



Committee and Date

Audit Committee
21 June 2012
10.00am

Item

10

Public

INTERNAL AUDIT ANNUAL REPORT 2011/12

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1. Summary

This annual report provides members with details of the work undertaken by Internal Audit for the year ended 31 March 2012. It reports on progress against the annual audit plan and contributes to the review of the effectiveness of the Internal Audit team as required by the Accounts and Audit Regulations 2011 6(3). It includes the Audit Service Manager's opinion on the internal controls, as required by the CIPFA Code of Practice for Internal Audit in Local Government, which in turn contributes to the review of the effectiveness of the systems of internal control as required by the Accounts and Audit Regulations 2011 4(2).

Final performance has been good with 101% of revised plan days being delivered. This is in excess of the target to deliver 90% of the annual plan.

One hundred and eleven good and reasonable assurances were made in the year, together with three unsatisfactory and five limited opinions. The 119 final reports contained 1,471 recommendations. One fundamental recommendation has been made on the Housing Benefits audit.

On the basis of the work undertaken and management responses received; the Council's financial systems, internal control environment and risk management procedures are sound and working effectively and the Audit Service Manager is able to deliver a positive year end opinion on the Council's internal control environment for 2011/12.

2. Recommendations

The Committee are asked to consider and endorse, with appropriate comment;

- a) Performance against the Audit Plan for the year ended 31 March 2012.
- b) That the system of internal control is operating effectively and can be relied upon when considering the Annual Governance Statement for 2011/12.

- c) The Audit Service Manager's positive year end opinion on the Council's internal control environment for 2011/12 on the basis of the work undertaken and management responses received.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 The delivery of a risk based Internal Audit Plan is an essential part of ensuring probity and soundness of the Council's financial and risk management systems and procedures and is closely aligned to the Council's strategic and operational risk registers. The Plan is delivered in an effective manner; where Internal Audit independently and objectively examines, evaluates and reports on the adequacy of its customers control environments as a contribution to the proper, economic, efficient and effective use of resources. It provides assurances on the Internal Control systems, by identifying areas for improvement or potential weaknesses and engaging with management to address these in respect of current systems and during system design. Failure to maintain robust internal control creates an environment where poor performance, fraud, irregularity and inefficiency can go undetected leading to financial loss and reputational damage.
- 3.2 The next twelve months will see the launch of the new service platform I p & e and acceleration in the delivery of the Transformation Programme, incorporating major changes to our services and processes that will impact on the internal control environment. Initial focus will be on controls within the areas of print, legal, shared and shire services, their transfer to the new company and the company's' corporate governance arrangements. The management of risk will be a key part to ensuring the continued delivery of our high quality services and the continued delivery of our Medium Term Financial Strategy incorporating significant saving programmes aligned to improved service delivery. Internal Audit will need to be resourced and skilled appropriately to continue to provide the appropriate level of advice and assurance on the effectiveness of the internal control environment during this period of high risk.
- 3.3 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and the Accounts and Audit Regulations 2011.
- 3.4 There are no direct environmental, equalities or climate change consequences of this proposal.
- 3.5 Internal Audit customers are consulted on the service that they receive, feedback from which is included in this report and continues to be very positive.

4. Financial Implications

- 4.1 The Internal Audit plan is delivered within approved budgets; the work of Internal Audit contributes to improving the efficiency, effectiveness and economic management of the wider Council and its associated budgets.

5. Background

- 5.1 This report is the culmination of the work of the Internal Audit team during 2011/12 and seeks to:
- Provide an opinion on the adequacy of the governance arrangements;
 - Inform the annual review of the effectiveness of its system of internal control that informs the Annual Governance Statement by commenting on the nature and extent of significant risks; and
 - Inform the review of an effective Internal Audit by providing performance data against the plan and comparatively with other Internal Audit providers.
- 5.2 The requirement for Internal Audit derives from local government legislation, including section 151 of the Local Government Act 1972 which requires the Council to make arrangements for the proper administration of its financial affairs. Proper administration includes Internal Audit. More specific requirements are detailed in the Accounts and Audit Regulations 2011, in that “a relevant body must undertake an adequate and effective internal audit of its accounting records and systems of internal control in accordance with the proper practices in relation to internal control”.
- 5.3 The CIPFA Code of Practice for Internal Auditors in Local Government defines the scope of the annual report on internal audit activity. The annual report should include an assessment as to the extent to which compliance with the Code has been achieved. This annual report provides information to support that assessment and that an effective Internal Audit is established at the Council, in accordance with the requirements of the 2011 Accounts and Audit Regulations. Internal Audit’s compliance with the full Code of Practice is detailed within the report on effectiveness of internal audit also on this agenda.
- 5.4 Internal Audit operates a strategic risk based plan. The plan is reviewed each year to ensure that suitable audit time and resources are devoted to reviewing the more significant areas of risk, this results in a comprehensive range of audits undertaken in the year, to support the overall opinion on the control environment. The plan contains a contingency provision which is utilised during the year to respond to unforeseen work demands that may arise, i.e. special investigations, advice and the introduction of new high risk areas.

