

PROGRESS REPORT ON INTERNAL AUDIT PLAN 2007 - 2008

1. SUMMARY

An interim progress report has been prepared covering the audit work performed by Internal Audit up to the 23rd of August 2007. The objective of the report is to advise members of the progress against the Annual Audit Plan. (See Appendix 1).

2. RECOMMENDATION

2.1 The Audit Committee is asked to approve the progress made with the Annual Audit Plan for 2007 - 2008.

3. BACKGROUND

3.1 The progress report contained in Appendix 1 lists the audits scheduled for the financial year 2007 –2008, and are ordered by section and level of completion.

3.2 As at the 23rd of August 2007, of 18 core financial systems audits set out in the audit plan, 5 have been completed. Of the remaining 13 audits, 4 have been started. As a result the total number of audits still to be commenced is 9.

3.3 Of 15 non-financial audit areas identified for this years audit plan, as at 23rd of August 2007, 3 audits have been completed. Of the remaining 12 audits, 4 have been started and are progressing with one close to being complete. One of these 4 audits relates to Community Services with the audit focus changed from HMIE as reported in the Annual Audit Plan to Disclosure Scotland. There is a reduced need for audit work on HMIE issues and with the agreement of the Director of Community Services and Grant Thornton UK LLP the audit focus was changed. At this time 8 audits remain to be commenced.

3.4 As detailed in the Annual Audit Plan a total of 80 days have been set aside for Other Areas – Follow Up work etc. As at the 23rd of August 2007, a total of 22 days have been expended. In addition, 80 days have been set aside in the plan for Special Investigations / Contingency audit work. As at the 23rd of August 2007, a total of 40 days have been expended on Special Investigation work.

4. SUMMARY OF AUDIT ACTIVITIES FOR 2007 - 2008

4.1 A report was produced in May 2007 by RSM Robson Rhodes LLP, now Grant Thornton UK LLP, after they assessed the internal audit section's compliance with the eleven standards set out in the updated Code of Practice for Internal Audit in Local Government (the Code). One of the reports recommendations stated, "The Council should ensure internal audit is fully resourced to meet objectives". In July 2007, adverts were placed in order to address the recommendation. The result was no suitable applications were received which could be progressed to interview.

- 4.2 What has been agreed is that Internal Audit will seek to employ 2 Trainee Accountants, and continue to rely on qualified contract auditors to supplement the lack of permanent staff. At the beginning of August, Internal Audit engaged the services of a contract auditor to replace the temporary departure of another qualified contract auditor in June. This has helped maintain delivery of the audit plan and introduce resource stability.
- 4.3 Audit resources in the 1st Quarter were directed to year end audit work involving Stocktaking, Corporate Governance, Grant Certification and joint working with Grant Thornton UK LLP on the auditing of the Council's Statutory Performance Indicators (PIs).
- 4.4 It can be reported that Internal Audit has made reasonable progress with the Annual Audit Plan through the 1st and into the 2nd Quarter. Current progress with the Internal Audit plan reflects similar performance in 2006/07 in audits completed and being progressed.

CONCLUSION

Progress is being made on audits planned for 2007 – 2008.

6. IMPLICATIONS

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| 5.1 | Policy: | Update on audit plan for 2007 – 08. |
| 5.2 | Financial: | The audit plan is based on budgeted provision. |
| 5.3 | Personnel: | None |
| 5.4 | Legal: | None |
| 5.5 | Equal Opportunities: | None |

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