

AUDIT & RISK COMMITTEE

11 June 2012

INTERNAL AUDIT UPDATE

Report of the Head of Welland Internal Audit Consortium

STRATEGIC AIM	All
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1. PURPOSE OF THE REPORT

- 1.1 To update Members on the work being undertaken by the Consortium to deliver the Council's internal audit service and to move towards a position of full conformity with the Public Sector Internal Audit Standards.

2. RECOMMENDATIONS

- 2.1 That Members note the report.
- 2.2 That Members approve the updated Internal Audit Plan 2013/14 shown at Appendix A.
- 2.3 That Members give their views on the utility of Appendix B as a means of supporting the "gate keeper" role.
- 2.4 That Members determine whether they consider the Performance Indicators as set out in Tables 1 & 2 suitable and sufficient to allow for effective oversight of the Consortium.

3. UPDATE ON THE INTERNAL AUDIT PLAN

- 3.1 The Internal Audit Plan considered by Members at the Committee's meeting in April 2013 acknowledged that time constraints had made it impossible to identify the audits required to give assurance about Service Delivery Risks. Subsequent discussions between the Head of Consortium and senior managers has allowed for the identification

of a range of audits shown in a revised Internal Audit Plan shown at Appendix A. These discussions also identified an assignment falling within the Governance & Risk element of the Plan designed to provide assurance about the effectiveness of new recruitment guidelines. The revised Plan also shows the budget allocations for those assignments with agreed Terms of Reference.

- 3.2** The Standards require Audit & Risk Committee to undertake the “gate keeper” role approving changes to the Audit Plan only when it is satisfied that such changes do not compromise the range and level of assurance originally commissioned. Appendix B represents an attempt to support the Committee by providing a representation of the extent to which available audit resources have been committed. It would be helpful to receive Members’ comments about the usefulness of this approach.
- 3.3** At the date of reporting field work is underway in respect of two assignments: an audit of Council Tax Fraud; and a consultancy exercise to develop a more effective way of completing the annual NFI data matching exercise. In addition work is in hand to deliver training to both Members and Officers on the recently updated Counter-Fraud Strategy; and to promote greater awareness of the Strategy.
- 3.4** Appendix B shows that the budget for IT audit work is fully committed. The Consortium’s IT Audit contractor has developed the work sheets to deliver the planned IT audits and Terms of Reference are being agreed. Work is in hand to procure the specialist penetration testing work required to demonstrate that the Council’s IT security arrangements meet Government standards and to agree appropriate Terms of Reference for the work required.

4. UPDATE ON THE STANDARDS

- 4.1** CIPFA has now produced a Local Government Application Note containing supplementary guidance on the way in which the Standard should be applied by local authorities – and a checklist to be used in assessing conformance with the Standard and the Note. The Consortium has undertaken an initial review of the Note with a view to identifying whether any actions – beyond those of which the Committee has already been informed – will be required to achieve conformance with the Standards.
- 4.2** The Committee has already received a report referring to the role of “gate keeper” which will require the development of the capacity to

determine – independently – whether the acceptance of commissions to undertake unplanned assignments is likely to compromise the Consortium’s ability to deliver the level and range of assurance required. The Note indicates that the Committee is expected to develop the capacity to identify the need for in-year changes to the Audit Plan – and to require such changes to be made. This suggests that the training and support required by the Committee may be more extensive than initially assumed.

- 4.3** The Note confirms that the Chair of the Committee will be expected to contribute to the appraisal of the Head of Consortium. While the Committee has been advised of this requirement, no consideration has yet been given to the way in which this requirement might best be met across the five Welland local authorities.
- 4.4** The Note confirms that there will be a requirement to establish a Quality Assurance and Improvement Programme defining the way in which annual reviews are to be conducted as well as the way in which periodic independent external reviews are to be procured. The decision to procure an external review during 2013/14 would seem to give some leeway in producing the Programme should it prove necessary to prioritise work required to achieve full conformance with Standards.
- 4.5** The Note indicates that the Committee should review, periodically, key documents such as the Audit Charter and Internal Audit’s Role & Responsibility Statement to ensure that they remain current and relevant. Given that all the Consortium’s key documents will require editing to acknowledge the Standards, it is likely that the Committee will be required to review and approve a range of documents at its next meeting.

5. PERFORMANCE INDICATORS

- 5.1** Appropriate, relevant Performance Indicators should provide the Committee with additional evidence to assess the performance and effectiveness of the Consortium. The Table 1 below sets out the Indicators that (subject to any comments by Members) will be used during 2013/14; shows what each Indicator is designed to measure; and shows the basis upon which the Indicator is calculated. Table 2 shows proposed targets for the year and current performance.

Table 1 PERFORMANCE INDICATORS			
Ref	Indicator	Aspect of Performance Measured	Calculation
IA1	Chargeable Days	Efficient management of available audit time	Chargeable Time/Manageable Time (expressed as a percentage) Chargeable = Audits, Consultancy, Advice & Assistance, support for Audit & Risk Committee Manageable = Total Contracted Time less holidays, sickness and professional training.
IA2	Audits within Budget	Efficient management of individual assignments	Percentage of audits completed (final report issued) where time booked to the audit is equal to or less than the agreed budget.
IA3	Audits on Time	Effectiveness – meeting the requirement for timely reporting to clients	Percentage of audits completed (final report issued) where report is issued on or before agreed target date.
IA4	Customer Satisfaction	Effectiveness – meeting client needs/expectations	Average rating on Customer Satisfaction Questionnaires (CSQs) issued at the completion of assignments and at year-end. Response range is 1 (Poor) to 4 (Very Good)
IA5	Recommendations Implemented	Effectiveness – control environment enhanced by implementing agreed recommendations.	Recommendations implemented in year/ Total of recommendations agreed in the year + recommendations carried forward (expressed as a percentage)
IA6	Delivery of Planned Work	Effectiveness – providing the range of assurance commissioned.	Assignments completed/ total assignments in Annual Plan (subject to any changes in-year agreed by A&R Committee) (expressed as a percentage)

Ref	Indicator	Target	Current Performance
IA1	Chargeable Days	90%	95% @ week 8
IA2	Audits within Budget	90%	No data available
IA3	Audits on Time	90%	No data available
IA4	Customer Satisfaction	3.6	3.4 (year-end data used as a base line)
IA5	Recommendations Implemented	90%	No data available
IA6	Delivery of Planned Work	100%	N/A year end indicator

6. RISK MANAGEMENT

RISK	IMPACT	COMMENTS
Time	Low	The report does not prompt or require any time-bound response – beyond approval of recommendation set out above
Viability	Low	There is no direct impact on future resourcing issues
Finance	Low	There is no direct impact on future finance issues
Profile	Low	There is no evidence of public interest in the routine work of internal audit.
Equality and Diversity	Low	EIA screening indicates no issues arising therefore full Impact Assessment has not been carried out.

Background Papers
None

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A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.