Annual Internal Audit Opinion from 2011/12 Internal Audit Work

- 5.5 It is the responsibility of Shropshire Council to develop and maintain the internal control framework. In undertaking its work, Internal Audit has a responsibility under the CIPFA Code of Practice 2006 to form an opinion on the Authority’s overall control system. This opinion plays a key part in informing the Authority’s Annual Governance Statement and enabling the Audit Committee to deliver their annual assurance statement to Council.
- 5.6 The results of individual audits, when combined, form the basis for the overall opinion on the adequacy of the Council’s internal control systems. No system of internal control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that absolute assurance. The

work of Internal Audit is intended only to provide reasonable assurance on controls on the basis of the work undertaken. In assessing the level of assurance to be given, I have taken into account:

- The work undertaken on the fundamental financial systems. Whilst revealing a number of areas of weakness and identifying areas for improvement including four limited opinions, there are no significant material weaknesses that could result in a material misstatement in the Authority’s accounts and that reliance can be placed upon them. Plans have been adopted to manage outstanding concerns.
- From other planned audit work undertaken during the year, whilst we have issued a small number of limited and unsatisfactory opinions, there have been no major financial weaknesses or issues identified; the Council’s financial systems, internal control environment and risk management procedures are sound and working effectively.

5.7 These assurances are provided on the basis that management carry out the actions they have agreed in respect of the recommendations made to address any weakness identified and improvements suggested.

5.8 On the basis of the work undertaken and management responses received; the Council’s financial systems, internal control environment, risk management procedures and governance processes are sound and working effectively and the Audit Service Manager is able to deliver a positive year end opinion on the Council’s internal control environment for 2011/12.

Key Assurances provided during 2011/12

5.9 Audit assurance opinions are awarded on completion of audit reviews reflecting the efficiency and effectiveness of the controls in place, opinions are graded as follows:

Good	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is a sound system of control in place which is designed to address relevant risks, with controls being consistently applied.
Reasonable	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is generally a sound system of control but there is evidence of non compliance with some of the controls.
Limited	Evaluation and testing of the controls that are in place performed in the areas examined identified that, whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key control.
Unsatisfactory	Evaluation and testing of the controls that are in place identified that the system of control is weak and there is evidence of non compliance with the controls that do exist. This exposes the Council to high risks that should have been managed.

5.10 In total 119 final reports have been issued in 2011/12, these are broken down by group in the table below. Thirteen draft reports have been issued which we were awaiting responses to at the year end, these will be included in 2012/13 figures.

Final audit report assurance opinions issued in 2011/12

Directorate	Good	Reasonable	Limited	Unsatisfactory	Total
Area Directors	4	1		1	6
Business Improvement	1	2			3
Finance & Commerce	3	2	2		7
Legal & Democratic Services		2			2
Organisation Development	3	2		1	6
Assessment & Eligibility	30	12			42
Learning and Skills	5	30	1		36
Business Growth & Prosperity				1	1
Commissioning & Procurement		2			2
Customer Care & Involvement		1	1		2
Environment	1	1			2
Facilities Management	3	4	1		8
Care & Wellbeing		2			2
Total for 2011/12					
➤ numbers	50	61	5	3	119
➤ percentage	42%	51%	4%	3%	100%
➤ <i>Percentage 2011/12</i>	<i>23%</i>	<i>69.5%</i>	<i>7%</i>	<i>0.5%</i>	<i>100%</i>

5.11 One hundred and eleven good and reasonable assurances were made in the year amounting to 93% of the opinions delivered. This is in line with the previous year. Three unsatisfactory assurances were issued which are detailed below. In each case positive responses have been received by management and will be followed up next year to determine whether satisfactory improvements have been made.

