



## **Governance & Audit Committee – 9 July 2014**

### **Welland Internal Audit Consortium – Internal Audit Plan & Performance Update 2014/15**

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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 Internal Audit Plan for 2014/15 and associated measures of performance.

#### **Attachment(s)**

Appendix A: Detailed Progress Report for 2014/15 to week 11

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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 required to provide 230 audit days to deliver the 2014/15 Annual Audit Plan.
- 1.2 The Public Sector Internal Audit Standards require periodic reporting to the 'Audit Committee' including the performance of Internal Audit against the agreed plan and any key findings regarding the council's risk management and control arrangements highlighted in the course of work completed.

#### **2.0 Progress with the Annual Audit Plan**

- 2.1 Appendix A includes information on the progress of audit assignments along with performance information for the Welland Internal Audit Consortium. To provide Members with the most current performance information the report analyses Internal Audit's performance to the end of week 11 (i.e. 13<sup>th</sup> June 2014) the latest date practical for reporting to this committee.
- 2.2. At the date of reporting one audit has been issued as a Final Report and a further audit issued as an Interim Draft Report. Fieldwork has been started on one audit and the Audit Planning Records have been issued for a further two reviews. Timings of the remaining audits have been discussed and planned with the relevant Heads of Service.

#### **3.0 Key Issues**

- 3.1 It should be noted that due to the nature of the assignments in the 2014/15 Plan, a higher number of assignments will need to be completed in the second half of the year than in the first. However, the flexible resourcing arrangements available from the Consortium allow delivery in line with client requirements
- 3.2 No areas of significant risk or control weaknesses have been identified in work completed to date.

#### **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

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 Recommendations

9.1 (1) The committee is recommended to note the progress and performance of the Consortium.

*(Reason – To demonstrate that the committee is discharging its responsibilities in conformance with the Public Sector Internal Audit Standards).*

<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> 16 <sup>th</sup> June 2014					
<b>CFO</b>		<b>MO</b>		<b>CX</b>	

(Committee Report Normal Rev. 22)



EAST NORTHAMPTONSHIRE COUNCIL  
INTERNAL AUDIT PLAN & PERFORMANCE UPDATE  
2014/15  
JULY 2014

Date: 9<sup>th</sup> July 2014

## ***Introduction***

- 1.1 The Welland Internal Audit Consortium provides the Internal Audit service for East Northamptonshire council and is required to provide 230 audit days to deliver the 2014/15 Annual Audit Plan.
- 1.2 The Public Sector Internal Audit Standards require the council's "Audit Committee" to scrutinise more rigorously the performance of the Internal Audit Team. This report aims to provide the committee with the information that it requires for this purpose.
- 1.3 This report updates the committee on the progress and performance of the Welland Internal Audit Consortium for 2014/15 and outlines information to assist the committee in carrying out its role as the council's 'Audit Committee'. This is intended to support the move towards full conformity with the Standards.

## ***Progress with the Annual Audit Plan & Internal Audit Performance***

- 2.1 At the date of reporting one audit has been issued as a Final Report and a further audit issued as an Interim Draft Report. Fieldwork has been started on one audit and the Audit Planning Records have been issued for a further two reviews, due to start in July. Full details are shown in Appendix 2 to the report.
- 2.2 An Interim Draft Report has been issued for the follow up review of the Licensing Partnership as it was not possible to complete all required testing before the end of quarter one of the year, but it was deemed appropriate to carry out as much testing as possible at as earlier a time as possible. The resulting Interim Report provides Substantial Assurance that required changes to implement recommendations have taken place or are in hand.
- 2.3 Timings of the remaining audits on the Plan have been discussed with the relevant Heads of Service. It should be noted that due to the nature of the assignments in the 2014/15 Plan, a higher number of assignments will need to be completed in the second half of the year, than in the first. However the flexible resourcing arrangements available from the Consortium allow delivery in line with client requirements
- 2.4 Relevant Performance Indicators have been developed to provide the committee with additional evidence to assess the performance and effectiveness of the Consortium. Table 1 shows performance against targets as at week 11 (i.e. 13<sup>th</sup> June 2014) the latest date practical for reporting to this committee.
- 2.4 To date, work completed has not highlighted any areas of concern in terms of significant risks or control weaknesses. Appendix 3 identifies 'strengths' and 'areas for improvement' in completed assignments. Where 'areas for improvement' have been highlighted, either actions were already being taken in the service area to address the issue or recommendations were made and agreed at the time the audit report was finalised.

<b>Table 1 PERFORMANCE TARGETS 2013/14</b>			
<b>Ref</b>	<b>Indicator</b>	<b>Target</b>	<b>Current Performance</b>
IA1	Chargeable Days	90%	84% @ week 11  Performance lower than target due to start of year tasks non chargeable to individual clients/audits e.g. planning audit timings, new audit set up of files and audit software, budgeting tasks.
IA2	Audits within Budget	90%	100%  However it should be noted that this relates to one audit only
IA3	Audits on Time	90%	100%  However it should be noted that this relates to one audit only
IA4	Customer Satisfaction	3.6	3.4  However it should be noted that this relates to one audit only
IA5	Delivery of Planned Work	100%	N/A year end indicator
	Delivery of Audit Days	230 days	15 days delivered by week 11

## ***Appendix 1: Limitations and Responsibilities***

### ***Limitations inherent to the internal auditor's work***

The Consortium is undertaking a programme of work agreed by the council's senior managers and approved by the 'Audit' committee subject to the limitations outlined below.

#### ***Opinion***

Each audit assignment undertaken addresses the control objectives agreed with the relevant, responsible managers.

