

**REPORT FOR: GOVERNANCE, AUDIT  
AND RISK  
MANAGEMENT  
COMMITTEE**

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**Date of Meeting:** 29 November 2012

**Subject:** **INFORMATION REPORT –  
Internal Audit Mid-Year Report  
2012/13**

**Responsible Officer:** Tom Whiting, Assistant Chief Executive

**Exempt:** Appendix 4 to the report is an exempt report. This report has been excluded from public inspection under paragraphs 1 and 7 of part 1 of schedule 12A to the Local Government Act 1972 (as amended) as it contains information relating to individuals and information relating to actions taken in connection with the prevention, investigation and prosecution of crime.).

**Enclosures:** Appendix 1 – Internal Audit Mid Year Report 2012/13  
Appendix 2 – Core Financial Systems Report  
Appendix 3 – Reports issued in Q1&2 2012/13  
Appendix 4 - Suspected Financial Irregularities (Exempt)

## **Section 1 – Summary**

This report sets out progress against the 2012/13 Internal Audit plan and key issues arising from work undertaken.

**FOR INFORMATION**

## **Section 2 – Report**

### **Background**

- 2.1. Annually the GARM Committee considers a mid and full year Internal Audit Report covering progress against the internal audit plan. This is the mid year report for 2012/13 (Appendix 1) and includes a report of the review of the authority's Core Financial Systems (Appendix 2) and a report detailing the reports issued in quarter 1 & 2 (Appendix 3) and a report on Suspected Financial Irregularities (Appendix 4) .
- 2.2 Overall, the Internal Audit team have started work on 27 projects (49%) of the annual audit plan for 2012/13 as at the mid-year point of 30/09/12. 100% of the planned key control reviews relied upon by the council's External Auditors have been completed along with the work on the 2011/12 Management Assurance and the annual review of governance and the Annual Governance Statement. Of the 27 projects started, 9 (33%) have been completed/finalised, 2 (7%) have been completed to draft report stage, 15 (56%) are contributions to projects/groups or advice that will run throughout the year e.g. working groups and a further 1 (4%) project is in progress.
- 2.3 In the first quarter of every financial year the work of the Internal Audit team concentrates on the authority's core financial systems. The systems are reviewed on a 3 year risk based cycle. 4 of the 9 systems were reviewed in the first quarter of 2012/13. In addition, to satisfy the requirements of the External Auditors, managers were asked to review and update systems documentation, Internal Audit undertook walkthrough tests to confirm the actual system in operation for all core financial systems and control self-assessments were obtained for the 5 of the systems not reviewed. Out of a total of 92 controls reviewed, 56 (61%) were fully operating, 14 (15%) were substantially operating, 19 (21%) were partially operating and 3 (3%) were not operating. See detailed report Appendix 2.
- 2.4 The mid-year position shows that overall the team have achieved 486 productive days which exceeds the target of 457 by 29 days.
- 2.5 100% of the Internal Audit performance targets were met or exceeded including the key indicator of achievement against plan however 2 of the 3 Corporate Audit Indicators have not been met.
- 2.6 During the first half of 2012/13 a total of 165 recommendations have been followed up of which 127 have been implemented, 31 were partially implemented/in the process of being implemented, 2 were planned for implementation, 3 although originally agreed by management were not implemented and 2 that were no longer applicable. This represents a 77% implementation (of recommendations still applicable) with a further 20% in progress or planned at the time of follow-up thus it is expected that in due course 97% will be implemented. There were 12 high risk

recommendations still only partially implemented or in progress and 1 high risk recommendation that had not been implemented.

### **Section 3 – Further Information**

- 3.1 The next report on the performance of the Internal Audit team will be the 2012/13 Year-End Report to be submitted to GARM Committee in June 2013.

### **Section 4 – Financial Implications**

- 4.1 There are no financial implications to this report.

### **Section 5 - Equalities implications**

- 5.1 There are no equalities implications.

### **Section 6 – Corporate Priorities**

- 6.1 Internal Audit contributes to all the corporate priorities by enhancing the robustness of the control environment and governance mechanisms that directly or indirectly support these priorities.

Name: Steve Tingle



On behalf of  
Chief Financial Officer

Date: 16/11/12

### **Section 7 - Contact Details and Background Papers**

**Contact:** Susan Dixon, Service Manager, Internal Audit, Tel: 0208 424 1420

**Background Papers:** None