5.12 An unsatisfactory audit opinion was issued on the Quarry Swimming and Fitness Centre. The audit was conducted at the end of 2010/11 but was only in draft report stage at March 2011; this was reported in last year's annual report alongside the problems identified at the Shrewsbury Sports Village. The issues were around an overall lack of procedures and poor control environment have been addressed as part of the general strengthening of controls and processes which were reported to this committee in March 2012 by the Principal Leisure Facilities Manager. Our follow up audit this year has shown significant improvement resulting in a reasonable opinion being issued. The improvement in other Leisure Centres has been excellent; four other centres visited all had good opinion ratings.

5.13 Two other unsatisfactory opinions previously reported to Committee were issued in the year. Internal control weaknesses were identified at The Secret Hills Discovery Centre in several areas including banking, admission and letting charges, data protection, payroll and staffing. Management agreed to all 66 recommendations made. An unsatisfactory opinion was also given on the "Myview" payroll self-service facility pilot project. In response management agreed to a number of system enhancements including a bespoke claim form and delayed implementation until control issues were satisfactorily addressed. The system is now operating and replaces the traditional manual travel and expenses claim form. Internal Audit continues to work with these services to improve their systems and processes.

5.14 Five limited assurance opinions were issued on the following audits:

Audit	Weaknesses
Sales Ledger - Periodic Income	No procedure notes, backlog in processing periodic income requests and management information.
Sales Ledger - Periodic Income - Community Alarms.	Issues on scale of charges and charge increase notifications and poor systems for processing new contracts, cancellations and amendments.
Housing Benefits.	See fundamental systems below
Idsall School.	Payroll and staffing processes, imprest and management and security of ICT equipment
Markets.	Charging, income collection and administrative procedures.

Once again, positive management responses have been received to implement the recommendations made which we will follow up in 2012/13.

5.15 Within the Audit Plan there are thirteen reviews that are categorised as fundamental, high risk business critical systems. These reviews are covered as part of the managed audit with our external auditors and as such are audited annually and have a strong influence in informing our Annual Governance Statement. The work of internal audit on key financial (fundamental) systems is required to cover transactions across the whole of the financial year. Therefore, it is not uncommon for draft reports to be in progress at the year end and therefore not included in the summary of final reports issued in the table above.

5.16 A summary of the level of assurance for each fundamental review area together with the number of recommendations made is shown in the table below.

Audit opinion and recommendations made on fundamental systems 2011/12

Fundamental System	Level of Assurance Given	Number of Recommendations made			
		BP	RA	S	F
Housing Rents (currently in draft)	Reasonable	15	18	3	
Purchase Ledger	Limited		12	5	
Sales Ledger	Limited		6	11	
General Ledger	Good	6	11		
Income Collection	Limited	2	9	4	
Payroll System	Reasonable	2	16	9	
Council Tax	Reasonable	12	8	8	
NNDR Collection	Reasonable	2	13	6	
Housing Benefits	Limited		8	3	1
Budgetary Management & Control	Good		2	1	
Treasury Management	Good	2	1		
Capital Accounting System	Good		1		
Risk Management	Good		1		

- 5.17 All 15 fundamental systems audits have been completed; seven are assessed as good, four as reasonable and four with limited opinions. Both Council Tax and NNDR have improved from limited opinions in 2010/11 to reasonable in 2011/12 reflecting management efforts to implement audit recommendations and to address the control issues identified.
- 5.18 Housing Benefits continues to receive a limited opinion principally due to the failure to address the difficulties in recovering benefit overpayments which, over time, become increasingly difficult to recover. It is disappointing to report that three systems previously assessed as reasonable have been downgraded; the Purchase Ledger, Income and Sales Ledger systems received a limited opinion for the first time last year. The disruption caused by the transfer of these transactional systems to Shared Services may well be a significant factor in the failure to implement previous recommendations as management time and effort have been focused on the reorganisation. Performance drops are not unusual during a time of significant change.
- 5.19 These limited opinions are not considered sufficient to warrant qualifying the annual audit opinion given the positive responses received from management to address the issues identified. Specifically the main areas of weakness identified were as follows:

