

***Committee Report***

**Public**

**Date of Meeting:** 5<sup>th</sup> July 2011

**Title:** **Audit Services Out-turn Report 2010-11 and Interim Review of the Effectiveness of Audit Services**

**Report of:** (Interim) Audit Services Manager

**Report reference:** RD 19/11

**Summary:**

This report summarises the work carried out by Audit Services for the year 2010-11.

It also provides information to Members relating to the effectiveness of Audit Services, in the format agreed at the meeting of this Committee on 23<sup>rd</sup> January 2007.

**Recommendations:**

Members are requested to receive the report, to note progress made against the Audit Strategic Plan and to note and agree the information relating to the interim review of the effectiveness of Audit Services.

**Contact Officers:** Gill Martin,  
(Interim) Audit Services Manager

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AUDIT SERVICES OUT-TURN REPORT 2010/11  
AND REVIEW OF THE EFFECTIVENESS OF AUDIT SERVICES

**1 INTRODUCTION**

- 1.1 This report summarises the work undertaken by Audit Services for the period 1<sup>st</sup> April 2010 to 31<sup>st</sup> March 2011 and provides Members with information to enable a view to be taken on the effectiveness of Audit Services.
- 1.2 The Strategic and Annual Audit Plans for 2010/11 were presented to the Audit Committee on 9<sup>th</sup> April 2010 – Report RD04/10 refers. These plans were agreed subject to the Annual Audit Plan being amended to provide further information detailing resource utilisation. These changes were endorsed by the Chairman of the Audit Committee and duly incorporated into the revised Annual Audit Plan.
- 1.3 The Strategic and Annual Audit Plans were subsequently presented to and approved by the Executive on 4<sup>th</sup> June 2010 and by full Council on 13<sup>th</sup> July 2010.

**2 AUDIT SHARED SERVICE**

- 2.1 Throughout 2010/11, Members were updated on the continuing progress made towards entering into an Audit Shared Service with Cumbria County Council and Copeland Borough Council.
- 2.2 The shared service approach provides an opportunity for improved resilience, auditor rotation, independence and improved staff training and development, strengthening the role and position of internal audit.
- 2.3 Members considered report RD60/09 – Future of Internal Audit Services at the meeting of the Audit Committee on 15 January 2010. This report provided detail on the commencement of the shared service along with a timetable for implementation. Updates on progress made towards the shared service have also been provided to Members throughout the year.
- 2.4 The commencement of the Audit Shared Service was originally planned for August 2010. This timescale slipped to December 2010 in light of protracted discussions on the draft legal agreement to be put in place between all 3 authorities and arrangements for the TUPE transfer of staff to the County. The Shared Service Agreement and the Staff Transfer Agreement were signed in early April 2011.
- 2.5 Future progress on shared service performance and developments will be brought to Committee throughout 2011/12.

### **3 STAFFING ISSUES**

3.1 As in previous years, there was considerable call on audit resources to undertake other duties in addition to those included in the Audit Plan e.g. job evaluation, fraud investigations and shared service planning and deliberations.

#### **3.2 Sickness Absence**

3.2.1 It was an exceptionally difficult year for staff absences, the bulk of which was concentrated in the last quarter period. In total 82 days (9%) of audit time was lost to long term sickness absence.

3.2.2 To help counteract this loss in time, additional resources were brought in from the County Council based audit team to assist with the completion of year end material audit reviews. This additional support undoubtedly enabled the full completion of the material audits within the year and effectively demonstrates one of the key benefits of the shared service arrangement – the ability to draw on a wider pool of suitably skilled audit resources at short notice.

#### **3.3 Team Management Arrangements**

3.3.1 Interim management arrangements have been in place throughout the year.

3.3.2 The Project Manager (Transformation) provided a management oversight to the audit team in the early part of the year until interim management provided by the County Council was in place (mid May 2010). This arrangement was in place until late November 2010 when the post holder left the County Council. Alternative interim management was appointed in late November 2010.

3.3.3 It is recognised that the presence of interim management measures throughout the course of the year has been difficult on the audit team. Permanent management arrangements for the Audit Shared Service are expected to put in place in the near future, following progress on implementation of the County Council's restructuring of its Finance Unit.

