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Meeting	Audit Committee
Date	13 September 2012
<b>Subject</b>	<b>Exception Recommendations Report and Progress Report up to 31<sup>st</sup> August 2012</b>
Report of	Assistant Director of Finance - Audit and Risk Management
Summary	Members are asked to note the progress against internal audit recommendations and work completed to date on the Internal Audit Annual Plan 2012-13

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Officer Contributors	Assistant Director of Finance - Audit and Risk Management
Status (public or exempt)	Public
Wards Affected	None
Key Decision	No
Reason for urgency / exemption from call-in	Not applicable
Function of	Council
Enclosures	Appendix A: Internal Audit Progress Report (up to 31 <sup>st</sup> August 2012) Appendix B: Work completed to date to August 2012 Appendix C: Work in progress to August 2012 Appendix D: Internal Audit Effectiveness Indicators Appendix E: Internal Audit Recommendations quarter 2 (end of August)
Contact for Further Information:	Maryellen Salter, Assistant Director of Finance - Audit and Risk Management 020 8359 3167

## **1. RECOMMENDATIONS**

- 1.1 That the Committee note the progress against the Internal Audit Plan for 2012-13 to 31<sup>st</sup> August 2012 and the actions being taken to address some cases of non implementation of high priority recommendations.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 At the Audit Committee meeting on 11 March 2010 Members accepted that there would be progress reports to all future meetings of the Committee and, that for all “limited” or “no assurance” audits, there should be a brief explanation of the issues identified. It was also resolved at the meeting of the 21<sup>st</sup> September 2010 that where an audit had limited assurance that greater detail be provided than previously.
- 2.2 At the meeting of the Committee on the 17<sup>th</sup> February 2011 it was decided that a report would be prepared quarterly regarding those internal audit recommendations not implemented.
- 2.3 The Committee also requested that the table of priority 1 recommendations should in future indicate what date recommendations were made to service areas and the implementation date.

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 All internal audit planned activity is aligned with the Council’s objectives, particularly the “Better Services with Less Money” priority, and, thus, supports the delivery of those objectives by giving an auditor judgement on the effectiveness of the management of the risks associated with delivery of the service.

## **4. RISK MANAGEMENT ISSUES**

- 4.1 All Internal Audit activity is directed toward giving assurance about risk management within the areas examined. By so doing the aim is to help maximise the achievement of the Council’s objectives. Internal Audit does this by identifying areas for improvement and agreeing actions to address the weaknesses.
- 4.2 Internal Audit work contributes to increasing awareness and understanding of risk and controls amongst managers and thus, leads to improving management processes for securing more effective risk management.

## **5. EQUALITIES AND DIVERSITY ISSUES**

- 5.1 Effective systems of audit, internal control and corporate governance provide assurance on the effective allocation of resources and quality of service provision for the benefit of the entire community. Individual audits assess, as appropriate, the differential aspects on different groups of individuals.

## **6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)**

- 6.1 When risk, and assurances that those risks are being well managed, is analysed alongside finance and performance information it can provide management with the ability to measure value for money.

## **7. LEGAL ISSUES**

- 7.1 Section 151 Local Government Act 1972 provides that ‘...every local authority shall make arrangements for the proper administration of their financial affairs...’

Regulation 6 of the Accounts and Audit (England) Regulations 2011 - 'A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.'

## **8. CONSTITUTIONAL POWERS (Relevant section from the Constitution, Key/Non-Key Decision)**

- 8.1 The Constitution Part 2 Paragraph 3.3 recognises that the annual audit opinion plays an essential part in advising the Council that risk management procedures and processes are in place and operating effectively.
- 8.2 The Constitution Part 3 Responsibilities for Functions - the Audit Committee terms of reference paragraph 2 states that the Committee can consider summaries of specific audit reports as requested.

## **9. BACKGROUND INFORMATION**

- 9.1 The Internal Audit Service has continued to deliver work in accordance with its plan issued to the Audit Committee in April 2012. Over the current period since the Committee last met in June 2012 the service has issued 12 reports, all but two were rated as satisfactory. Information has been presented in Appendix A on those reports issued as limited or no assurance.
- 9.2 A number of recommendations that was due at the end of September are still in progress, however our early assessments have been included for the audit committee to review (appendix E). This shows that 44% had been implemented at the time of reporting (31<sup>st</sup> August 2012), however it should be noted that some were due by the end of the month.
- 9.3 The Committee's role is to review the progress to date and challenge where appropriate the progress made. Directors and/or Assistant Directors were asked to attend the Committee where an amber rating had been received on the assessment of progress to discuss work to date and work planned to cover off any perceived risk.

## **10. LIST OF BACKGROUND PAPERS**

- 10.1 None.

<b>Cleared by Finance (Officer's initials)</b>	<b>JH</b>
<b>Cleared by Legal (Officer's initials)</b>	<b>TE</b>