<p>Housing Benefits</p>	<p>Improvements are required in the recovery process where insufficient resources are available to undertake a proactive assessment, prioritisation, recovery and monitoring of overpayments owing to the Council. This is a fundamental recommendation which remains outstanding from the 2010/11 Housing Benefits audit and as a result has affected the overall assurance level of this audit as, generally, the benefits system itself is sound. The remaining significant recommendations relate to the need for backdating claims for 2011/12 to be reviewed; a report of instalments that are over 31 days overdue should be produced on a monthly basis to allow the recovery team to take immediate action to address any issues; and a system of reconciliation between the Council Tax and Housing Benefit systems should be re-established with immediate effect. Otherwise good progress had been made on the implementation of previous recommendations.</p>
<p>Purchase Ledger</p>	<p>Significant issues identified relate to not: processing periodic payments promptly in accordance with agreement dates; reviewing outstanding transaction reports and, where overdue transactions are identified, not taking prompt action to clear queries. Changes to supplier/bank details are not properly monitored; management should investigate whether an exception report is available, or can be developed to address this. Following Council wide restructuring, all users' access rights have not been reviewed to establish whether they remain appropriate for users duties and responsibilities. Virtually no work has been undertaken to recover potential duplicate payments identified in exception reports provided to Purchase Ledger by Audit. Only limited progress has been made on the implementation of previous recommendations, six remain</p>

	to be fully addressed from last year.
Income	Although there are only three significant recommendations, they relate to critical/fundamental controls. Transactions are not being cleared promptly, in particular a failure to review and clear the “cash in transit” figure (£465k) or the “unmatched income” on e-returns (£436K) quickly, plus the need to undertake and evidence the review of reconciliations and control accounts in a timely manner. A small number of lower priority previous recommendations remain outstanding.
Sales Ledger	Review of outstanding cases is not being done promptly and the 'Outstanding Debt Report' does not accurately identify only true outstanding debts which hampers identification and collection of older debts. Some payments received have not been allocated to the relevant outstanding debt, thus artificially inflating the outstanding debt balance and rendering information on debtor accounts confusing and out of date. Correct procedures are not being consistently applied for the authorisation of credit notes and write-offs and further weaknesses relate to the absence of high level management review of outstanding debts, levels of debt and unallocated income. Suspense Account reconciliations are not regularly performed on a timely monthly basis and there is a need to develop a suite of timely and accurate management information reports. Some paperwork holding sensitive information is not sufficiently secured and there is no named information asset owner for personal data. Heavy reliance is placed upon the experience of a single officer in the chasing of debts, which, with the absence of a Financial Inclusion Policy is potentially a single point of critical failure in efficient debt chasing. Good progress has been made on the implementation of previous recommendations, although three remain to be fully addressed.

5.20 Audit recommendations are also an indicator of the effectiveness of the Council's internal control environment and are rated according to their priority:

Best Practice (BP)	Proposed improvement, rather than addressing a risk.
Requires Attention (RA)	Addressing a minor control weakness or housekeeping issue.
Significant (S)	Addressing a significant control weakness where the system may be working but errors may go undetected.
Fundamental (F)	Immediate action required to address major control weakness that, if not addressed, could lead to material loss.

5.21 Recommendations are rated in relation to the audit area rather than the Council's control environment, for example, a control weakness deemed serious at one school which results in a significant or fundamental recommendation would not affect the Council's overall control environment, unless it was affecting all schools. Similarly, a number of significant recommendations in a small number of areas would not result in a limited opinion if the majority of areas examined were sound, consequently, the number of significant recommendations in the table below will not necessarily correlate directly with the number of limited assurance opinions issued in above. Any significant or fundamental recommendations resulting from a control

weakness in the Council's control environment would be reported in detail to the Audit Committee

- 5.22 A total of 1,471 recommendations have been made in the 119 final audit reports issued in the year; these are broken down by audit area in the table below together with the percentages for the previous year for comparison.

Audit recommendations made in 2011/12

Audit Area	No of Recommendations made				
	Best Practice	Requires Attention	Significant	Fundamental	Total
Area Directors	11	91	50		152
Business Improvement		16	28		44
Finance & Commerce	5	17	7		29
Legal & Democratic Services	2	13			15
Organisation Development	5	24	12		41
Assessment & Eligibility	63	186	24		273
Learning and Skills	175	442	26		643
Business Growth & Prosperity	8	49	9		66
Commissioning & Procurement	7	6	3		16
Customer Care & Involvement	2	20	9	1	32
Environment	6	27	1		34
Facilities Management	11	41	18		70
Care & Wellbeing	11	42	3		56
Total for year					
➤ numbers	306	974	190	1	1,471
➤ percentage	21%	66%	13%	-	100%
➤ <i>Percentage 2011/12</i>	<i>18%</i>	<i>67%</i>	<i>15%</i>	<i>-</i>	<i>100%</i>