### **4 PROGRESS AGAINST PLAN FOR THE YEAR**

4.1 The 2010/11 Audit Plan called for 519 direct audit days against which 528 direct audit days were delivered. The audit work required for completion in year against that which was completed can be summarised as follows:

**Table 1 – Summary Audit Plan 2010/11**

| Work Category                       | Original Days Allocated | (Revised) Days Allocated | Actual Days Taken | Diff |                    |
|-------------------------------------|-------------------------|--------------------------|-------------------|------|--------------------|
| Material System reviews C/F 2009/10 | 20                      | 20                       | 23                | -3   | Refer to para 4.3. |
| Material Systems Reviews            | 180                     | 154                      | 180               | -26  | Refer to para 4.4. |
| Follow up reviews                   | 10                      | 10                       | 9                 | 1    | Refer to para 4.5  |
| Low Risk reviews                    | 40                      | 30                       | 0                 | -30  | Refer to para 4.6. |
| High risk reviews                   | 230                     | 211                      | 221               | -10  | Refer to para 4.7. |
| Contingency                         | 39                      | 39                       | 69                | -30  | Refer to para 4.8. |
|                                     |                         | <b>519</b>               | <b>528</b>        |      |                    |

4.2 A full breakdown of the 2010/11 Audit Plan showing time spent and the reporting arrangement for each audit review is shown in **Appendix A**. Progress made against each work category is discussed below:

4.3 Material Audit Reviews - Carried Forwards from 2009/10

4.3.1 Incomplete work in 2009/10 on the material systems meant that time was needed to finish off work in the early part of 2010/11. A total of 23 days were taken of which 20 days were planned for. No such allocation was made in the 2011/12 Audit Plan, as all audit work on these areas was completed in year, which is of benefit as this means more time can be directed at other high risk areas during 2011/12.

4.4 Material Audit Reviews 2010/11

4.4.1 As in previous years, priority is given to the completion of the material systems in year. These are the fundamental systems of the Authority which have a high impact on the Authority's accounting systems and therefore on the Statements of Accounts.

4.4.2 There were 12 material systems scheduled for completion in the 2010/11 Audit Plan. Due to scheduling of these material reviews, much of this work falls in the 3<sup>rd</sup> and 4<sup>th</sup> quarters of the financial year and, as in previous years, there was a drive to complete all material reviews before 31 March 2011.

4.4.3 It is pleasing to report that all 12 system reviews were completed before the end of year, despite the high sickness absence levels experienced in the Team during the last quarter period.

4.4.4 Members will note that time allocated to material reviews was revised – see table 1 page 3. The time spent on material reviews takes up a significant amount of planned audit days (35% of the 2010/11 Audit Plan). Attempts to reduce the time taken in

2010/11 were hindered due to the staffing pressures within the audit team in the last quarter period, when the bulk of the material audit work is completed.

4.4.5 The approach to material audits is under consideration by the Shared Service. The scope and depth of these reviews will be reconsidered in summer 2011 across all authorities in the Shared Service. Audit training on the approach to material reviews is also scheduled in late July 2011.

#### 4.5 Follow Up Reviews

4.5.1 There were 12 audit follows up undertaken during the year. No concerns were raised regarding the effective and timely implementation of audit recommendations made from these previous reviews.

#### 4.6 Low Risk Audits

4.6.1 There were 4 low risk audits planned in 2010/11, one of which was later incorporated into an existing high risk review which was ongoing during the year. Due to staffing pressures experienced at the year end, there was insufficient time to complete the 30 days needed to complete the remaining 3 low risk audit reviews.

#### 4.7 High risks Audits

4.7.1 There were 17 high risk audits in the Plan, of which 10 have been fully completed and reported in full. The status of the remaining 7 is as follows:

- 3 were partially completed in year. These audits continue to be categorised as high risk areas and so have been scheduled for review once again in 2011/12. Work has therefore been carried forward and priority has been given to the early completion of these 3 audits in the 2011/12 work plans.
- 3 were deferred in 2010/11 with the agreement of the Audit Committee at its meeting in November 2010. These audits have been appropriately scheduled into the Audit Plan for completion in 2011/12.
- 1 high risk audit, Tullie House, was scheduled for completion but this service area was in the process of transfer to a Trust. A small amount of audit time was therefore spent on providing support to this process. A fuller review is scheduled in 2011/12 and will reflect the Council's revised responsibilities in this service area.

#### 4.8 Contingency

4.8.1 A full break down of the time charged to contingency is provided within Appendix A. A total of 69 days were charged, which was 30 days more than planned. This productive time relates to various pieces of unplanned work undertaken by the Audit Team – reactive audits, support, advice, adhoc VFM work and investigations.

#### 4.9 Conclusion

4.9.1 The 2010/11 Audit Plan has been substantially completed:

- 538 direct audit days were delivered against a Plan of 519 days
- All high priority material audits were completed by the year end.
- High risk audits which have been started were not fully completed at year end have been given priority for completion in early 2011/12.
- Uncompleted work relates to low risk areas which, by their nature, are given lower priority for completion in year.

