine any revisions potentially needed at this stage, as opposed to waiting until the Framework has been fully embedded.
- 3.6. Computer audit work is also progressing, and has included Programme and Project Management Effectiveness; Resilience of Exchange/Outlook and E-mail archiving; Framework-i application; Software Licensing; and risk and control input to the project meetings for the Council wide VDI Project.
- 3.7. The final key area of work is in relation to schools, which forms a significant part of our annual coverage. 16 primary schools have been included in the 2011/12 plan. The majority of these have been visited before the summer holiday and audit are waiting for further information and documents to finalise the audits. In addition, a number of reports for Secondary schools audited in 2010/11 were still in draft at the time of the last meeting, these have now been finalised. However, it should be noted by the committee that the majority of secondary schools failed to provide management responses to draft reports.
- 3.8. As was the case in 2010/11, key areas of weakness identified across several of the schools audited so far in 2011/12 relate to compliance with the Financial Regulations for Schools around high value procurement and leasing arrangements. In addition, issues have been identified in respect of the salary levels of Headteachers', other members of the Leadership Teams in the context of non-compliance with the national School Teachers Pay and Conditions Document 2010 (STPCD).

#### **4. Financial Implications**

- 4.1. None

#### **5. Legal Implications**

- 5.1. None

**6. Diversity Implications**

6.1. None

**7. Background Papers**

1. REPORT FROM THE DIRECTOR OF FINANCE – INTERNAL AUDIT PLAN FOR 2011/12, *Audit Committee 25<sup>th</sup> June 2011.*

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