- 5.23 The percentage of best practice and requires attention recommendations has risen slightly compared to last year with a corresponding fall in significant recommendations reflecting a positive direction of travel. The one fundamental recommendation made on the Housing Benefits system is explained earlier in this report.
- 5.24 It is management's responsibility to ensure accepted audit recommendations are implemented within an agreed timescale. With the exception of annual audits where recommendations are revisited as a matter of course; recommendations are followed up after six months by obtaining an update from management on progress made. There has been a slight fall in the number of recommendations rejected. A total of 18 recommendations equivalent to 1.2 % of all recommendations made have been rejected by management (compared to 1.5% in 2010/11). All rejected recommendations have been discussed with the managers concerned and the reasons for rejection accepted.
- 5.25 Whilst limited audit opinions have been issued on three fundamental systems together with one fundamental recommendation, these relate to specific aspects of the systems; the systems themselves are generally sound and the issues raised are not sufficient to undermine the Council's control environment or the Audit Service Manager's annual opinion.

Audit Performance

5.26 Audit Performance is demonstrated by measuring achievement against the plan, ensuring compliance against the CIPFA Code of Practice, benchmarking the service against others in the sector and evaluating improvements made over the last twelve months. The effectiveness of Internal Audit is further reviewed through the Audit Committee's delivery of its responsibilities and direct from customers as they provided responses to surveys sent out after each audit.

Performance against the plan

5.27 The team has achieved 101% of the revised plan (69% of the original plan) which is in excess of the target to deliver 90% of the plan at the year end. When contingency work is taken into account, 107% of the revised plan has been delivered. Performance to the end of 2010/11 is summarised by Directorate in the following table. **Appendix A** provides a more detailed summary.

Summary of actual audit days delivered against plans, year end 2011/12

	Original Plan	Sept Revised Plan	January Revision	January Revised Plan	Days Worked	% of Original Complete	% of Revised Complete
Chief Executive	651	421	18	439	432.8	66%	99%
People	592	459	-54	405	437.6	74%	108%
Places	394	281	-18	263	261.8	66%	100%
Health & Care	79	63	5	68	54.8	69%	81%
S151 Planned Audit	1,716	1,224	-49	1,175	1,187.0	69%	101%
Contingencies & other chargeable work	894	977	77	1,054	1,204.6	135%	114%
Total S151 Audit	2,610	2,201	28	2,229	2,391.6	92%	107%
Honorary & Vol. Funds	40	40	-10	30	29.5	74%	98%
External Clients	218	233	-37	196	192.5	88%	98%
Total	2,868	2,474	-19	2,455	2,613.6	91%	106%

5.28 Members will recall that it was necessary to revise the plan twice in the year, firstly a reduction of 394 days in September to accommodate staffing changes and maternity leave and a second revision to reflect changing priorities of work and recruitment delays.

5.29 Special investigation work has dominated the year, fraud work and other management investigations have taken up 448 days this year which is more than double the 2010/11 level.

5.30 We have made a significant investment and valuable contribution to the transformation agenda, giving advice and assurance on the implementation of a number of key projects such as the "Myview" front end to the HR system, the creation and move to Shared Services and Leisure outsourcing.

5.31 We have completed virtually all the work for our external clients with only one audit overrunning into 2012/13; this slippage has been agreed with our clients and has now been completed.

Reporting

- 5.32 All Internal Audit work is reviewed by an audit senior to ensure it complies with Internal Audit's standards and that recommendations made are practical and supported by the work undertaken before any audit reports are issued. This is seen as a fundamental part of ensuring audit quality and that clients receive reports which are both informative, useful and add value to their work processes and procedures.
- 5.33 All audit assignments are subject to formal feedback to management. Draft reports are issued to the managers responsible for the area under review for agreement to the factual accuracy of findings and recommendations. After agreement, a formal implementation plan containing management's agreed actions and comments is issued to relevant officers. Follow up reviews capture evidence of implementation of recommendations.

Compliance with CIPFA Code of Internal Audit Practice

- 5.34 We conduct an annual self-assessment of our compliance against CIPFA'S code of Internal Audit Practice. The last independent external assessment was carried out by the Audit Commission in 2010. Our assessment, overseen by the corporate Head of Finance and Commerce, confirms that we are 99% compliant with the code. The 1% non-compliance relates to some minor non audit work that, in the Audit Commission's view, does not distract from the core business of providing a quality Internal Audit Service. The review forms part of another report on this agenda: Annual review of the effectiveness of Internal Audit 2012/13.

