



Governance & Audit Committee – 3 December 2014

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

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 32.

1.0 Background

- 1.1 The Welland Internal Audit Consortium provides the Internal Audit service for East Northamptonshire Council and is commissioned 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 provides information on the progress made on each of the audit assignments along with performance information for the Welland Internal Audit Consortium. In order to provide Members with the most current performance information the report analyses Internal Audit's performance to the end of week 32 (i.e. 7 November 2014) the latest possible date for reporting to this Committee meeting.
- 2.2. At the date of reporting, five assignments have been issued as Final Reports. Fieldwork is underway on a further six audits and terms of reference have been agreed for a further two audits. Timings of the remaining audits have been discussed with the relevant Heads of Service and resources are planned accordingly.

3.0 Key Issues

- 3.1 As at the end of week 32, the Consortium has delivered 72 of the commissioned 230 audit days. However, as reported to the last Committee meeting, the Welland Board have introduced interim measures to cover the existing Head of Internal Audit vacancy and to provide the resources required by the Consortium. This is in the form of an agreement with LGSS (a shared service arrangement delivered by Cambridgeshire and Northamptonshire County Councils) who are contracted to ensure delivery of at least 90% of all audit plans by the end of March 2015.
- 3.2 A number of key changes to the 2014/15 Audit Plan have been proposed since the last Committee meeting:

- That the Community Infrastructure Levy and the Business Continuity audits be deferred and included on the 2015/16 Internal Audit Plan to allow the reviews to take place at a time that will result in more meaningful outcomes;
- That the resulting saving of 20 days be used to undertake audits in the areas of Corporate Counter Fraud, Fees and Charges and Business Transformation, which would be more meaningful to the Council at this point in time.

3.3 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 agree to the proposed changes to the 2014/15 Internal Audit Plan.
 (2) The Committee 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).

Legal	Power: It is a statutory requirement for Councils to have an Internal Audit function in accordance with the Local Government Act 1972.				
	Other considerations: Internal audit and the "Audit Committee" should also conform to the relevant professional guidance – the Public Sector Internal Audit Standards.				
Background Papers: None					
Person Originating Report: Nicola Scott, Audit Manager, 07787 860067, nscott@rutland.gov.uk					
Date: 11 th November 2014					
CFO 21/11/14		MO		CX	



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

Date: 3rd December 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, Final Reports have been issued for five assignments. Fieldwork is underway on six audits and terms of reference have been agreed for a further two audits. Full details are shown in Appendix 2 to the report.
- 2.2 Since the last committee meeting some key changes have been proposed to the 2014/15 Internal Audit Plan:
 1. That the Community Infrastructure Levy and the Business Continuity audits be deferred and included on the 2015/16 Internal Audit Plan to allow the reviews to take place at a time that will result in more meaningful outcomes;
 2. That the resulting saving of 20 days be used to undertake audits in the areas of Corporate Counter Fraud, Fees and Charges and Business Transformation, which would be more meaningful to the Council at this point in time.
- 2.3 Timings of the remaining audits on the Plan have been discussed with the relevant Heads of Service and the scheduling of these reviews will continue to be discussed with management in order to ensure these remain achievable.
- 2.4 As reported to the last committee meeting, the Welland Board have introduced interim measures to cover the existing Head of Internal Audit vacancy and to provide the resources required by the Consortium. This is in the form of an agreement with LGSS who are contracted to ensure delivery of at least 90% of all audit plans by the end of March 2015.
- 2.5 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 32 (i.e. 7th November 2014) the latest date practical for reporting to this committee meeting.
- 2.6 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' identified by completed assignments. Where 'areas for improvement' have been highlighted, either actions were already underway within the service area to address the issue or recommendations were made and agreed at the time the audit report was finalised.

Ref	Indicator	Target	Current Performance
IA1	Chargeable Days (Audit Staff)	90%	82% @ week 32 Performance lower than target. However, please note this figure does not take into account the Audit Contractors who deliver 100% productive time or the time provided by LGSS.
IA2	Audits within Budget	90%	80% Of the five assignments delivered, one has exceeded the allocated budget. This related to the consultancy work on staff pay and benefits which was delivered in just under 7 days compared to the budget of 5 days to ensure that the work covered all requirements of the client officer.
IA3	Audits on Time	90%	100% There have been no significant delays in completing audits.
IA4	Customer Satisfaction	3.6	3.7
IA5	Delivery of Planned Work	100%	N/A year end indicator
	Delivery of Audit Days	230 days	73 days delivered by end of week 32

