

# WELLAND INTERNAL AUDIT CONSORTIUM



## Rutland County Council

### Audit & Risk Committee 25th September 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 2012/13 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:
- 23 audits giving assurance for 2012/13 about the Council's overall control and risk management arrangements
  - The development of a Strategic IT Audit Plan and the delivery of 30 days assurance work in respect of that plan
  - Consultancy work relating to the Council's counter-fraud arrangements

At the date of the report:

- One draft report has been issued (Democratic Processes) and work is in progress on another audit (Managing Absence)
  - Terms of Reference have been agreed for Benefits and Local Taxes audits and testing plans have been developed. SMT are being consulted on the scheduling and Terms of Reference for the remainder of the planned work
  - A specialist ICT Audit Contractor has been engaged and work is in hand on developing the Strategic Plan
  - Training material has been produced to support the anticipated roll-out of a revised Counter-Fraud Strategy
- 2.2 The Consortium had delivered 127 audit days by the end of week 22 which is some 30 days less than the profiled resource budget: some 60 days were applied to complete the 2011/12 Plan

Given success in the current recruitment exercise, it should still be possible to deliver the required number of days by 31st March 2012.

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2.3 The Consortium has also delivered one unplanned audit to provide assurance that the issues identified during the 2011/12 Payroll Audit had been addressed.

### 3 Summary of Performance

3.1 Table 1 below provides an overview of the Consortium's performance up to the end of week 22 (31st August 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 1**

<b>Key line of Enquiry</b>		<b>Available Evidence</b>
<b>Performance of the Consortium</b>		
=	Will the Audit Plan be delivered in full?	As noted above, success in an ongoing recruitment exercise – together with use of Contractors – should make it possible to deliver the agreed days and the full plan. The Head of Consortium has made contingency plans to ensure that, in the event of any shortfall in days, the full range of assurance is delivered. This would involve some reductions in range and depth of testing within planned audits.
=	Are audits being delivered on time and to budget?	There have been no problems in delivering audits within budget but some difficulties have been experienced in obtaining necessary evidence on a timely basis from auditees. More use is being made of pre-audit information requests to mitigate this problem.
=	Is staff productivity satisfactory?  Time spent on productive work as a % of time available.	Productivity across the Consortium team is at 84% compared to the 85% achieved in 2011/12. Auditor's productivity averages 90% but the Head of Consortium and the Audit Manager have been heavily engaged in dealing with restructuring and associated staffing issues.  Experience suggests that newly appointed auditors deliver lower levels of productivity (as clients are not charged for on the job training) It is therefore not anticipated that productivity will increase significantly at the end of the recruitment exercise.

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✓	Is the quality of work of a sufficiently high standard?	<p>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.</p> <p>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.</p> <p>Notwithstanding the reductions in current staffing levels, there has been no easing of quality standards.</p>
=	Is the Consortium satisfying clients' needs & expectations?	As yet there is insufficient data on client satisfaction for 2012/13 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.
<b>Implementing Recommendations</b>		
✓	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 17 outstanding recommendations: while 10 were overdue for implementation the responsible Heads of Service have provided explanations for the slippage and put in place recovery action.</p>

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- 4 Other Material Issues
- 4.1 The Consortium is coming to the end of an extended restructuring exercise which has had a major impact on staffing levels and capacity. A newly established post of Audit Manager has been filled by an internal promotion. Interviews for two vacant Auditor posts take place in the week commencing 17th September and the quality of the shortlist makes it certain that the vacancies will be filled. Interviews for the vacant Audit Manager/Deputy post are scheduled for 8th October: both shortlisted candidates appear well qualified.
- 4.2 The Consortium has been successful in sourcing a specialist ICT Audit Contractor. The agreement developed requires the Contractor to provide the technical expertise necessary to produce a credible, risk-based IT Audit Plan; to design the testing programmes for subsequent audit assignments and to support and supervise the Consortium's own Auditors in the delivery of those assignments, carrying out those elements of testing that are beyond their competence. This approach should provide for a cost-effective way of buying-in necessary expertise and develop in-house capacity.
- 4.3 The restructuring of the Consortium removed one post from the establishment and a reshaping of the budget to provide for the engagement of Audit Contractors – both to provide specialist support as necessary and to provide flexibility to meet changing client requirements. To date, two suitable, “generalist” Contractors have been identified and terms of engagement agreed. Work to identify – and quality assure – further suitable Contractors is ongoing.