

WELLAND INTERNAL AUDIT CONSORTIUM



Rutland County Council

Audit & Risk Committee 22nd January 2013 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 audit (Democratic Processes) had been issued as a Final Version and three audits (Managing Absence, Benefits and Local Taxes) have been issued as draft reports.
- SMT have been consulted on the scheduling and Terms of Reference for the remainder of the planned work and a further eight audits have had Terms of Reference issued; this includes all of the Council's fundamental financial systems.
- A specialist ICT Audit Contractor has been engaged and a Strategic Plan for ICT assignments – including those for 2012/13 has been produced
- Training material has been produced to support the anticipated roll-out of a revised Counter-Fraud Strategy

- 2.2 The Consortium had delivered 203 audit days by the end of week 39 which is some 70 days less than the profiled resource budget: some 60 days were applied to complete the 2011/12 Plan.

Following a successful recruitment exercise, the Consortium became fully staffed at 2nd January 2013. The Consortium will continue to use audit contractors in addition to

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permanent staff members to allow delivery of the plan. This will result in a disproportional amount of resources being available at year end. Current calculation shows that there is likely to be a shortfall in resources of around 200 days across the Consortium, equating to around 30 to 40 days for the Council. However resources are being allocated to ensure all key assignments are being prioritised and sufficient audit coverage is completed to form the annual audit opinion.

- 2.3 The Consortium has also delivered two unplanned audits, the first to provide assurance that the issues identified during the 2011/12 Payroll Audit had been addressed. The second to provide advice on the approach to manage quarantined emails.

3 Summary of Performance

- 3.1 Table 1 below provides an overview of the Consortium's performance up to the end of week 39 (28th December 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

Key line of Enquiry		Available Evidence
Performance of the Consortium		
=	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 near to 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?	In a number of audits, completed or substantially completed, additional and unplanned work was required to address uncertainties about the control framework.
=	Is staff productivity satisfactory? Time spent on productive work as a % of time available.	Productivity across the Consortium team is at 80% 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.

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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
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.
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 26 outstanding recommendations: 21 were overdue for implementation. Work is being scheduled to establish whether in fact some of the overdue recommendations have now been completed.</p>

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4 Other Material Issues

- 4.1 The Consortium has come 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. The two vacant auditor posts were filled at the end of October with the vacant Audit Manager/Deputy post being filled in January.
- 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, three suitable, “generalist” Contractors have been identified and terms of engagement agreed. Work to identify – and quality assure – further suitable Contractors is ongoing.