

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

Date of Meeting: 1December 2011

Subject: **INFORMATION REPORT** – Internal Audit Mid-Year Report 2011/12

Responsible Officer: Tom Whiting, Assistant Chief Executive

Exempt: No except for Appendix 3 on the grounds that it contains information 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 2011/12
Appendix 2 – Core Financial Systems Report
Appendix 3 – Suspected Financial Irregularities (Exempt)

Section 1 – Summary

This report sets out mid-year progress against the 2011/12 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 2011/12(Appendix 1) and includes a report of the review of the authority's Core Financial Systems (Appendix 2) and a report on Suspected Financial Irregularities investigated (Appendix 3) .
- 2.2 Overall, the Internal Audit team have started work on 28 projects (48%) of the annual audit plan for 2011/12 as at the mid-year point of 30/09/11. 100% of the planned key control reviews relied upon by the council's External Auditors have been completed along with the work on the 2010/11 Management Assurance and the annual review of governance and the Annual Governance Statement. Of the 28 reviews started 11 (39%) have been completed/finalised 2 (7%) have been completed to draft report stage, 8 (29%) are contributions to projects/groups that will run throughout the year e.g. working groups and a further 7 (25%) projects are 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, and for 2011/12 Treasury Management and Capital Expenditure have been added to the core financial systems work. 2 of the 9 systems were reviewed in the first quarter of 2011/12 and a review of Treasury Management was carried out in 2010/11. 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 6 of the systems not reviewed. Out of a total of 19 key controls reviewed, 14 (74%) were fully operating, 3 (16%) was substantially operating and 2 (10%) were partially operating. See detailed report Appendix 2. Ongoing work by Internal Audit is being undertaken on the Capital Implementation Plan and a capital expenditure review is planned for the second half of the financial year
- 2.4 The mid-year position shows that overall the team have achieved 480 productive days which exceeds the target of 450 days by 30 days.
- 2.5 6 of the 7 (86%) of performance targets were met or exceeded including the key indicator of achievement against plan.
- 2.6 During the first half of 2011/12 a total of 157 recommendations have been followed up of which 96 have been implemented, 50 were partially implemented/in the process of being implemented, 5 was planned for implementation, and 6, although originally agreed by management, were no longer applicable due to system changes. This represents a 64% implementation (of recommendations still applicable) with a further 36%

in progress or planned at the time of follow-up thus it is expected that in due course 100% will be implemented.

Section 3 – Further Information

- 3.1 A further report on progress against the Internal Audit Plan and Internal Audit performance will be presented to the GARM Committee in June 2012.

Section 4 – Financial Implications

- 4.1 There are no financial implications to this report.

Section 5 - Equalities implications

- 5.1 Was an Equality Impact Assessment carried out? ~~Yes~~/No (delete as appropriate)
- 5.2 An EqIA is not required as this is an information only report on the progress of works being undertaken.

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: Julie Alderson	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 18/11/11	_____	
Name: Jessica Farmer	_____	On behalf of the Monitoring Officer
Date: 21/11/11	<input checked="" type="checkbox"/>	

Section 7 - Contact Details and Background Papers

Contact: Susan Dixson, Service Manager, internal Audit, 0208 424 1420

Background Papers: None