



## Scrutiny Committee – 24 September 2012

### Welland Internal Audit Consortium – Progress Report

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#### **Purpose of report:**

To provide Members with information on the progress made by the Consortium on the delivery of the Annual Audit Plan for 2012/13 and 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 2012/13 to week 21

Appendix A to Progress Report – Detailed performance against plan

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#### **1.0 Background**

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 2012/13 Annual Audit Plan. The Consortium operates in line 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**

Appendix 1 and the associated papers provide an analysis of progress against the 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 2012), which is the latest date practical for reporting to this committee.

#### **3.0 Key Performance Issue**

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 as many contracted days as possible and that priority areas of the Annual Audit Plan will be delivered.

#### **4.0 Equality and Diversity Implications**

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

#### **5.0 Legal Implications**

5.1 There are no legal implications arising from the report.

#### **6.0 Risk Management**

6.1 There are no significant risks arising from the proposed recommendations in this report.

#### **7.0 Financial Implications**

7.1 There are no financial implications arising from the report

## 8.0 Corporate Outcomes

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.)

<b>Legal</b>	Power:				
	Other considerations:				
<b>Background Papers:</b>		None			
<b>Person Originating Report:</b>		Nicola Scott, Audit Manager, Tel. 07787 860067 E-mail nscott@rutland.gov.uk			
<b>Date:</b>		28 <sup>th</sup> August 2012			
<b>CFO</b>		<b>MO</b>		<b>CX</b>	

# WELLAND INTERNAL AUDIT CONSORTIUM

## East Northamptonshire Council



### Appendix 1 to Scrutiny Committee 24 September 2012

#### 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 line 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 called for the delivery of 26 planned audits. Subsequent discussions with the council's Corporate Management Team have resulted in the redesign of the Plan to reflect changes in the way that some services are defined and delivered: a planned audit of Youth Services has been rolled into the audit of the Provision of Leisure Facilities, reducing the number of planned audits to 25. This has not affected the range of audit coverage.

At the date of the report, as shown in Appendix A, three audits had progressed to draft report stage. The fieldwork has been started on another audit and the Terms of Reference have been issued for a further three audits, including two of the council's key financial systems. These three audits have been timetabled and resources earmarked for their delivery.

- 2.2 The Consortium had delivered around 26 audit days by the end of week 21 which is some 67 days less than the profiled resource budget. This is due to two factors:

1) Restructuring – The ongoing restructure of the Welland Internal Audit Consortium which the committee has previously been informed of, has affected staff availability. The staffing of the Consortium currently stands at four officers out of a proposed new structure of seven officers. Recruitment is underway to fill the remaining vacant posts.

2) Urgent Work for other Clients – there were no time critical pieces of 2012/13 work that needed to be delivered at the council in the first half of the financial year. The other Consortium clients had items of time critical assurance work to be completed early in the year. As consequence audit days available have been applied to deliver the audit work judged most time critical.

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A number of days were also spent completing the 2011/12 plan during the first quarter of 2012/13.

2.3 To rectify this issue, cash savings from vacancies will be used in the second half of the year to buy in additional audit days as required.

- A temporary auditor who has worked with the Consortium on numerous occasions has been engaged with Consortium from August 2012 onwards and will focus largely on the council's key financial systems;
- Another temporary auditor who worked with the Consortium last year, and who delivered work of a satisfactory level, will also be engaged again, as soon as is practical;
- An experienced audit contractor who specialises in ICT assignments has also been engaged to assist in future planning of ICT audit assignments.

This, along with the completion on the Consortium's restructure, will have the effect of making a disproportionate number of earmarked days available to the council in the second half of the year.

2.4 It is anticipated that the availability of additional resources in the second half of the year will allow for delivery of the planned range of audit coverage. An exercise has taken place with Corporate Management Team to agree an appropriate schedule for planned audits. The exercise also identified one audit which was low risk and might prove disruptive if carried out in the current year. This audit totalled 8 days of the Plan and will be left until the last assignment and then either dropped from the Plan or rolled forward depending on which is most appropriate.