4.9.2 It is recognised that time taken against individual audit assignments is an area for continued address. This factor will be even more prevalent in 2011/12 when performance monitoring regimes, as per the shared service agreement, will be stringently monitored. Improvements to time management arrangements is an area to be addressed across the Audit Shared Service during 2011/12.

### **5 ADEQUACY OF INTERNAL CONTROL DURING 2010-11**

5.1 It is not possible to give an opinion on the **overall** system of control within the Authority, as any such opinion can only be expressed in relation to the audit reviews which were undertaken during the year, the findings and recommendations made, and the remedial actions taken by management.

5.2 Of the 21 risk based audits undertaken during the year, each were given an assurance ratings on their completion. In all, 96% of all audited systems have been assessed as substantial / reasonable.

5.3 Furthermore, there is an agreed practice for bringing any of the following issues to Members' attention:

| <b>Issue</b>  | <b>Action required in 2010/11</b>   |
|---|---|
| Any instances where it is not possible to reach agreement on a grade "A" recommendation   | There were no such occurrences during 2011/11.  |
| Any instances where no action has been taken on an agreed recommendation and no reasonable explanation has been provided – all follow ups have been undertaken. | All follow up were undertaken and it was not necessary to report any instances of unactioned recommendations in the year  |
| Any matters which are likely to have an adverse effect on the Statement on Internal Control.  | There were no significant issues arising in year which would have an adverse impact on the Statement of Internal Control. |
| Any other matters relating to systems, controls etc to which it is deemed necessary to draw Members' attention.   | There were 2 issues to which it was necessary to draw Members' attention to – these are outlined at 5.1- 5.6. below.      |

5.4 There was one reported case of fraud investigated in the year, the outcome of which was reported to Members of the Audit Committee on 30 November 2010. As a result

of these investigations, additional measures and enhanced controls were put into place.

- 5.5 Members will also recall the audit of ICT Security Policy which was assigned a “restrictive” level of assurance and was reported to the Audit Committee in June 2009 – report CORP20/09 refers. The Audit Committee continued to actively monitor progress to action recommendations and received the second follow up report in November 2010 – report RD59/10 refers. This showed that significant action has been taken to remedy the weaknesses identified by the audit review. A further follow up of the remaining 4 recommendations which were outstanding in November 2010 is scheduled for completion in 2011/12.
- 5.6 The Accounts and Audit Regulations 2011 requires that following the review of internal control, the Committee must approve an Annual Governance Statement, which has been prepared in accordance with proper practices in relation to internal control.
- 5.7 Based on the breadth and depth of the work undertaken by Audit Services during 2010/11 and the additional supporting information provided in 5.3 – 5.5 above, Members can be confident that the Authority’s system of internal control is operating satisfactorily and this opinion should be reflected in the Annual Governance Statement.
- 5.8 Audit Services has had the opportunity to feed into the Governance Statement Action Plan during the course of the year and raise any significant issues arising from audit work. There were no such issues arising. It will also feed into the review of the Annual Governance Statement for 2010/11 and supporting evidence in accordance with the agreed timescales - before September 2011.

## **6 REVIEW OF THE EFFECTIVENESS OF AUDIT SERVICES 2010/11**

- 6.1 The Accounts and Audit (England) Regulations 2011 make it a requirement upon local authorities to carry out an annual review of the effectiveness of the system of internal audit.
- 6.2 The findings of this review are considered by the Members of the Audit Committee and at its meeting in January 2007, Members agreed that in order to meet this requirements (of the then Accounts and Audit (Amendment) (England) Regulations 2006), they would rely on the completion of the detailed questionnaire provided in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom. This checklist is still regarded as the CIPFA benchmark for internal audit evaluation.
- 6.3 The approach agreed by Members at the meeting of the Audit Committee in June 2008 (report CORP 29/08 refers), was that a full review of Audit Services, utilising this detailed questionnaire should be undertaken every 3 years, with a “light touch” involving benchmarking data and review of service developments in the intervening years.
- 6.4 The last full review of the checklist was undertaken in June 2010 (report RD 20/10 refers). Arrangements for audit at Carlisle City were found to be robust with recognition that the transition to shared services would look to further strengthen audit processes.

