

# WELLAND INTERNAL AUDIT CONSORTIUM



## Rutland County Council

### Audit & Risk Committee 29th September 2011 Internal Audit Performance Report Appendix A

#### 1 Introduction

- 1.1 The Welland Internal Audit Consortium provides the internal audit service for the Council and is contracted to provide 370 audit days to deliver the 2011/12 Annual Audit Plan. The Consortium operates in full compliance 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 The Annual Plan calls for the delivery of:
- 10 audits giving assurance for 2010/11 about Key Financial Systems
  - 24 audits giving assurance for 2011/12 about the Council's overall control and risk management arrangements
  - Three consultancy exercises

At the date of the report, as shown in Appendix A1:

- All 10 audits relating to 2010/11 assurance have been completed
  - Two draft reports have been issued relating to the Council's Counter-Fraud arrangements
  - Terms of Reference have been agreed for all of the 2011/12 audits of Key Financial Systems and the audits have been timetabled and resources earmarked for their delivery.
  - Terms of Reference have been agreed and the necessary testing frameworks have been developed for all planned IT Audit work; for Other Financial Systems; and for Customer Facing Services
- 2.2 The Consortium had delivered 127 audit days by the end of week 21 which is some 20 days less than the profiled resource budget. There is, at present, no reason to doubt that the required number of days will be delivered by 31st March 2012.
- 2.3 The Consortium has delivered one significant piece of unplanned consultancy work arising from the audits of Counter-Fraud Arrangements. A Revised Counter-Fraud Strategy with supporting Policies has been drafted: the Director of Resources is now leading on the process of formally adopting the Strategy.

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#### 3 Summary of Performance

3.1 Table 1 below provides an overview of the Consortium's performance up to the end of week 21 (26<sup>th</sup> August 2011) 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.

**TABLE 2**

<b>Key line of Enquiry</b>		<b>Available Evidence</b>
<b>Performance of the Consortium</b>		
✓	Will the Audit Plan be delivered in full?	Resources have already been earmarked to ensure the delivery of all audits of Key Financial Systems and plans are in place to deliver the days necessary to deliver the full Plan.
✓	Are audits being delivered on time and to budget?	All assurance work for 2010/11 was delivered within the relevant deadlines and the work was delivered using fewer than the budgeted audit days.  Assurance work for 2011/12 is being delivered within budget although miscommunication with clients has resulted in delays in taking audits on counter-fraud arrangements to final status.
=	Is staff productivity satisfactory?  Time spent on productive work as a % of time available.	Productivity across the Consortium team is at 89% compared to the 87% achieved in 2010/11. However the target for 2011/12 was raised to 95% for 2011/12 and although individual auditors have met that target, the impact of the restructuring exercise is likely to mean that more challenging target is not achieved.
✓	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 2011/12 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 manage its key risks?	Work completed to the date of the report has not identified any material issues of concern.

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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?	<p>The Consortium's audit management software produces regular reports of agreed audit recommendations that remain outstanding and highlights any recommendation overdue for implementation. Regular copies of these reports are provided to relevant Heads of Service and there are periodic reports to SMT. The Chief Executive monitors timely implementation of recommendations on an ongoing basis.</p> <p>At the date of this report, there were 19 outstanding reports: none were overdue for implementation.</p>

#### 4 Other Material Issues

4.1 The Consortium's Audit Manager resigned to take up a post in the private sector in June 2011. This provided an opportunity to review the staffing structure. The Welland Board approved a recommendation for changes to that structure which:

- Were cost neutral
- Provided for more robust and direct management of the Consortium's client sites;
- Made it more likely that the qualified auditors, in whom the Consortium has made a significant financial investment, could be retained.

The restructuring involves the creation and job evaluation of new posts within the structure and while this work is being carried out the Consortium is carrying the vacancy. This means that in the first half of the year the resources to deliver planned days is not available but it is anticipated that, once the new posts are filled, slippage will be recoverable in the later part of the year.

4.2 The Consortium budgets to generate a small volume of income from work carried out for the County's schools and colleges. Shortly after the General Election, the Department for Education announce that the Financial Management Standard in Schools was to be abolished. Since providing schools with independent assurance that they were compliant with the Standard was a key element of the Consortium's service, the announcement led to a cessation of schools work pending the publication of the promised replacement. The Department subsequently published the Schools Financial Values Standard and the Consortium is meeting with Head Teachers in November to roll out a new assurance programme based on the new Standard.