

WELLAND INTERNAL AUDIT CONSORTIUM



Rutland County Council

Audit & Risk Committee 14th February 2012 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

The Development Control Audit scheduled for 2011/12 was subsequently rolled forward in 2012/13 because the Government has delayed introduction of locally determined planning fees: the key assurance issue that the audit was to address

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

- All 10 audits relating to 2010/11 assurance have been completed
- Both Counter-Fraud audits have been completed
- Draft reports have been issued for two of the 10 Fundamental Financial Systems, work is in progress on a further six and Terms of Reference and testing schedules have been agreed for the final two audits;
- Audit of Medium Term Financial Planning has been completed and Terms of Reference agreed for all other audits of Financial Systems
- Terms of Reference have been agreed and the testing frameworks have been developed for all IT Audit work; and for audits of Governance & Performance.

- 2.2 The Consortium had delivered 210 audit days by the end of week 43 which is almost 100 days less than a straight-line profile resource budget would call for. The actual position is slightly less bad because the work plan assumed that audits of Fundamental Financial Systems for 2011/12 would take place in Quarter 4, however, the Council has been effected in the same way as the other clients by material staffing issues.

WELLAND INTERNAL AUDIT CONSORTIUM



Rutland County Council

Audit & Risk Committee 14th February 2012 Internal Audit Performance Report Appendix A

- 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.

3 Summary of Performance

- 3.1 Table 1 below provides an overview of the Consortium's performance up to the end of week 43 (29th January 2012) 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

| Key line of Enquiry | | Available Evidence |
|--------------------------------------|--|---|
| Performance of the Consortium | | |
| = | Will the Audit Plan be delivered in full? | The Welland Board has endorsed a proposal that will allow for the delivery in full of the Council's 2011/12 Audit Plan (as modified to reflect non-delivery by the Government as referred to at 2.2. above) |
| ✓ | 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 and on schedule. |
| = | Is staff productivity satisfactory? Time spent on productive work as a % of time available. | Productivity across the Consortium team is at 86% compared to the 87% achieved in 2010/11 and the more challenging target of 95% set for 2011/12. The target was based on assumptions about a stable highly experienced team; the present results reflect the need to respond to staffing issues arising. Productivity of auditors still in their original posts is as good, or better than in previous years. |
| ✓ | 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. |

WELLAND INTERNAL AUDIT CONSORTIUM



Rutland County Council

Audit & Risk Committee 14th February 2012 Internal Audit Performance Report Appendix A

| | | |
|-------------------------------------|--|--|
| | | 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? | Customer Satisfaction Questionnaires show that the work delivered continues to meet client expectations in terms of both product and process. |
| The Control Environment | | |
| ✓ | 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. Audit work relating to Key Financial Systems has identified enhanced levels of control arising from the ongoing implementation of Agresso. |
| 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 15 outstanding recommendations: one – relating to a review of the Members' Allowances Scheme is overdue for implementation but a report setting out proposals is on the agenda for the February meeting of the Constitutional Review Working Group.</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 and was followed, shortly afterwards by one of the Assistant Auditors. An Auditor resigned on 31st December 2011 after an extended period of sickness absence. These vacancies provided an opportunity to review the staffing structure. The Welland Board has requested a report to its March meeting setting out a final proposal for a new structure that is more robust and sustainable.

WELLAND INTERNAL AUDIT CONSORTIUM



Rutland County Council

Audit & Risk Committee 14th February 2012
Internal Audit Performance Report
Appendix A

- 4.2 There was a successful recruitment exercise in December 2012: two vacant posts were filled with effect from mid-January.