- 6.5 Audit Service's Outturn Report for 2010/11 highlights effective performance. The 2010/11 Audit Plan was substantially completed and any backlog of work has either been completed as priority in the early part of 2011/12 or has been appropriately scheduled for completion into the 2011/12 Audit Plan.
- 6.6 Appropriate action has been taken to address previous recommendations made which were followed up during the course of the year. There were no reported instances where recommendations were found to be un-actioned i.e. not support with a full reason and agreed by Audit Services.
- 6.7 There were a number of improvements to Audit Service's approach to work and reporting during 2010/11:
- § To aid the monitoring against the 2010/11 Audit Plan, days were allocated to each audit assignment. This practice has been developed further in 2011/12 and it will be an important element against which to judge the performance of the Shared Service arrangement.
  - § Each quarterly progress report and the final outturn report is now supported by a schedule which lists the position of all planned and unplanned work to date. This revised schedule enables Members to see the complete position of the Audit Plan against each work category and the status of each individual audit assignment.
  - § The Audit Plan is dynamic, responding flexibly to the needs of the Council. Better reporting of proposed / necessary changes to the Plan was introduced during 2010/11. Control over such changes is an important element of the Shared Service's performance regime. This element will continue to be developed alongside other improvements to reporting mechanisms throughout 2011/12 as the Shared Service reporting practices are developed.
- 6.8 Overall, Audit Services has delivered an effective service in 2010/11. Delivery through the Shared Service arrangement is an exciting move for Audit Services and one which the Council will directly benefit. The position and role of internal audit will be strengthened and the service will be more resilience as a result of this arrangement.
- 6.9 Additionally, there are a number of other planned improvements for implementation 2011/11 which Members are asked to consider at this time.
- 6.10 Audit Benchmarking
- 6.10.1 The County Council is participating on the benchmarking club and will do so as the shared service for 2011/12. This will help to establish clear benchmarking data for the whole of the Shared Service from the outset, providing a good source of information on which to make comparisons and develop the Shared Service. It will provide strong evidence to demonstrate performance and progress made in specific areas. It should also identify areas of best practice from which the Shared Service can learn.

## 6.11 Fraud Reporting

6.11.1 Good practice measures support the production of an annual Fraud and Corruption Plan, which publically demonstrates the Council's "zero tolerance" approach and response to fraud. To this end, it is intended that such an annual report will be produced for 2011/12. This overriding fraud report will be presented to the Audit Committee and will make reference to all fraud activities and work undertaken during the course of the year. This will include reference to any fraud and irregularities arising from the National Fraud Initiative (NFI) work which is currently ongoing.

## 6.12 Revised Audit Reporting Arrangements

6.12.1 The standard audit report used by Carlisle City is being developed. The need to consider changes to the reporting arrangements, both in terms of the format and style of the audit reports and the reporting arrangements to Committee are seen as key improvements which can be delivered through the new Shared Service arrangement.

6.12.2 The proposed revised format reflects Carlisle City's existing and future reporting needs. Comments from the Audit Commission on these changes have also been sought. A copy of the amended audit report template is attached as **Appendix B**. The main changes and the reasons why these changes are necessary is outlined below:

### **Section 1 - Management Summary**

- **Associated Risks**

Previously, the associated risks to the audit area were listed separately. It is not necessary to separately list reported risks in this manner. In the revised report, Section 3 – Scope has been enhanced to reflect the corporate risk management arrangements and how this impacts on the planning of the audit review.

- **Audit Follow Ups**

Follow up of previous audit recommendations are often untaken within the remit of the subsequent audit review e.g. all material audits include the follow up of previous audit recommendations. To present the position of follow up audits more clearly, the outcome will now be reported in Section 4 – Follow Up to the Previous Audit Review and the position of each (previous) recommendation will be summarised in Appendix A.

- **Key Findings / Conclusion**

This information will now be held in Section 6 - Key Findings from the Audit. This section will be strengthened to the focus on key findings arising from the audit review. Reference will be made to specific audit recommendations which relate and also to areas of good practice recognised during the course of the audit review. From this, the reader will be provided with more precise details on the outcome of the audit review and this will provide a better understanding to the awarded level of assurance given.

## **Section 2 – Matters Arising**

The Matters Arising section of the report will be aimed specifically at service managers. It will focus on operational and technical matters relating to audit reviews and issues arising.

The main change relates to the presentation of the recommendations. Previously, recommendations were raised throughout the report and there was no separate action plan / schedule which pulled all recommendations together into an action plan. The recommendation and the grade will continue to be shown in Matters Arising alongside a new element, the risk of not taking action. This is a new element will help service managers to understand the reason why the recommendation is necessary and should help in the agreement of recommendations in the future.

Other details regarding the recommendation e.g. responsible officer, timescale for implementation etc will be provided in the Summary of Recommendations & Action Plan which will be shown as Appendix B.

