



East  
Northamptonshire  
Council

## Scrutiny Committee – 12 December 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 32

Appendix A to Progress Report – Detailed performance against plan

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#### **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 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**

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 32 (i.e. 11 November 2012) 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 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, 07787 860067, nscott@rutland.gov.uk					
<b>Date:</b> 14 <sup>th</sup> November 2012					
<b>CFO</b>		<b>MO</b>		<b>CX</b>	

(Committee Report Normal Rev. 22)

# WELLAND INTERNAL AUDIT CONSORTIUM

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### Appendix 1 to Scrutiny Committee 12 December 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 As previously reported the Annual Plan calls for the delivery of 25 planned audits.

At the date of the report, as shown in Appendix A, three audits had progressed to being issued as final versions. A further three audits have been issued as draft reports. The fieldwork has been started on three other audits and the Terms of Reference have been issued for a further five audits. Four audits which have had Terms of Reference issued have been earmarked for delivery by an Audit Contractor starting on the 26 November and so the audits will be underway by the time of the Committee meeting.

Work is ongoing to issue the remaining Terms of Reference for the financial audits and these will be allocated as soon as staff become available.

- 2.2 The Consortium had delivered around 82 audit days by the end of week 32 which is some 59 days less than the profiled resource budget.

As previously reported to the Committee this is due to the impact of the restructure of the Consortium and the associated long term staff vacancies.

- 2.3 To rectify this issue, cash savings from vacancies are being 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 re-engaged with Consortium from August 2012 onwards and has been contributing to the delivery of the council's key financial audits;
- Another temporary auditor who worked with the Consortium last year, and who delivered work of a satisfactory level, has

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been re-engaged to work with the Consortium from 26<sup>th</sup> November onwards.

- An experienced audit contractor who specialises in ICT assignments has also been engaged to assist in future planning of ICT audit assignments.

In addition, the restructure of the Consortium is near completion.

- The two vacant auditor posts have been filled and the new starters have been working with the Consortium since 29<sup>th</sup> October 2012, assisting in delivery of key financial audits.
- An offer for the post of Senior Audit Manager has been accepted and the chosen candidate is due to start with the Consortium on the 2<sup>nd</sup> January 2013.

Although delivery of audit days is still behind profile, the completion of the Consortium's restructure and the additional work of temporary auditors will make a disproportionate number of 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. Monthly meetings are now being held with the council's Finance Manager 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 32 (11<sup>th</sup> November 2012) 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.

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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?	As reported above, 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?	The three reports issued as Final 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 73% against the target of 88%.  The impact of the restructuring exercise has meant that the 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 and the team average is likely to improve further now the restructure is near completion.
✓	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
<b>The Control Environment</b>		
✓	Do the completed audits provide assurance that the Council has made appropriate and effective arrangements to	Work completed to the date of the report has not identified any material issues of concern.

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<b>Key line of Enquiry</b>		<b>Available Evidence</b>
	manage its key risks?	
<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 34 outstanding recommendations of which 12 were slightly overdue: Ongoing follow up work alongside liaison with the Performance Officer is taking place to address outstanding recommendations and identify those which have now been completed.</p>

## PROGRESS AGAINST ANNUAL AUDIT PLAN

PLANNED AUDITS	BUDGET	PROGRESS @ WEEK 32
<b>FINANCIAL SYSTEMS</b>	<b>90</b>	
Benefits	20	Draft Report Issued
Creditors	12	Field work started
Main Accounting System	10	
Local Taxes	10	Draft Report Issued
Budgeting & Budgetary Control	8	
Cash & Banking	8	Field work started
Debtors	7	
Payroll & Employee Benefits	5	
Fixed Assets	5	
Treasury Management	5	Field work started
<b>OTHER FINANCIAL SYSTEMS</b>	<b>10</b>	
Medium Term Financial Planning	5	ToR Issued (Start date 26 <sup>th</sup> Nov)
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	Final Report Issued
Data Security	7	Final Report Issued
Business Continuity	7	Final Report Issued
<b>GOVERNANCE &amp; PERFORMANCE</b>	<b>40</b>	
Corporate Health & Safety	8	ToR Issued (Start date 26 <sup>th</sup> Nov)
Emergency Planning	7	ToR Issued (Start date 26 <sup>th</sup> Nov)
Recruitment, Retention & Redeployment	7	ToR to CMT 27 <sup>th</sup> November
Performance Monitoring & Management	8	Draft Report Issued
Asset Management & Maintenance	10	
<b>CUSTOMER FACING</b>	<b>45</b>	
Provision of Leisure Opportunities	14	ToR Issued
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>	