

AUDIT & RISK COMMITTEE

7th December 2010

INTERNAL AUDIT PERFORMANCE REPORT 1ST APRIL – 30TH NOVEMBER 2010

Report of the Head of Consortium

CORPORATE AIM	To be a well managed organisation
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1. PURPOSE OF THE REPORT

- 1.1 To allow Members to monitor the performance of the Consortium in delivering the Council's internal audit service in light of the ongoing restructurings of the Council and the Consortium.

2. RECOMMENDATIONS

- 2.1 That Members consider whether there are any aspects of the Consortium's performance that require further explanation.

3. PROGRESS WITH ANNUAL AUDIT PLAN

- 3.1 The Committee was advised at its last meeting that a revised audit plan had been adopted and that work on planned audits was on hold until revised reporting lines were established. Changed management structures have also delayed the clearance of outstanding draft reports Table 1 restates progress on this year's planned audits: there has been no change since the last meeting.

Audit	Status
Corporate Health & Safety	Sound
External Communications	Good
Internal Communications	Good
Support & Oversight of Schools (Contact Point)	Good
Direct Payments	Not Applicable
Social Housing	Draft Report Stage
Appraisal & Development	Draft Report Stage

The Consortium has been able to reschedule the audit plans of other clients to bring forward work required on other sites. It is intended that work on key financial systems will begin in the final quarter of the year with work on non-financial systems following as time and resources allow.

- 3.2** The Annual Plan makes provision for 20 days of contingent activities (including Committee attendance; advice and assistance; and commissioned consultancy work). In the year to date the Consortium has: completed two special investigations (commissioned as part of the Council's disciplinary code); provided the certification required for two grant claims (EMDA and School Sports); and completed the work required for the 2010 NFI exercise. This work has exhausted the contingency allowance. Two other pieces of work have been commissioned: these and any other contingency work will be accommodated by reductions in time allocated to outstanding planned work.
- 3.3** The restructuring of the Consortium resulted in a reduction of one in the authorised head count. Appointments have been made to fill all authorised posts save for one Assistant Auditor post which has been vacant since mid-September. Recruitment to that post has been deferred until at risk notices are issued. This will have the effect of reducing by about 50 the number of audit days deliverable: because of the scheduling of work referred to in 3.1 this will impact primarily on delivery of the Council's audit plan

4 MANAGING AUDIT RECOMMENDATIONS

- 4.1** The Consortium's audit management software allows for the constant monitoring of outstanding audit recommendations, each of which is allocated to a responsible Head of Service, Assistant Director or Director. To promote speedy implementation of agreed recommendations the Chief Executive required regular reporting of outstanding recommendations to Directors for consideration at SMB.
- 4.2** Monitoring arrangements have been put on hold as a consequence of the restructuring: information held on the audit management system will need updating to link outstanding recommendations to relevant members of the Leadership Team. While responsible auditors have continued to progress chase where possible, the number of overdue recommendations has increased significantly: 53 out of 62 outstanding recommendations are now overdue.

5 SUMMARY OF PERFORMANCE

- 5.1** Table 2 below provides an overview of the Consortium's performance in the year to date using the standard Key Lines of Enquiry.

Table 2 Overview of Performance		
Key Lines of Enquiry	Available Evidence	Rating
Performance of the Consortium		
Will the Audit Plan be delivered in full?	The corporate restructure has made it necessary to delay planned work and this means the Council will bear most of the impact of the vacancy management associated with the restructuring. The reduction in audit days available to the Council there has not been matched by any reduction in demand for consultancy services. Priority is being given to delivery of audits of key financial systems to meet external audit requirements.	x
Are audits being delivered on time and to budget?	There have been delays in moving reports from draft to final stage because of changed reporting lines. There have been no significant overruns of time budgets.	=

Is staff productivity satisfactory	Productivity in the year to date is 85% compared to a target of 87%. Individual Auditors continue to deliver productivity levels in excess of 90% but a higher than usual level of management time has been taken up with the restructure and subsequent recruitment exercises.	✓
Is the quality of work of a sufficiently high standard?	In March 2010, the Audit Commission reviewed the Consortium's practices against the CIPFA Code of Practice and found it to be compliant	✓
Is the Consortium satisfying clients' needs & expectations?	Customer Satisfaction Questionnaires for the year to date give an average score of 3.8. A score of 3 equates to a "good" rating; a score of 4, "very good"	✓
The Control Environment		
Do the completed audits provide assurance that the Council has made appropriate and effective arrangements to manage its key risks?	Overall Assurance Rating is currently "Good"	✓
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?	The Consortium, with the support of the Chief Executive, has established arrangements to manage audit recommendations that operate effectively under normal circumstances. It is anticipated that the surge in overdue recommendations will have been dealt with before the year-end	=

6. RISK MANAGEMENT

RISK	IMPACT	COMMENTS
Time	Low	No time critical issues arise from this report
Viability	Low	There are no issues arising from this report
Finance	Low	No financial issues arise from this report
Profile	Low	The report does not raise any controversial issues
Equality and Diversity	Low	There are no specific equality and diversity issues arising from this report.

Background Papers
None

Report Author
Richard Gaughran

Tel No: (01572) 722577
e-mail: enquiries@rutland.gov.uk

A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.