



East Northamptonshire Council

Audit and Risk Management Committee - 23 September 2009

Progress report - Welland Internal Audit Consortium

Summary

The report seeks to inform Members of the progress and performance of Internal Audit compared to the Annual Audit Plan and provide an overview of the key findings and recommendations from the issued reports.

Attachment(s)

- Appendix 1 - quarterly progress report for Q1 of 2009/10
- Appendix A to quarterly progress report - Detailed performance against Plan
- Appendix B to quarterly progress report - Summary of issued audit reports

1 Introduction

1.1 The Welland Internal Audit Consortium (WIAC) provides the internal audit service for East Northamptonshire Council and the agreed annual audit plan provides for 260 audit days. The Consortium operates under the CIPFA Code of Practice for Internal Audit (2006) and was assessed by the Audit Commission as being substantially compliant with the Code as at March 2008. Key findings and recommendations from each audit activity are reported to this committee for monitoring purposes.

2 Progress with Annual Audit Plan

2.1 Appendix 1 and the associated papers provide a detailed analysis of the progress of the Consortium with planned work.

3 Conclusion

3.1 The report at Appendix 1 shows that the Consortium is performing well and has delivered planned work in accordance with the agreed Annual Plan.

3.2 Available audit evidence shows that the Council has put in place effective arrangements to manage its risks and where weaknesses have been identified, appropriate action is being taken.

3.3 There are no areas of specific concern to report as a result of audit work completed that present a significant risk to the Council.

4 Recommendation

4.1 It is recommended that the progress and performance of the Consortium be noted

Implications:

Corporate Outcomes or Other Policy/Priority/Strategy

Good Quality of Life	<input type="checkbox"/>	Good Reputation	<input type="checkbox"/>
Good Value for Money	<input checked="" type="checkbox"/>	High Quality Service Delivery	<input checked="" type="checkbox"/>
Effective Partnership Working	<input checked="" type="checkbox"/>	Strong Community Leadership	<input type="checkbox"/>
Effective Management	<input type="checkbox"/>	Knowledge of our Customers and Communities	<input type="checkbox"/>
Employees and Members with the Right Knowledge, Skills and Behaviours			<input type="checkbox"/>

Other:		<input type="checkbox"/>
Decision(s) would be outside the budget or policy framework and require full Council approval		<input type="checkbox"/>
Financial	There are no financial implications at this stage	<input type="checkbox"/>
	There will be financial implications – see paragraph	<input type="checkbox"/>
	There is provision within existing budget	<input checked="" type="checkbox"/>
	Decisions may give rise to additional expenditure at a later date	<input type="checkbox"/>
	Decisions may have potential for income generation	<input type="checkbox"/>
Risk Management	An assessment has been carried out and there are no material risks	<input checked="" type="checkbox"/>
	Material risks exist and these are recorded at Risk Register Reference - inherent risk score - residual risk score -	<input type="checkbox"/>
Staff	There are no additional staffing implications	<input checked="" type="checkbox"/>
	Additional staff will be required – see paragraph	<input type="checkbox"/>
Equalities and Human Rights	There will be no impact on equality (race, age, gender, disability, religion/belief, sexual orientation) or human rights implications	<input checked="" type="checkbox"/>
	There will be an impact on equality (see categories above) or human rights implications – see paragraph	<input type="checkbox"/>
Legal	Power : Section 151 Local Government Act 1972, Accounts & Audit Regulations 2006	
	Other considerations :	
Background Papers	none	
Person Originating Report	Rosanne Fleming - Audit Manager, Welland Internal Audit Consortium	
Date: 27/08/2009		
CFO		MO
		CX

(Committee Report Normal Rev. 16)

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1 Introduction

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2 Progress with Annual Audit Plan

- 2.1 The overall delivery of work against the audit plan, as at the 30th June 2009, is shown at Appendix A. The Appendix shows that all planned quarter 1 audits were started as planned.
- 2.2 The overall time of 70 days spent on work at the Council is close to the planned allocation of 65 days for the first 3 months of the Financial Year. The completion of 2008/09 work was reported to this Committee as part of the annual report of internal audit on 30th June 2009.
- 2.3 As indicated in Appendix A, two draft reports have been completed and two final reports have been issued so far in the current year. Two pieces of consultancy work have also been completed. See Appendix B for a summary of the final reports.

TABLE 1 – Final reports issued

Audit Entity	Assurance Rating
Waste Management	Good
Management & Maintenance of Public Spaces	Good

Assurance ratings are explained in section 4.2.

3 Summary of Performance

- 3.1 Table 2 below provides an overview of the Consortium's performance up to the end of Quarter 1 (30th June 2009) using selected Key Lines of Enquiry. It is considered that these Key areas provide Members with a basis for effective scrutiny of Internal Audit.

