



Scrutiny Committee – 26 September 2011

Welland Internal Audit Consortium – Progress Report

Purpose of report

This report sets out, for members' information, the progress made by the consortium in delivering the Annual Audit Plan for 2011/12 together with some associated measures of performance. The report also provides an overview of key audit findings and recommendations from the audit reports that have been issued.

Attachment(s)

Appendix 1: Progress Report for 2011/12 to week 21

Appendix A to Progress Report – Detailed performance against plan

1.0 Background

1.1 The Welland Internal Audit Consortium provides the internal audit service for East Northamptonshire Council and is contracted to provide 230 audit days to deliver the 2011/12 Annual Audit Plan. The consortium operates in full compliance with the CIPFA Code of Practice for Internal Audit, which requires that it reports periodically to the council's "audit committee" on its performance; any key findings that impact on the council's control and risk management arrangements; and recommendations issued.

2.0 Progress with the Annual Audit Plan

2.1 Appendix 1 and the associated papers provide an analysis of progress against plan as well as a broader analysis of the consortium's performance. To provide members with the most current performance information the report analyses performance to the end of week 21 (i.e. 26 August) the latest date practical for reporting to this committee.

3.0 Key Performance Issue

3.1 The days delivered by the consortium in the period are below trend for reasons explained in appendix 1. Arrangements have been made to give assurance that the council will receive its contracted days and the Annual Audit Plan will be delivered in full.

4.0 Equality and Diversity Implications

4.1 There are no equality or diversity implications arising from the report

5.0 Legal Implications

5.1 There are no legal implications arising from the proposals.

6.0 Risk Management

6.1 There are no risks to the council in relation to the report's recommendation.

7.0 Financial Implications

7.1 There are no financial implications arising from the report.

8.0 Corporate Outcomes

8.1 Effective Management - The Annual Audit Plan is designed to provide members with assurance as to the effective management of the council's most significant risks.

9.0 Recommendation

9.1 The committee is recommended to note the progress and performance of the consortium.

(Reason - Consistency with previous decisions.)

Legal	Power:				
	Other considerations:				
Background Papers:					
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Date: 2 September 2011					
CFO		MO		CX	

(Committee Report Normal Rev. 22)

WELLAND INTERNAL AUDIT CONSORTIUM

East Northamptonshire Council

Appendix 1 to Scrutiny Committee 26th September 2011



1 Introduction

- 1.1 The Welland Internal Audit Consortium provides the internal audit service for East Northamptonshire Council and is contracted to provide 230 audit days to deliver the 2011/12 Annual Audit Plan. The Consortium operates in full compliance with the CIPFA Code of Practice for Internal Audit which requires that it reports periodically to the Council's "Audit Committee" on its performance; on any key findings that impact on the Council's control and risk management arrangements; and on recommendations issued.

2 Progress with Annual Audit Plan

- 2.1 The Annual Plan calls for the delivery of 23 planned audits. At the date of the report, as shown in Appendix A, two audits had progressed to draft report stage and fieldwork had been substantially completed for three more. Terms of Reference had been agreed for six audits of the Council's Key Financial Systems and the audits have been timetabled and resources earmarked for their delivery.
- 2.2 The Consortium had delivered 64 audit days by the end of week 21 which is some 30 days less than the profiled resource budget. This is due to three factors:
- 1) Vacancies – The Audit Manager post is currently vacant and the Welland Board has approved a cost- neutral restructuring: the vacancy will be held until the restructuring is implemented. Cash saving from the vacancy will be used in the second half of the year to buy in additional audit days as required.
 - 2) Maternity Leave – One of the Consortium's Auditors is subject to TUPE conditions and delivers audits for only two of the Consortium's clients – East Northamptonshire and Corby Borough Councils. To mitigate the impact of her maternity leave – scheduled to run from April to November - the decision was taken to buy-in additional audit days but to procure those days later in the year so that the agency employee could be used exclusively to carry out the more routine audits of Key Financial Systems while more complex audits were undertaken by the Consortium's own auditors who are familiar with East Northamptonshire's general arrangements. The engagement of a temporary auditor from 1st August to 31st March and the anticipated return of the Consortium's own auditor will have the effect of making a disproportionate number of earmarked days available to the Council in the second half of the year.
 - 3) Urgent Work for other Clients – the only time critical piece of work that needed to be delivered in the first half of 2011/12 was a relatively minor grant claim certificate: two of the other clients had major items of time critical assurance work to be completed early in the year. In light of the first two factors, audit days available have been applied to deliver the audit work judged most time critical

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It is anticipated that the availability of additional resources in the second half of the year will allow the Council's Audit plan to be delivered in full. As part of the process of regular client liaison meetings, the Council's Finance Manager now receives reports that both show the days received by the Council and confirm an appropriate allocation of resources between the five client local authorities.