Benchmarking

- 5.35 Benchmarking is accepted as a key method for comparing performance across a range of councils providing similar services. Internal Audit has been a member of the CIPFA Audit Benchmarking Club since its inception. The information it provides is seen as invaluable in helping us to check our performance against our peers and best in class.
- 5.36 The exercise is conducted annually and provides data comparisons in respect of costs, audit coverage, staffing, and performance over time and compares Shropshire's data with its quartile equivalents for the tier of authority.
- 5.37 With any benchmarking data some caution with interpretation should be exercised, the CIPFA Benchmarking Club is well established and has been considerably refined and improved since its inception so it is recognised as being a reliable set of comparative performance indicators. The data identifies Shropshire as performing well with its unitary peers, particularly in cost per day and days of audit delivered per auditor.
- 5.38 The draft Benchmarking data for 2012 is available the key results of which are included in the following table. The final report will be circulated to all members on its receipt.

Key Indicator	Shropshire		Unitary Average	
	Days per Auditor	Cost per Day £	Days per Auditor	Cost per Day £
Actual 2010/11	165	270	172	316
Actual 2011/12	174	274	175	299
Estimate 2012/13	176	268	178	304

5.39 The number of available days has increased and aligns with the average of other unitary authorities, whilst our cost per day is below average for staff and associated overhead costs. Similar figures are demonstrated in the 2012/13 estimates and in both years this is set against a back drop of investing in training to ensure that our staff remain up to date to deliver a high level of service against the future challenges and associated risk the authority is facing.

5.40 In 2011/12 work on financial systems, corporate governance and IT systems showed lower than average application of resources. However, this is offset by increased resources in the areas of advice and consultancy, providing support to the Transformation Programme. These projects are using fundamental, corporate governance and IT systems and therefore the work provides a cross related assurance to those systems. In addition 2011/12 shows higher than average fraud investigations compared to our neighbours. Resources were directed to complete investigations, each of which provided further improvements to the control environment through resulting management reports.

Quality Assurance/Customer Feedback Survey

5.41 A customer feedback survey form is sent out with the majority of audits completed. These provide feedback on the quality of the service and play a key part in ensuring audit work meets our client expectations and the quality of audit work is maintained. The percentages of excellent and good responses for the last four years are detailed in the table below.

Customer Feedback Survey Forms - percentage of excellent and good responses

Item Being Scored	2008/9	2009/10	2010/11	2011/12	Direction of Travel
Pre-audit arrangements	92%	94%	93%	98%	↑
Post-audit briefing	90%	91%	94%	96%	↑
Audit coverage/scope of the audit	99%	100%	99%	100%	↑
Timeliness of production of report	82%	78%	84%	95%	↑
Accuracy and clarity of report	96%	97%	88%	99%	↑

Practicality of recommendations	93%	94%	84%	93%	↑
Professionalism of approach	96%	99%	99%	100%	↑
Communication skills	96%	96%	97%	99%	↑
Timeliness, competence, manner	97%	94%	99%	100%	↑
Number of forms returned	60	69	92	84	

- 5.42 Improvements have been made in every category resulting in a positive direction of travel in all cases, no category shows less than 93% good or excellent scores showing audit services have been delivered to a consistently high level. The information is used both to improve techniques overall within the team and at annual performance reviews to identify future development focus relating to individual skills or competences. We will strive to maintain these levels of satisfaction and, whilst pleased with the efforts to improve turnaround times, we can still aim to improve on the time taken between completing fieldwork and issue of reports together with the practicality of recommendations.
- 5.43 During the last year a number of compliments and comments have been received in respect of the audit service from both questionnaires and directly, these appear in **Appendix B**. Comments have been very positive reflecting the hard work the team devote to establishing a good professional relationship with our clients. In the previous year we had a number of negative comments in relation to school audits particularly the “pedantic” nature of recommendations, this issue has been addressed which is reflected in the very low number of negative comments from schools.

Review of the effectiveness of Internal Audit work by the Audit Committee

- 5.44 The Council has a well established Audit Committee, which operates in accordance with best practice. Its terms of reference and associated working practices are aligned with those suggested by CIPFA and are reviewed annually. Its members receive regular training on the role of the committee and how they can best support this, as well as the roles of internal and external audit. It undertakes an annual self-assessment exercise and seeks to improve the way in which it operates and has most recently done this in November 2011.
- 5.45 The Committee provides an Annual Assurance Report to Council to summarise its work and opinion on internal controls. This report is also located on this agenda.
- 5.46 The Council’s Audit Committee considers external and internal audit reports and the Committee requests management responses to any significant issues reported, including reporting the progress made in implementing audit recommendations. Senior officers have attended the Audit Committee to provide management responses in relation to a number of reports. Examples of audit work and remedial action that have been scrutinised by the Audit Committee include reports on housing rent arrears, leisure centres, council tax, NNDR and housing benefit arrears.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Draft Internal Annual Audit Plan 2011/12 - Audit Committee 23 March 2011

Internal Audit Plan 2011/12 - Half Year Report - Audit Committee 10 November 2011

Internal Audit Plan 2011/12 – Report to January 2012- Audit Committee 22 March 2012

Code of Practice for Internal Auditors in Local Government 2006 –published December 2006.

