

# WELLAND INTERNAL AUDIT CONSORTIUM

## Rutland County Council



### ANNUAL REPORT FOR INTERNAL AUDIT FOR 2011/12

#### 1. INTRODUCTION

- 1.1 The Accounts and Audit Regulations require that the head of the Council's Internal Audit function produce an annual report to the Council's Audit Committee. The report must include an explicit Internal Audit opinion on the Council's systems of control and risk management and its governance arrangements. In developing the Internal Audit opinion, the Head of Internal Audit must cite the relevant evidence used for opinion purposes. There is also a requirement to report an annual review of the effectiveness of the Internal Audit function to provide Members with a basis for determining the extent to which reliance can be placed on the Internal Audit opinion. At a minimum there is an expectation that an effective Internal Audit function will operate in compliance with the CIPFA Code of Practice for Internal Audit.

#### 2. INTERNAL AUDIT OPINION

- 2.1 I have formed the opinion that the Council's overall internal control arrangements continue to provide a **Sound Level of Assurance**. This represents the second highest of the five levels assurance and indicates a satisfactory management of risk. While some elements of the control framework require attention, audit recommendations have been made to address those issues and responsible managers have agreed timetables for their implementation.

#### 3. EVIDENCE SUPPORTING THE AUDIT OPINION

- 3.1 The Audit Opinion is based upon the assurance ratings arising from audits undertaken and on progress in implementing recommendations arising from those audits. Table One is a list of the assurance ratings for each of the audits undertaken. The table demonstrates that 20 out of 22 audits carry a "Good" or "Sound" assurance rating

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<b>Table One</b>		
<b>Summary of Assurance Ratings for Planned Audits</b>		
<b>Audit</b>	<b>Assurance Rating</b>	<b>Assurance Score *</b>
<b>FUNDAMENTAL FINANCIAL SYSTEMS</b>		
Benefits	Sound	4
Budgeting & Budgetary Control	Good	5
Cash & Banking	Sound	4
Creditors	Sound	4
Debtors	Sound	4
Fixed Assets	Sound	4
Local Taxes	Good	5
Main Accounting System	Good	5
Payroll	Unsound	1
Treasury Management	Good	5
<b>Average</b>	<b>Sound</b>	<b>4.1</b>
<b>OTHER FINANCIAL SYSTEMS</b>		
Accounting for Tax	Good	5
Assessing & Charging Clients	Sound	4
Medium Term Financial Strategy	Good	5
<b>Average</b>	<b>Good</b>	<b>4.7</b>
<b>CORPORATE ICT</b>		
Security of Financial Data	Marginal	3
Data Protection	Sound (provisional)	4
IT Policy & Procedures	Sound (provisional)	4
IT Strategy	Sound (provisional)	4
NTA Penetration Testing – On Site	Sound	4
NTA Penetration Testing – Internet	Sound	4
<b>Average</b>	<b>Sound</b>	<b>3.8</b>
<b>COUNTER-FRAUD WORK</b>		
Analytical Review	Good	5
General Arrangements	N/A Consultancy	
<b>Average</b>	<b>Good</b>	<b>5</b>
<b>GOVERNANCE &amp; PERFORMANCE</b>		
Corporate Governance	Sound	4
Managing Contracts	Sound	4
<b>Average</b>	<b>Sound</b>	<b>4</b>
<b>AVERAGE SCORE/RATING</b>	<b>SOUND</b>	<b>4.1</b>
<p><b>Assurance Score * reflects Assurance Rating: Good scores 5; Sound scores 4; Marginal Scores 3; Unsatisfactory scores 2; Unsound scores 1.</b></p>		

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- 3.2 No direct assurance was provided in respect of Customer Facing Services. The audit of Development Control – the sole piece of planned work in this category – was taken forward into the 2012/13 plan because the Government delayed roll out of local determination of planning fees: the risks around the new fees regime were to have been the focus of the audit.

### 4. SUMMARY OF PERFORMANCE

- 4.1 Table Two below provides an overview of the Consortium’s performance for 2011/12 using selected Key Lines of enquiry. It is considered that these Key areas provide Members with a basis for effective scrutiny of Internal Audit

Table Two		
Key Lines of Enquiry 2011/12		
Key Line of Enquiry		Available Evidence
<b>Performance of the Consortium</b>		
✓	Will the Audit Plan be delivered in full?	Use of audit contractors has allowed for the delivery of audits of all topics identified In the Plan – except for Development Control which was rolled forward due to Government delays in implementing new fee-setting arrangements. Resourcing constraints required some reduction in the scope and scale of assignments.
✗	Are audits being delivered on time and to budget?	Resource issues resulted in considerable delays in delivering planned work. A significant proportion of work was delivered after year-end.
✓	Is auditor productivity satisfactory?	Overall productivity was 86% for the year: individual auditors continued to deliver in the range 90-95% but the need to address high vacancy levels and respond to Welland Board’s requirements around restructuring meant that the Consortium’s managers were engaged in a higher than anticipated level of non-chargeable work
✓	Is the quality of work of sufficiently high standard?	The Consortium’s arrangements were subject to external review by the Audit Commission in February 2010 as part of their due diligence work relating to the change of internal auditors at Corby BC. The review confirmed that the Consortium’s arrangements are compliant with CIPFA Standards.
✓	Is the Consortium meeting clients’ needs & expectations?	The Consortium uses Customer Satisfaction Questionnaires where a score of 4 equates to “very good” and 3 to “good”. In 2011/12 the average score for post-audit CSQs was 3.81: more than 95% of respondents rated the Consortium’s service as good or very good.

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<b>The Control Environment</b>	
✓	<p>Do the completed audits provide assurance that the Council has made appropriate and effective arrangements to manage its key risks?</p>
	<p>The average for all assurance ratings (4.1) equated to a sound level of assurance. The overall assurance rating was depressed by IT-related issues impacting on both the Payroll System and the assessment of security of financial data: the remaining 20 assignments found control arrangements to be appropriate and effective.</p>
<b>Implementing Recommendations</b>	
✓	<p>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>
	<p>Responsible managers agree the action prescribed in each recommendation before a final audit report is issued: agreement extends to a target date for implementing each recommendation. The Internal Audit Database (Galileo) is used to track and follow up recommendations and the Chief Executive receives regular reports on progress which are discussed with Strategic Management Team.</p> <p>At the date of reporting, 11 recommendations were outstanding and 5 of them were overdue: action is in hand to progress those overdue items. In view of the range and scale of internal audit activity, the speed at which recommendations are addressed is encouraging.</p>