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TABLE 2

Key line of Enquiry		Available Evidence
Performance of the Consortium		
✓	Will the Audit Plan be delivered in full?	At this stage of the year it appears likely that the Annual Audit Plan will be delivered in accordance with scheduled timings. Amendments to the plan are made during the year to reflect management needs and take account of changes in circumstances.
✓	Are audits being delivered on time and to budget?	See Appendix A. All draft audit reports have been issued within 5 working days of completion of field work. Finalising reports by agreement of action plans with senior managers has been challenging due to the holiday period resulting in limited availability for scheduling meetings. The final reports that have been issued were completed within the agreed timeframe following agreement of the action plan. The audits for Managing & Maintaining Public Spaces and Waste Management were both delivered within the planned days.
✓	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 at 83% against a target of 87%. The variance is due to management time spent on developing the client base which will deliver savings in future years, and induction of new staff. Individual productivity by the more experienced auditors is at the expected levels ranging from 86% to 96%.
✓	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. A peer review of the Consortium is in progress. This is being conducted by an experienced Chief Internal Auditor from another district council in the midlands. The draft report had not been received at the time of writing this report.
=	Is the Consortium satisfying clients' needs & expectations?	Insufficient data for the current year has been received to provide a statistical analysis of the level of customer satisfaction that could be considered representative or meaningful. This performance area will be updated at the next quarterly report.

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The Control Environment		
✓	Do the completed audits provide assurance that the Council has made appropriate and effective arrangements to manage its key risks?	The completed audits shown at Appendix A show a range of assurance ratings. Assurance ratings are based on the evidence available and the depth and range of audit testing performed. Action Plans to improve the control environment have been agreed for all audited entities.
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?	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.

3.2 **Direction of travel:** The Consortium provided an annual assurance rating of Sound for the year ended 31st March 2008 and Good for the year ended 31st March 2009. Insufficient work has been completed so far in the current year to provide an opinion on the annual assurance. However, no serious issues have been identified as a result of audit work so far this year.

The percentage of productive time to the end of Quarter 1 is slightly down on the 84% in 2008/09, to 83% in 2009/10 for the same period. It is anticipated that this will improve over the year.

4 Audit Reports – Assurance on the Internal Control Framework
(sections 4.1 to 4.2 are a reminder of format and reporting for new Members)

4.1 A formal audit report is issued as a pdf document by email as a result of each audit performed. The report format has been agreed by the Head of Resources and the Executive Director (CFO) and is consistent across all the Consortium clients. The report contains an Executive Summary and an Action Plan where the recommendations are listed alongside the agreed action.

4.2 The Consortium includes an overall audit assurance rating in each audit report. The ratings are:

Good – The Control Environment can be relied upon some minor risks may have been identified

Sound – The Control Environment can be relied upon, however some risks have been

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identified and some recommendations for improvement have been made

Marginal – The Control Environment can generally be relied upon, however a number of risks have been identified and some changes should be made

Unsatisfactory - The Control Environment cannot be relied upon, unacceptable risks have been identified and changes must be made

Unsound – The Control Environment is seriously flawed, major risks have been identified and improvements are required.

A rating of Unsatisfactory or Unsound requires immediate management attention and arrangements would be made for a further review to be carried out at a later date.

5 Other developments for the Consortium

- 5.1 The Consortium is now delivering income generating internal audit services to two parish councils in the Welland area (Asfordby and Broughton Astley) and a number of schools in Rutland. The Consortium is also making preparations to take on a fifth client partner – Corby Borough Council. This will generate efficiency savings for all the client councils, and improve resilience in service provision. The delivery of audit services to Corby is due to start mid November 2009.
- 5.2 A training programme for all council staff on counter fraud arrangements has been designed and largely delivered at Melton Borough Council. This is due to be rolled out to Harborough District Council and Rutland County Council over the rest of the Financial Year.
- 5.3 Further consultancy work on risk management is planned with some of the local parish and town councils in Northamptonshire through association with NCALC.
- 5.4 Following a successful recruitment exercise, the Consortium is fully staffed. The Consortium remains committed to developing the knowledge and skills of its staff. Two senior staff are undertaking additional professional training to gain the Advanced Diploma in Internal Auditing (IIA) to supplement their existing chartered accountancy qualifications (CIPFA). One Assistant Auditor has recently achieved the Intermediate level of the Accounting Technician (AAT) qualification and a second has been successful in exams of the IIA Diploma. The two newly recruited Assistant Auditors have started tuition for the AAT qualification.