There might be weaknesses in the system of internal control that the Consortium are not aware of because they did not form part of the programme of work; were excluded from the scope of individual internal assignments; or were not brought to the Consortium's attention. As a consequence, the 'Audit' committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to the Consortium's attention

#### ***Internal Control***

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making; human error; control processes being deliberately circumvented by employees and others; management overriding controls; and unforeseeable circumstances.

#### ***Future Periods***

The assessment of each audit area is relevant to the time that the audit was completed in. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

#### ***Responsibilities of management and internal auditors***

It is management's responsibility to develop and maintain sound systems of risk management; internal control and governance; and for the prevention or detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

The Consortium endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.

## Appendix 2 - Summary of Internal Audit Work Undertaken for 2014/15

Progress Against Audit Plan 2014/15			
Planned Audits	Budget	Progress	Assurance Rating
<b>Financial Systems</b>			
Main Accounting, Cash & Banking	90 Days		
Fixed Assets			
Creditors			
Debtors			
Budgeting & Budgetary Control			
Treasury Management			
MTFP			
Payroll			
Collection Fund			
<b>Counter Fraud Work</b>			
Council Tax & NDR – Fraud	15 Days		
<b>Corporate ICT</b>			
Internet & Website	20 Days	APR* Issued	
Legislation		APR* Issued	
<b>Customer Facing</b>			
Community Infrastructure Levy – Advisory Work	35 Days		
Licensing Partnership - Follow Up Review		Interim Draft Report Issued	Substantial Assurance
Land Charges			
Individual Voter Registration			
<b>Governance &amp; Performance</b>			
Staffing – Pay & Benefits	50 Days	Field Work Started	
Shared Services & Partnership Arrangements			
Business Continuity Plan			
Projects and Transformation			
New Risk Management System			
Member Empowerment Fund		Final Report Issued	Sufficient Assurance
<b>Client Liaison / Committee Preparation &amp; Attendance / Follow</b>			
	20 Days		
<b>Total Days</b>	<b>230 Days</b>		

\*APR= Audit Planning Record – this document defines the objective and scope of the audit

**Appendix 3: Detail of Internal Audit Work completed (Final Report Issued) to date for 2014/15**

Audit Assignment	Days		Area Reviewed	Date of Reporting	Comments	Assurance Rating
	Plan	Actual				
<b>Governance &amp; Performance</b>						
Member Empowerment Fund	5 days	5 days	Assurance required that Policy and Procedures are fit for purpose and being correctly followed. Also that award of funding is appropriate, in line with Policy and Policy is effective.	June 2014	<p><b>Strengths</b> High standard of record keeping provides a clear audit trail. Testing confirmed that awards of funding were in line with Policy and were subject to appropriate endorsements, checks and authorisation prior to payment.</p> <p><b>Areas for Improvement</b> Scope for improving the Member Empowerment Fund Policy and associated guidance in terms of clarity and consistency. Information made available to the public could also be improved in terms of clarity.</p>	Sufficient Assurance



## NOTES

### Assurance Ratings

Assurance ratings to be awarded have been agreed by the Welland Board as Substantial, Sufficient, Limited and No Assurance.

<b>Audit Opinion</b>	<b>Design of Control Framework</b>	<b>Compliance with Controls</b>
<b>Substantial</b>	There is a robust framework of controls making it likely that service objectives will be delivered.	Controls are applied continuously and consistently with only infrequent minor lapses.
<b>Sufficient</b>	The control framework includes key controls that promote the delivery of service objectives.	Controls are applied but there are lapses and/or inconsistencies.
<b>Limited</b>	There is a risk that objectives will not be achieved due to the absence of key internal controls.	There have been significant and extensive breakdowns in the application of key controls.
<b>No</b>	There is an absence of basic controls which results in inability to deliver service objectives.	The fundamental controls are not being operated or complied with.

Assurance ratings in the range Substantial - Sufficient indicate that an acceptable level of internal control has been identified.

### Areas for Improvement

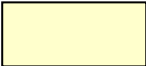
The issues identified have been addressed through audit recommendations or corrective action by Managers.

**Appendix 4: Range of Assurance for 2014/15**


<b>Financial Risks</b>	<b>ICT Risks</b>	<b>Fraud Risks</b>	<b>Customer Facing Risks</b>	<b>Governance &amp; Performance Risks</b>
<b>90 DAYS ALLOCATED</b>	<b>20 DAYS ALLOCATED</b>	<b>15 DAYS ALLOCATED</b>	<b>35 DAYS ALLOCATED</b>	<b>50 DAYS ALLOCATED</b>
Main Accounting, Cash & Banking	Internet & Website	Council Tax & NDR – Fraud	Community Infrastructure Levy – Advisory Work	Staffing – Pay & Benefits
Fixed Assets	Legislation		Licensing Partnership - Follow Up Review	Shared Services & Partnership Arrangements
Creditors			Land Charges	Business Continuity Plan
Debtors			Individual Voter Registration	Projects and Transformation
Budgeting & Budgetary Control				New Risk Management System
Treasury Management				Member Empowerment Fund
				<b>Rating = Sufficient Assurance</b>
MTFP				
Payroll				
Collection Fund				


## Notes

The purpose of the table is to provide Members with a clear representation of the extent to which available audit days have been committed. It is intended that this would support the committee should it receive requests for modifications to the approved Audit Plan.

Audit Assignments shaded  are those where Audit Planning Records have been issued

Audit Assignments shaded  are those where field work has begun

Audit Assignments shaded  are those where the draft report has been issued

Audit Assignments shaded  are those where the final report has been issued