There are several other benefits to this approach:

- (1) Better presentation / impact of recommendations
- (2) It will be of aid to the auditee – it will form an action plan of the recommendations to be addressed within specific timescales.
- (3) It will assist Members by providing an easy reference / summary of all recommendations raised.
- (4) It will assist the audit follow up process by reducing the administrative time required to prepare follow up documents

### **6.13 Audit Reporting Arrangements to Members**

6.13.1 Currently, Members of the Audit Committee receive full copies of audit reports completed in the quarter except where a substantial assurance rating is provided in which case, a summary statement is provided, as agreed by the Audit Committee at its meeting on 22 June 2010 – report RD19/10 refers.

6.13.2 The CIPFA publication “Audit Committees – Practical Guidance for Local Authorities” states that:

*The Audit Committee’s role in relation to reviewing the work carried out will include formal consideration of summaries of work done, key findings, issues of concern and action in hand as a result of audit work.*

6.13.3 Existing reporting arrangements involves providing full copies of reports, which is not necessarily the most effective way to portray key messages. . This current approach to reporting also results in a significant volume of audit papers to Committee each quarter. In all, current reporting arrangements could be improved upon to aid Members in their role of reviewing audits work.

6.13.4 The improvements made to the Management Summary and the Summary of Recommendations / Action Plan attached as Appendix A and B (outlined in para 6.8.1

above) will, it is considered, provide Members with a complete picture of the audit review without diluting the information required for them to effectively make judgement on the work undertaken. This includes a clear scope of what areas were covered by the audit, more detailed conclusion which highlights key findings and a schedule of recommendations.

- 6.14 The proposed reporting detail to future Audit Committees will be determined by the level of assurance awarded to individual audit reviews. Suggested reporting detail for Committee is outlined below:

| <b>Level of Assurance Given</b> | <b>Proposed Reporting Detail to Committee</b>  |
|---------------------------------|--|
| Substantial                     | Section 1 - Management Summary   |
| Reasonable                      | Section 1 - Management Summary<br>Appendix - Summary of Recommendations / Action Plan                                |
| Restricted                      | Section 1 - Management Summary<br>Section 2 - Matters Arising<br>Appendix - Summary of Recommendations / Action Plan |
| No Assurance                    | Section 1 - Management Summary<br>Section 2 - Matters Arising<br>Appendix - Summary of Recommendations / Action Plan |

## **7 RECOMMENDATIONS**

**Members are requested to:**

- 7.1 Receive the report;**
- 7.2 Note progress made against the Strategic Audit Plan;**
- 7.3 Note and agree the information relating to the adequacy and effectiveness of Audit Services;**
- 7.4 Note the future service improvements relating to Audit Benchmarking and Fraud Reporting.**
- 7.5 Consider and agree the revised audit reporting arrangements as detailed in section 6.12 and illustrated in Appendix B.**

Peter Mason  
Assistant Director (Resources)

**ANNUAL AUDIT PLAN 2010/11****APPENDIX A****OUTTURN POSITION**

| <b>Work Category / Status</b>  | <b>Area of Activity</b>           | <b>Original Target Days</b> | <b>Revised Target Days</b> | <b>Total Days Taken</b> | <b>Variance</b> | <b>Balance of Time Remaining</b> | <b>Notes</b>   |
|--------------------------------|-----------------------------------|-----------------------------|----------------------------|-------------------------|-----------------|----------------------------------|--|
| <b><u>High Risk Audits</u></b> |                                   |                             |                            |                         |                 |                                  |  |
| Completed                      | Area Maintenance                  | 15                          | 23                         | 32                      | -9              | -                                | Considered by the November 2010 Audit Committee  |
| Completed                      | Green Spaces                      | 15                          | 18                         | 29                      | -11             | -                                | Considered by the November 2010 Audit Committee  |
| Completed                      | Procurement                       | 10                          | 10                         | 14                      | -4              | -                                | Considered by the September 2010 Audit Committee   |
| Completed                      | Grants (inc Carlisle Renaissance) | 25                          | 25                         | 41                      | -16             | -                                | Considered by the September 2010 Audit Committee   |
| Completed                      | Building Control                  | 5                           | 5                          | 5                       | 0               | -                                | Considered by the November 2010 Audit Committee  |
| Completed                      | Personnel                         | 10                          | 10                         | 13                      | -3              | -                                | Considered by the June 2010 Audit Committee  |
| Completed                      | Partnerships                      | 30                          | 30                         | 36                      | -6              | 0                                | Considered by the April 2011 Audit Committee   |
| Completed                      | Food Standards                    | 10                          | 15                         | 22                      | -7              | 0                                | Considered by the April 2011 Audit Committee   |
| Completed                      | Tullie House 2010/11              | 15                          | 15                         | 2                       | 13              | 0                                | No report. Advice / support regarding stock write off only. Full review scheduled 2011/12 post Trust status. |
| Ongoing                        | Properties for Rent               | 10                          | 10                         | 4                       | 6               | 6                                | Final report will be considered by the September 2011 Audit Committee.                                       |
| Ongoing                        | Health & Safety                   | 10                          | 14                         | 10                      | 4               | 4                                | Final report to be considered by the <b>July 2011</b> Audit Committee  |