Accounts and Audit Regulations 2011.

Various internal documents supporting the review of the CIPFA Code of Practice checklist.

Audit Management system.

Cabinet Member (Portfolio Holder)

Keith Barrow, Leader of the Council and Brian Williams, Chairman of Audit Committee

Local Member: All

Appendices

Appendix A - Audit plan by group and service – annual report 2011/12

Appendix B - Summary of compliments and comments 2011/12

AUDIT PLAN BY GROUP AND SERVICE – ANNUAL REPORT 2011/12

Service area	Original Plan	Sept Rev	Sept Revised Plan	Jan Rev	Jan Revised Plan	Days Worked	% of Original complete	% of Jan complete
Chief Executive								
Area Director								
Leisure Services	60	-15	45	11	56	55.9	93%	100%
Business Improvement								
Business Performance Management	40	-20	20	-3	17	17.2	43%	101%
ICT Implementation and Architecture	39	-21	18	-2	16	16.7	43%	104%
ICT Operations	62	-41	21	-5	16	23.0	37%	144%
Risk Management	18	0	18	-11	7	6.3	35%	90%
	159	-82	77	-21	56	63.2	40%	113%
Finance and Commerce								
Financial Advice (s151)	93	-28	65	19	84	85.6	92%	102%
Financial Management	77	-16	61	0	61	51.7	67%	85%
Treasury and Exchequer	129	-37	92	8	100	100.0	78%	100%
	299	-81	218	27	245	237.3	79%	97%
Legal & Democratic Services								
Democratic and Election Projects	10	-6	4		4	3.1	31%	78%
Legal Services Places	10		10		10	9.4	94%	94%
	20	-6	14	0	14	12.5	63%	89%
Organisation Development								
HR Services	73	-14	59	-9	50	48.4	66%	97%
HR Systems, Measures & Prog Mgt	15	-15	0	0	0	0.0	0%	
	88	-29	59	-9	50	48.4	55%	97%
Strategic Planning								
Partnership	10	-10	0		0		0%	
Planning and Corporate Policy	15	-7	8	10	18	15.5	103%	86%
	25	-17	8	10	18	15.5	62%	86%
Total for Chief Executive	651	-230	421	18	439	432.8	66%	99%
People								
Assessment & Eligibility								
Developmental Support	10	0	10	0	10	6.0	60%	60%
Long Term Support	10	-10	0		0		0%	
Provider Services	188	-28	160	-18	142	138.9	74%	98%
	208	-38	170	-18	152	144.9	70%	95%
Learning & Skills								
Business Support	19	-9	10	-8	2	2.2	12%	110%
Education Improvements	246	-22	224	-22	202	246.6	100%	122%
Lifelong Learning	39	-29	10	1	11	11.3	29%	103%
	304	-60	244	-29	215	260.1	86%	121%
Public Protection & Enforcement								
Environmental Enforcement	15	-15	0	0	0	0.0	0%	
Public Protection & Enforcement								
Environmental Health	10		10	-7	3	2.6	26%	87%
	25	-15	10	-7	3	2.6	10%	87%

