

PROGRESS REPORT ON INTERNAL AUDIT PLAN 2010 - 2011

1. SUMMARY

An interim progress report has been prepared covering the audit work performed by Internal Audit as at 28 January 2011 see(Appendix 1). The objective of the report is to advise members of the progress of the Annual Audit Plan.

2. RECOMMENDATION

2.1 The Audit Committee is asked to approve the progress made with the Annual Audit Plan for 2010 - 2011.

3. BACKGROUND

3.1 The progress report lists the audits scheduled for the financial year 2010 –2011, and are ordered by section and level of completion.

3.2 As reported to Audit Committee in December 2010 re-evaluation of the annual plan was undertaken. As the financial year end approaches it is prudent to take account of the number of estimated direct audit days, resources and audits remaining to be completed. The number of planned direct audit days for 2010 – 2011 was estimated to be 1,147. However, 50 days in April 2010 were expended finishing off audit work in 2009 – 2010 and an additional 25 days have been expended on non-direct audit work in training, advice and planning and reporting than had been estimated for 2010 – 2011. This has resulted in estimated direct audit days being reduced from 1,147 to 1,072. An adjustment has been made with the estimated direct audit days within the core and non financial audits and is detailed below.

3.2 In agreement with Grant Thornton the direct audit days allocated to Unified Benefits Systems audit has been transferred to National Fraud Investigation (NFI) work, where the role of internal audit is to administer, monitor and report progress on a monthly basis to the Strategic Management Team (SMT) and Grant Thornton. Given the adverse report comment by Audit Scotland with the last NFI exercise, this is a prudent amendment. Of the 19 core financial systems audits set out in Appendix 1, 12 have been completed with a further 4 ongoing. The remaining 3 audits have been agreed and scheduled to take place in the period February 2011 to end March 2011. Rationalisation based on evaluation of the remaining audit areas has resulted in a further 3 audits having their estimated days reduced.

3.3 Of the 22 Non-Financial audits cited in Appendix 1, 10 have been completed and 10 are ongoing. The remaining 2 audits have been

agreed with management and are scheduled for the period February 2011 through to the end of March 2011. Adjustments have been made to the estimated direct audit days for a procurement audit and Planning and Performance Management. At the commencement of the financial year an estimated block of days was included within the audit plan for performance audits however over the year a number of performance related audits have or are being undertaken and this has allowed the estimated days to be reduced and a defined audit area to be identified. Audit work has already been undertaken on procurement and is ongoing and therefore it is prudent to make a small reduction in the estimated direct audit days for one of the procurement audits.

- 3.4 Special investigation and contingency work has been increased from an estimated 100 direct audit days to 125 audit days. This increase has resulted from the transfer of audits days from the Unified Benefit Systems audit into NFI. To date 74 audit days have been expended on special investigations with reports issued and to date 51 audit days expended on work undertaken for the NFI 2009 – 10 and 2010 - 11 exercises.
- 3.5 A total of 67 audit days have been expended for the other areas section of the annual audit plan. The monthly reporting to SMT and DMTs of recommendation implementation progress has seen a rise in the number of days expended. The usage of direct audit days for this section will continue to be monitored and if required an adjustment will be made and reported to the Audit Committee.

4. SUMMARY OF AUDIT ACTIVITIES FOR 2010 - 2011

- 4.1 It can be reported that Internal Audit continues to make progress with the audits set out in Appendix 1. A total of 801 direct audit days have been expended as at 28 January 2011. This compares favourably with the same period in 2009 when a total of 713 direct audit days had been expended.
- 4.2 As noted above current progress with the audit plan remains on course.

5. CONCLUSION

Progress is being made on audits planned for 2010 – 2011.

6. IMPLICATIONS

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| 6.1 | Policy: | Update on audit plan for 2010 – 2011. |
| 6.2 | Financial: | The audit plan is based on budgeted provision. |
| 6.3 | Personnel: | None |
| 6.4 | Legal: | None |
| 6.5 | Equal Opportunities: | None |