|                                       |  |            |     |     |     |    |  |
|---------------------------------------|--|------------|-----|-----|-----|----|--|
| C/Fwd to 2011/12                      | Facilities Management                      | 10         | 10  | 1   | 9   | -  | Partial completion – to be combined with 2011/12 planned review  |
| C/Fwd to 2011/12                      | Recycling                                  | 10         | 11  | 7   | 4   | -  | Partial completion – to be combined with 2011/12 planned review  |
| C/Fwd to 2011/12                      | Insurance                                  | 10         | 15  | 5   | 10  | -  | Partial completion - review to incorporate Highways Claims (low risk review). Partial completion – to be combined with 2011/12 planned review which is currently underway. |
| C/Fwd to 2011/12                      | Geographical Information System (GIS)      | 15         | 0   | 0   | 0   | -  | C/Fwd agreed at the November 2010 Audit Committee. Use of GIS will be combined into relevant service reviews in 2011/12.   |
| C/Fwd to 2011/12                      | Pest Control                               | 10         | 0   | 0   | 0   | -  | C/Fwd agreed at the November 2010 Audit Committee. Final Report to be considered by the July 2011 Audit Committee  |
| C/Fwd to 2011/12                      | Customer Contact Centre                    | 20         | 0   | 0   | 0   | -  | C/Fwd agreed at the November 2010 Audit Committee. Reviewed planned in 2011/12.  |
|                                       |  | <b>230</b> | 211 | 221 | -10 | 10 |  |
| <b><u>Low Risk Audits</u></b>         |  |            |     |     |     |    |  |
| Ongoing                               | Highways Claims                            | 10         | 0   | 0   | 0   | 0  | Area combined with main Insurance review and time adjusted accordingly.  |
| Not completed                         | Building Resources                         | 10         | 10  | 0   | 10  | 0  | Low Risk. Insufficient time to complete. Facilities Mgmt review scheduled in 2011/12 will incorporate this area.   |
| Not completed                         | Advice Agencies                            | 10         | 5   | 0   | 5   | 5  | Low Risk – insufficient time in 2010/11 to complete  |
| Not completed                         | Sports Development                         | 10         | 5   | 0   | 5   | 5  | Low Risk – insufficient time in 2010/11 to complete  |
|                                       |  | <b>40</b>  | 20  | 0   | 20  | 10 |  |
| <b><u>Material System Reviews</u></b> |  |            |     |     |     |    |  |
| Completed                             | Material System Reviews B/Fwd from 2009/10 | 20         | 20  | 23  | -3  | -  | Outstanding work carried forward from 2009/10  |

|                          |                                      |    |    |    |     |   |  |
|--------------------------|--------------------------------------|----|----|----|-----|---|--|
| Completed                | Improvement Grants                   | 10 | 10 | 13 | -3  | - | Considered by the November 2010 Audit Committee  |
| Completed                | Creditors                            | 15 | 9  | 12 | -3  | 0 | Considered by the April 2011 Audit Committee   |
| Completed                | Treasury Management                  | 10 | 8  | 9  | -1  | 0 | Considered by the April 2011 Audit Committee   |
| Completed                | Housing Benefit                      | 15 | 15 | 25 | -10 | 0 | Considered by the April 2011 Audit Committee   |
| Completed                | Car Parking                          | 10 | 10 | 10 | 0   | 0 | Considered by the April 2011 Audit Committee   |
| Completed to draft stage | Cash Collection                      | 10 | 14 | 17 | -3  | 0 | Draft report issued by 31 March – Final to be considered by the July 2011 Audit Committee. |
| Completed to draft stage | Council Tax                          | 15 | 15 | 10 | 5   | 0 | Draft report issued by 31 March – Final to be considered by the July 2011 Audit Committee. |
| Completed to draft stage | Payroll                              | 15 | 8  | 12 | -4  | 0 | Draft report issued by 31 March – Final to be considered by the July 2011 Audit Committee. |
| Completed to draft stage | Main Accounting                      | 20 | 15 | 20 | -5  | 0 | Draft report issued by 25 March – Final to be considered by the July 2011 Audit Committee. |
| Completed to draft stage | Debtors                              | 15 | 8  | 13 | -5  | 0 | Draft report issued by 29 March – Final to be considered by the July 2011 Audit Committee. |
| Completed to draft stage | Fixed Assets                         | 15 | 10 | 17 | -7  | 0 | Draft report issued by 30 March – Final to be considered by the July 2011 Audit Committee. |
| Completed to draft stage | NNDR                                 | 15 | 12 | 22 | -10 | 0 | Draft report issued by 31 March – Final to be considered by the July 2011 Audit Committee. |
|                          | <i>Material Audits - Contingency</i> | 15 |    |    |     |   |  |