Service area	Original Plan	Sept Rev	Sept Revised Plan	Jan Rev	Jan Revised Plan	Days Worked	% of Original complete	% of Jan complete
Safeguarding								
Children's Placements & Joint Adoption	30	5	35	0	35	30.0	100%	86%
Support Services (Safeguarding)	25	-25	0	0	0	0.0	0%	
	55	-20	35	0	35	30.0	55%	86%
Total for People	592	-133	459	-54	405	437.6	74%	108%
Business Growth & Prosperity								
	13	-12	1	0	1	1.5	12%	150%
Outdoor Recreation	5	10	15	3	18	18.4	368%	102%
Theatre Severn	10	-10	0		0	7.0	70%	
Visitor Economy	10	13	23	6	29	30.2	302%	104%
	38	1	39	9	48	57.1	150%	119%
Commissioning & Procurement								
Contracts	5		5		5	5.0	100%	100%
Procurement	10		10		10	10.5	105%	105%
	15	0	15	0	15	15.5	103%	103%
Customer Care & Involvement								
Benefits	35	0	35	-5	30	29.4	84%	98%
Customer Services	10	-10	0	2	2	0.7	7%	35%
Revenues Manager	55	-15	40	0	40	35.1	64%	88%
	100	-25	75	-3	72	65.2	65%	91%
Environment								
Development Management	53	-25	28	0	28	28.0	53%	100%
Highways and Transport	35	-8	27	-12	15	11.0	31%	73%
Waste Services Manager	18	0	18	1	19	18.0	100%	95%
	106	-33	73	-11	62	57.0	54%	92%
Facilities Management								
Estates and Facilities	10	3	13	0	13	12.5	125%	96%
Passenger Transport	25	9	34	7	41	42.1	168%	103%
Property Services	40	-30	10	-10	0	0.0	0%	
Shire Services	60	-38	22	-10	12	12.4	21%	103%
	135	-56	79	-13	66	67.0	50%	102%
Total for Places	394	-113	281	-18	263	261.8	66%	100%
Health and Care								
Care & Wellbeing								
Health and Social Care Integration	6	-1	5	0	5	3.3	55%	66%
Housing Landlord Services	73	-15	58	5	63	51.5	71%	82%
Health and Care	79	-16	63	5	68	54.8	69%	81%
Total S151 Planned Audit	1,716	-492	1,224	-49	1,175	1,187.0	69%	101%

Service area	Original Plan	Sept Rev	Sept Revised Plan	Jan Rev	Jan Revised Plan	Days Worked	% of Original complete	% of Jan complete
Contingencies & Other Chargeable								
Advisory Contingency	50	-30	20		20	28.2	56%	141%
Fraud Contingency	150	200	350	40	390	448.1	299%	115%
Transformation Advisory Contingency	200	-50	150		150	161.5	81%	108%
Unplanned Audit Contingency	50	30	80	10	90	84.3	169%	94%
Chargeable Overheads	444	-67	377	27	404	482.5	109%	119%
Total for Contingencies	894	83	977	77	1,054	1,204.6	135%	114%
Total Shropshire Council	2,610	-409	2,201	28	2,229	2,391.6	92%	107%
External Clients								
Total Honorary & Voluntary Funds	40		40	-10	30	29.5	74%	98%
Credit Union	15		15		15	15.4	103%	103%
Oswestry Town Council	31		31		31	28.3	91%	91%
Pension Fund	63		63	-21	42	33.9	54%	81%
Shropshire Fire & Rescue	49	20	69		69	69.9	143%	101%
West Mercia Supplies	60	-5	55	-16	39	45.0	75%	115%
	258	15	273	-47	226	222.0	86%	98%
Total Audit Plan	2,868	-394	2,474	-19	2,455	2,613.6	91%	106%

Summary of compliments and comments 2011/12

“We are exceptionally grateful for the way you identified and reported the attempted fraud against our company. Your swift and detailed response enabled us to contact our other customers, one of whom had changed our bank details on the strength of an email from the fraudster. Had you not contacted us we could have lost in excess of £1m.”

“I am writing to thank you for the supportive, transparent and thorough way in which you addressed the recent incident we had. I think we have had an excellent opportunity to benefit from your support and subsequent recommendations and thank you for this help. .”

“Can I just reiterate that I really value the support that you have both given us through what has been a difficult time for the team. You have both been professional at all times, whilst acknowledging that issues like this raise many emotions for those people involved. You have certainly helped me in my role as team manager to put the episode into perspective and to see a way forward which will be positive for all concerned.”

“Audit was very good and gave us useful advice to tighten up procedures“

“Audit were responsive to our needs.....were sympathetic to the huge task we had to undertake, but also challenging and professional in approach””

“Very helpful in our workplace”

“Very positive experience in difficult circumstances – support, understanding and sensitive way audit was handled was a credit to your team”

“The audit was a very time consuming but thorough procedure.....Thanks for making the audit a positive experience and being so approachable.”

“I wish to record how helpful both staff were, especially as this was new to me. They provided the relevant information to assist with recommendations made, thank you.”

“Have all been a great help with any questions and queries – thanks very much”

The service provided has been beneficial in identifying areas we should improve on, thanks you. Report is clear and easy to understand.

This audit was very positive experience. The communication between auditor and service, before and after was useful and informative.

“I just wanted to thank you again for your input to the evaluation. .It is much appreciated and I think that we can all feel confident that we have made the right decision which offers the best prospects for Shropshire”.