Strategic Outcomes	Priority Outcomes	ENTITY CODE	ENTITY (AUDIT TOPIC)	Planned Quarter	Planned Audit days 2009/10	Actual days	Status at end of Q1	Comments
Cleaner	Clean streets	MMPS	Maintaining/Managing Public Space	1	15	11	Final report issued	
Cleaner	Effective management of waste	WAMA	Waste Management (inc recycling)	1	15	7	Final report issued	
High quality service delivery	Enhanced customer experience	CUSE	Customer Services	1	10	1	Field work started	
High quality service delivery	Enhanced customer experience	LACH	Land Charges	1	5	8	Draft report agreed	
Councillors and staff with the right knowledge, skills and behaviours	Continuous development	MEDE	Member Development	1	5	1	Field work started	
Cleaner	Good public health	PEST	Pest Control	2	5			
Cleaner	High quality built environment	STPL	Strategic Planning Function (inc Local Plan)	2	8			
Cleaner	High quality built environment	BUCO	Building Control	2	10			
Effective Management	Effective third sector	CDML	Corporate Decision Making & Leadership	2	8			
Effective Management	Improved business processes	MAP	Minimum Assurance Provision	2	25			
Effective Management	Good use of resources	UORE	Use of Resources Framework	2	8			
Cleaner	Good public health	PUHP	Public Health & Protection	3	15			
Council services which provide good value for money	Good value for money	EXFU	External Funding	3	8			
Effective Management	Effective third sector	MPAR	Managing Partnerships	3	8			
Effective Management	Effective business continuity	BUSC	Business Continuity	3	10			
Effective Management	Improved business processes	PUCO	Public Consultation (inc market research)	3	8			
High quality service delivery	Improved website and online transactions	ICT	Corporate ICT	4	10			
Effective Management	Improved business processes	TAX	Accounting for Tax	4	5			
Effective Management	Improved business processes	BENE	Benefits	4	20			
Effective Management	Improved business processes	LOTA	Local Taxes	4	10			
Effective Management	Improved business processes	ENRM	Enterprise Risk Management	4	10			
Councillors and staff with the right knowledge, skills and behaviours	Continuous development	APDE	Appraisal & Development	4	8			
Healthier	Increased participation in play, sport, leisure and culture	HEAL	Healthy Lifestyle Promotion	4	5			
			Total Audit Days		231	28		
			Total Consultancy Days		29	12		
			Closure of 2008/09 work			30		
					260	70		

<u>AUDIT AREA</u>	<u>ASSURANCE RATING</u>	<u>EXECUTIVE SUMMARY</u>	<u>KEY RECOMMENDATIONS</u>
Managing & Maintaining Public Space	GOOD	<p>Good controls are operating for maintaining and managing the Public Realm. Two comprehensive contracts cover both the Grounds Maintenance and Street Cleansing aspects of the Public Realm and sound arrangements are in place to co-ordinate these. Contract supervision responsibilities have been clearly defined and performance indicators established to both measure compliance and meet corporate priorities. The relevant data is appropriately captured and reported. Invoicing and budget monitoring arrangements are appropriately administered and managed. Some public consultation has taken place through the Residents' Panel Survey.</p> <p>Two minor issues were identified as part of the audit:</p> <ul style="list-style-type: none"> • Although regular meetings are held with Consortium members, there is no direct public consultation undertaken which allows public satisfaction to be tested. Without this the Council cannot gain assurance that the public are satisfied with all aspects of the Public Realm; and • Due to the underperformance identified as part of the Residents Panel survey, it is appropriate to investigate the reason for public dissatisfaction. 	<p>Two recommendations were agreed:</p> <p>Amenities Manager makes the provision for the Grounds Maintenance aspects of the Public Realm to be included in the next Residents' Panel Survey.</p> <p>Waste Manager produces a targeted customer feed-back form based on the areas identified in the resident's Survey Panel to establish the reasons for dissatisfaction.</p>
Waste Management	GOOD	<p>The contract defines standards for waste collection, recycling, health and safety, and legislation to be complied with. There are clear and appropriate arrangements in place to monitor the contract and budget for the contract. There is a system in place so that the Council can deal with complaints efficiently and effectively. Recycling is promoted and appropriate targets have been set to increase recycling. The Council has made provision for collection of recyclable waste and also for residents to take recyclable waste to a number of bring sites. The Council undertakes regular checks to ensure safe working practices are adhered to and that waste operatives have received appropriate training.</p>	<p>Two recommendations were agreed:</p> <p>The Council should consult with the contractor to agree mandatory items that should be included in first aid kit. The first aid kit will then be subsequently checked by the Council on a periodic basis to ensure all items are present.</p>

<u>AUDIT AREA</u>	<u>ASSURANCE RATING</u>	<u>EXECUTIVE SUMMARY</u>	<u>KEY RECOMMENDATIONS</u>
		<p>Two areas for improvement were identified:</p> <ul style="list-style-type: none"> • Arrangements should be put in place to ensure that first aid equipment on vehicles is appropriate and periodic checks are carried out by Officers • The consideration of environmental impact of transporting recyclable materials is not specified in the current contract 	<p>Head of Environmental Services to consider including specific environmental performance criteria in the new contract negotiations in relation to the carbon footprint of transporting recyclable waste for processing.</p>