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|            |            |            |            |          |
|------------|------------|------------|------------|----------|
| <b>200</b> | <b>154</b> | <b>203</b> | <b>-49</b> | <b>0</b> |
|------------|------------|------------|------------|----------|

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**Follow Up Audit Reviews**

Follow up audits as required

|           |           |          |          |          |
|-----------|-----------|----------|----------|----------|
| <b>10</b> | <b>10</b> | <b>9</b> | <b>1</b> | <b>1</b> |
|-----------|-----------|----------|----------|----------|

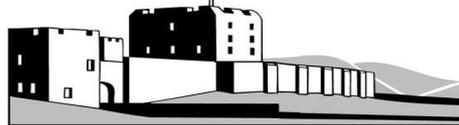
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There are no issues arising from follow up audits which need to be brought to Members' attention at this time...

**Unplanned Work  
(Contingency)**

|  |            |    |            |          |     |   |
|--|------------|----|------------|----------|-----|---|
| Audit Management - includes Audit (Team) Management, and Audit Committee reporting | -          |    | <b>23</b>  | -        |     |   |
| Strategic and Annual Planning  | -          |    | <b>8</b>   |          |     |   |
| Use of Consultants Review  | -          |    | <b>13</b>  | -        |     | Unplanned piece of work requested by Assistant Director (Resources). Reported to the Audit Committee in January 2011. |
| Frauds/Investigations  | -          |    | <b>15</b>  | -        |     |   |
| Value for Money work   | -          |    | <b>5</b>   | -        |     | Support work on VFM reviews and service profiles as requested by the Assistant Director (Resources)                   |
| Other  | -          |    | <b>5</b>   | -        |     |   |
|  | <b>39</b>  | 39 | 69         | <b>0</b> | -30 | 39 days originally planned for contingency  |
| Interim Management - May to November 2010  |            |    | 26         |          |     | <i>Direct Management Time taken from timesheets (excludes shared service preparations)</i>                            |
| <b>Planned Productive Audit Days</b>   | <b>519</b> | -  | <b>528</b> | <b>9</b> |     | Additional 9 productive days delivered in 2010/11.  |

CARLISLE  
CITY COUNCIL



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## AUDIT SERVICES

*A Shared Service between Cumbria County Council, Carlisle City Council  
and Copeland Borough Council*

## DRAFT REPORT

### Audit of XXXX

**Draft Report Issued:**

**Final Report Issued:**

*The Chief Executive, Deputy Chief Executive / Strategic Director and relevant Assistant Directors receive a copy of the final report.*

*The Audit Committee will be presented with a copy of the relevant sections of this final report at the meeting to be held on XXXXXXXX 20XX.*

## Section 1 – Management Summary

### 1. REASON FOR THE AUDIT

1.1. The audit of XXX was identified for review as part of the agreed Audit Plan for 2011/12.

**or**

1.2. The audit of XXX forms part of the annual programme of material reviews, which focus on the fundamental systems of the Authority. These systems have a high impact on the Main Accounting System and therefore on the Authority's accounts. The Audit Commission place reliance on the material reviews undertaken by Audit Services as part of their work on the Statement of Accounts.

### 2. AUDIT CONTACT & REPORT DISTRIBUTION

2.1. The lead auditor for this review was XXX.

2.2. The audit report has been distributed to the following officers.

| Recipient                            | Action Required   |
|--------------------------------------|---|
| Post title,<br>Service / Directorate | Report to be noted.<br><b>or</b><br>Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan. |

### 3. BACKGROUND INFORMATION

3.1. *How this Audit Assists the Council to Achieve its Goals*

3.2. *Set boundary / scene of the audit:*

*Is it a statutory or discretionary service area?*

*What's the net revenue budget?*

*Where is the service/function located?*

*Who is responsible for the service?*

*What levels of staffing resources are committed?*

*Are there any current problems / pressures / issues facing the service?*

### 4. SCOPE

4.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. Key areas for review and a detailed findings are shown in Section 2 of this report - Matters Arising:

| Section | Area Examined |
|---------|---------------|
| 1.      |               |
| 2.      |               |
| 3.      |               |

## Section 1 – Management Summary

- 4.2. The scope and testing undertaken as part of this review reflects identified risks specific to **xxxxx** which have been raised through the Council's corporate risk management arrangements. Where applicable, other emerging risks have also been included in the scope and testing undertaken.
- 4.3. Please note that on conclusion of the audit, any risks highlighted by the audit review should be assessed by the relevant Assistant Director and necessary updates to Directorate's Operational Risk Registers should be made. If risks are of a strategic nature, these will be review by the Corporate Risk Management Group.