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
Financial Systems			
Main Accounting, Cash & Banking	85 Days	APR* Issued	
Fixed Assets		APR* Issued	
Creditors		Field Work Started	
Debtors		Field Work Started	
Budgeting & Budgetary Control			
Treasury Management		Field Work Started	
MTFP & Collection Fund		Field Work Started	
Payroll		Field Work Started	
Counter Fraud Work			
Council Tax & NDR – Fraud	15 Days		
Corporate ICT			
Internet, Website & E-Mail	10 Days	Final Report Issued	Sufficient Assurance
Legislation		Cancelled	
Customer Facing			
Community Infrastructure Levy – Advisory Work	35 Days		
Licensing Partnership - Follow Up Review		Final Report Issued	Sufficient Assurance
Land Charges		Final Report Issued	Sufficient Assurance
Individual Voter Registration			
Governance & Performance			
Staffing – Pay & Benefits	50 Days	Final Report Issued	N/A Consultancy
Shared Services & Partnership Arrangements		Field Work Started	
Business Continuity Plan			
Projects and Transformation			
New Risk Management System			
Member Empowerment Fund		Final Report Issued	Sufficient Assurance
Client Liaison / Committee Preparation & Attendance / Follow			
	20 Days		
Contingency			
	15 Days		
Total Days	230 Days		

*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				
Corporate ICT						
Internet, Website & E-mail	10 days	9 days	Assurance required that the Council's internet use is controlled and monitored, website services are appropriately authorised and content is controlled, and the email system is also controlled and monitored.	November 2014	<p>Strengths Clear Policy including roles and responsibilities which employees must sign to evidence agreement to, prior to system access. Access to internet sites is restricted. Appropriate guidance and support for website administrators. Appropriate software used to quarantine emails where required.</p> <p>Areas for Improvement Currently there is no requirement for authorisation from senior management regarding access to records on an employee's internet and email use, to determine whether it is an appropriate request. The use of generic accounts to update the council's intranet site limits the effectiveness of the audit trail.</p>	Sufficient Assurance
Customer Facing						
Licensing Partnership - Follow Up Review	5 days	5 days	Assurance required that appropriate work is taking place to deliver required service improvements and to improve reconciliation processes.	August 2014	<p>Strengths Appropriate procedures to record, monitor and implement recommendations and report to the Licensing Partnership Board on progress made Reconciliation processes have been improved and documented.</p> <p>Areas for Improvement Timeliness of reconciliation completion.</p>	Sufficient Assurance

Audit Assignment	Days		Area Reviewed	Date of Reporting	Comments	Assurance Rating
	Plan	Actual				
Land Charges	10 days	7 days	Assurance required that fees and charges are set at the appropriate level; sufficient resources are in place to deliver the required service level and to identify and respond to any changes in requirements.	November 2014	<p>Strengths Team of skilled and experienced staff with sufficient resources to identify any required changes in service delivery, and act upon them in a timely manner. Performance in turnaround times of search applications was exceeding target at the time of audit. Testing found all cases reviewed had been charged correctly and completed on time, with appropriate documents retained.</p> <p>Areas for Improvement Fees and Charges have not been reviewed since 2010 but should have been reviewed and published annually. Some issues with data quality on historic and planning records leading to inefficiencies as the team have to double check results.</p>	Sufficient Assurance
Governance & Performance						
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>Strengths 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>Areas for Improvement 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
Staffing Pay & Benefits	5 days	7 days	Consultancy assignment requesting benchmarking of salary levels and other employee benefits	September 2014	<p>Consultancy Assignment Benchmarking exercise completed and data provided on salary levels and other employee benefits to aid the Head of Resources & OD and HR Manager in their plans to make improvements and to help recruit and retain adequate staff.</p>	N/A Consultancy Assignment

NOTES

Assurance Ratings

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

Audit Opinion	Design of Control Framework	Compliance with Controls
Substantial	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.
Sufficient	The control framework includes key controls that promote the delivery of service objectives.	Controls are applied but there are lapses and/or inconsistencies.
Limited	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.
No	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

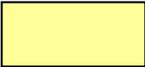
The issues identified have been addressed through audit recommendations or corrective action by Managers.

Appendix 4: Range of Assurance for 2014/15

Financial Risks	ICT Risks	Fraud Risks	Customer Facing Risks	Governance & Performance Risks
85 DAYS ALLOCATED	10 DAYS ALLOCATED	15 DAYS ALLOCATED	35 DAYS ALLOCATED	50 DAYS ALLOCATED
Main Accounting, Cash & Banking	Internet & Website Rating = Sufficient Assurance	Council Tax & NDR Fraud	Community Infrastructure Levy – Advisory Work	Staffing – Pay & Benefits
Fixed Assets	Legislation		Licensing Partnership - Follow Up Review Rating = Sufficient Assurance	Shared Services & Partnership Arrangements
Creditors			Land Charges Rating = Sufficient Assurance	Business Continuity Plan
Debtors			Individual Voter Registration	Projects and Transformation
Budgeting & Budgetary Control				New Risk Management System
Treasury Management				Member Empowerment Fund Rating = Sufficient Assurance
MTFP & Collection Fund				
Payroll				

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

Audit Assignments shaded  are those which have been cancelled