2.5 The Consortium maintains regular client liaison meetings with key client officers. Meetings are currently being carried out with the council's Section 151 Officer. Regular meetings will be set up with the council's new Finance Manager as soon as she commences her appointment, to keep her informed of performance and confirm an appropriate allocation of resources between the five client local authorities.

### **3 Summary of Performance**

3.1 Table 1 below provides an overview of the Consortium's performance up to the end of week 21 (26 August 2012) using selected Key Lines of Enquiry. It is considered that these Key areas provide Members with a basis for

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effective scrutiny of Internal Audit and they have been applied consistently over time across all client sites.

TABLE 1

<b>Key line of Enquiry</b>		<b>Available Evidence</b>
<b>Performance of the Consortium</b>		
=	Will the Audit Plan be delivered in full?	Recruitment processes are underway to address current vacancies. Salary savings will be used to buy in additional audit days where required. However if days are short highest risk areas will be prioritised.
✓	Are audits being delivered on time and to budget?	Three audits were planned for quarters 1 & 2. Three reports have been issued as draft reports and are with the client for agreement. These issued audits were delivered on time and within budget.
✓	Is staff productivity satisfactory?  Time spent on productive work as a % of time available.  <i>Productive work = planned audits and consultancy work.</i>  <i>Time available = 260 days per auditor per year, less annual leave, sickness and professional training.</i>	Productivity across the Consortium team is currently at 81% against the target of 95%.  However the target was raised last year to 95% and the impact of the restructuring exercise has meant that the more challenging target has not been achieved due to increased management time spent on job evaluation, job descriptions and staff consultation. Individual performance of auditors has been at or near target for productivity.
✓	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 2012/13 to support an opinion

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<b>Key line of Enquiry</b>		<b>Available Evidence</b>
<b>The Control Environment</b>		
✓	Do the completed audits provide assurance that the Council has made appropriate and effective arrangements to manage its key risks?	Work completed to the date of the report has not identified any material issues of concern.
<b>Implementing Recommendations</b>		
✓	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>All managers agree the action for each recommendation prior to the issue of the final report. Significant effort is made by the auditors to produce SMART recommendations, including a target date for implementation. The Internal Audit database (Galileo) is used to track and follow up recommendations.</p> <p>The Council's Performance Clinics provide assurance that all agreed audit recommendations are addressed on a timely basis.</p> <p>The most recent report showed 36 outstanding recommendations of which 20 were slightly overdue: follow up work is being scheduled to determine whether these recommendations have, in fact, been implemented.</p>

## PROGRESS AGAINST ANNUAL AUDIT PLAN

PLANNED AUDITS	BUDGET	PROGRESS @ WEEK 21
<b>FINANCIAL SYSTEMS</b>	<b>90</b>	
Benefits	20	ToR Issued
Creditors	12	
Main Accounting System	10	
Local Taxes	10	ToR Issued
Budgeting & Budgetary Control	8	
Cash & Banking	8	
Debtors	7	
Payroll & Employee Benefits	5	
Fixed Assets	5	
Treasury Management	5	
<b>OTHER FINANCIAL SYSTEMS</b>	<b>10</b>	
Medium Term Financial Planning	5	
Accounting for Tax	5	ToR Issued
<b>COUNTER FRAUD WORK</b>	<b>15</b>	
Protecting the Public Purse	15	
<b>CORPORATE ICT</b>	<b>20</b>	
Wed Transactions	6	Draft Report Issued
Data Security	7	Draft Report Issued
Business Continuity	7	Draft Report Issued
<b>GOVERNANCE &amp; PERFORMANCE</b>	<b>40</b>	
Corporate Health & Safety	8	
Emergency Planning	7	
Recruitment, Retention & Redeployment	7	
Performance Monitoring & Management	8	Field Work Started
Asset Management & Maintenance	10	
<b>CUSTOMER FACING</b>	<b>45</b>	
Provision of Leisure Facilities	14	
Economic Development, Planning & Regeneration	8	
Development Control	15	
Elections & Electoral Registration	8	See commentary in Appendix 1
<b>CLIENT LIASON / COMMITTEE PREPERATION &amp; ATTENDANCE / FOLLOW UP WORK</b>	<b>10</b>	
<b>TOTAL DAYS</b>	<b>230</b>	