### 5. FOLLOW UP TO THE PREVIOUS AUDIT REVIEW

- 5.1. An audit of XXXXX was previously carried out in XXXX. Appendix A lists the recommendations made and the actions which have been taken to address these.
- 5.2. It is concluded that *sufficient / insufficient* action has been taken to effectively implement all previous audit recommendations made.
- 5.3. *No further action is required. / Further action is required.*

### 6. RECOMMENDATIONS

- 6.1. Each recommendation has been allocated a grade in line with the perceived level of risk. The grading system is outlined below:

| GRADE | LEVEL OF RISK   |
|-------|---|
| A     | Lack of, or failure to comply with, a key control leading to a *fundamental weakness.       |
| B     | Lack of, or failure to comply with, a key control leading to a significant system weakness. |
| C     | Lack of, or failure to comply with, any other control, leading to system weakness.          |
| D     | For consideration only - action at manager's discretion.                                    |

*\*A fundamental weakness includes non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).*

- 6.2. There are XX recommendations arising from this review :
- X at grade A,
  - X at grade B
  - X at grade C
  - X at grade D.

### 7. STATEMENT OF ASSURANCE

- 7.1. Audit assurance levels are applied to each review to assist Members and officers in an assessment of the overall level of control and potential impact of any identified weaknesses. The assurance levels are:

## Section 1 – Management Summary

| Level       | Evaluation  |
|-------------|---|
| Substantial | Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.   |
| Reasonable  | Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.   |
| Restricted  | Significant weakness/es have been identified in the system of internal control, which put the system objectives at risk.  |
| None        | Based on the results of the audit undertaken, the controls in operation were found to be weak or non-existent, causing the system to be vulnerable to error and/or abuse. |

- 7.2. From the areas examined and tested as part of this audit review, we consider the current controls operating within XXXXXXXXXX provide **XXXXXX** assurance.

### 8. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

The xxxx assurance level provided by this audit has been influenced by a number of factors: including stability of systems audited, non adherence to procedures and the number of significant recommendations made.

A number of opportunities to further enhance controls have been identified and these are shown in Appendix B – Summary of Audit Recommendations and Action Plan.

The key issues arising from this review are:

- *Refer to key findings and recommendations.*
- *Reflection on good practice measures in place*

8.1.

## Section 2 – Matters Arising

### 9. DETAILED FINDINGS & RECOMMENDATIONS

#### 9.1.

9.1.1.

9.1.2.

| Ref | Recommendation & Grade | Risk if not Actioned |
|-----|------------------------|----------------------|
| R1  |                        |                      |

#### 9.2.

9.2.1.

9.2.2.

| Ref | Recommendation & Grade | Risk if not Actioned |
|-----|------------------------|----------------------|
| R2  |                        |                      |

#### 9.3.

9.3.1.

9.3.2.

|    | Recommendation & Grade | Risk if not Actioned |
|----|------------------------|----------------------|
| R3 |                        |                      |

XXXX DIRECTORATE

AUDIT FOLLOW UP OF XXXX  
*Final report issued XXXX*

| REF | RECOMMENDATION | GRADE | ACTION TAKEN | SUCCESSFULLY IMPLEMENTED<br><i>(Completed by Audit Services)</i> |
|-----|----------------|-------|--------------|--|
| R1  |                |       |              |  |
| R2  |                |       |              |  |
| R3  |                |       |              |  |
| R4  |                |       |              |  |
| R5  |                |       |              |  |
| R6  |                |       |              |  |

XXXX DIRECTORATE

Audit of XXXX

| REF | ISSUE RAISED | RECOMMENDATION | GRADE | AGREED ACTION | RESPONSIBLE OFFICER | DATE ACTIONED BY |
|-----|--------------|----------------|-------|---------------|---------------------|------------------|
| R1  |              |                |       |               |                     |                  |
| R2  |              |                |       |               |                     |                  |
| R3  |              |                |       |               |                     |                  |
| R4  |              |                |       |               |                     |                  |
| R5  |              |                |       |               |                     |                  |
| R6  |              |                |       |               |                     |                  |
| R7  |              |                |       |               |                     |                  |