2.3 The Consortium has delivered one significant piece of consultancy work – the provision of an Audit Certificate to support Growth Fund Claims amounting to almost £2 million.

3 Summary of Performance

3.1 Table 1 below provides an overview of the Consortium's performance up to the end of week 21 (26th August 2011) using selected Key Lines of Enquiry. It is considered that these Key areas provide Members with a basis for effective scrutiny of Internal Audit and they have been applied consistently over time across all client sites.

TABLE 2

Key line of Enquiry		Available Evidence
Performance of the Consortium		
✓	Will the Audit Plan be delivered in full?	Resources have already been earmarked to ensure the delivery of all audits of Key Financial Systems and plans are in place to deliver the days necessary to deliver the full Plan.
✓	Are audits being delivered on time and to budget?	All assignments for the year are within budget and there have been no significant delays in delivery.
⊞	Is staff productivity satisfactory? Time spent on productive work as a % of time available.	Productivity across the Consortium team is at 89% compared to the 87% achieved in 2010/11. However the target for 2011/12 was raised to 95% for 2011/12 and although individual auditors have met that target, the impact of the restructuring exercise is likely to mean that more challenging target is not achieved.
✓	Is the quality of work of a sufficiently high standard?	The Welland Board has consistently reported that the quality of the internal audit service provided by the Consortium is significantly better than the service received before September 2006 by in-house provision. Following an Audit Commission review of the extent of the Consortium's compliance with the CIPFA Code of Practice in March 2010, action has been taken to achieve full compliance with the Code of Practice.
⊞	Is the Consortium satisfying clients' needs & expectations?	As yet there is insufficient data on client satisfaction for 2011/12
The Control Environment		
⊞	Do the completed audits	Although no audits have been finalised, no material

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	provide assurance that the Council has made appropriate and effective arrangements to manage its key risks?	issues were raised in the two draft reports and no issues have been identified in other work in progress.
Implementing Recommendations		
✓	Are effective arrangements in place to ensure that managers respond to the agreed audit recommendations for which they are responsible in a timely manner?	<p>The Council's Performance Clinics provide assurance that all agreed audit recommendations are addressed on a timely basis. To support the Clinics, the Consortium's Lead Auditor for East Northamptonshire provides monthly reports of outstanding recommendations to the responsible Heads of Service.</p> <p>The most recent report showed 12 outstanding recommendations of which two were slightly overdue: at the date of reporting, meetings are being scheduled with the responsible Heads of Service to determine whether there recommendations have, in fact, been implemented.</p>

PROGRESS AGAINST ANNUAL AUDIT PLAN

Planned Audits	Budget	Progress @ Week 21
FINANCIAL SYSTEMS	110	
Benefits	20	Terms of Reference Agreed
Budgeting & Budgetary Control	8	
Cash & Banking	8	Draft Report
Main Accounting System	10	Terms of Reference Agreed
Payroll & Employee Benefits	10	
Fixed Assets	5	
Creditors	12	Terms of Reference Agreed
Debtors	7	Terms of Reference Agreed
Local Taxes	10	Draft Report
Treasury Management	5	Terms of Reference Agreed
Medium Term Financial Planning	5	
Financial Management & Promotion of VFM	10	
GOVERNANCE & PERFORMANCE	55	
Partnership Working	10	
Procurement	5	
Customer Care	10	
Corporate Governance Arrangements	10	
Managing Contracts	10	
Business Continuity	10	Field Work Underway
CUSTOMER FACING SERVICES	20	
Regeneration Plans	10	
Use of Planning Processes	10	Terms of Reference Agreed
COUNTER-FRAUD ARRANGEMENTS	15	
Counter-Fraud -General Arrangements	5	Field Work Underway
Counter-Fraud -Analytical Review	10	Field Work Underway
CORPORATE ICT	20	
Specific assignments to be confirmed		
TOTAL DAYS	230	