

GOVERNANCE COMMITTEE

24th JUNE 2013

REPORT OF HEAD OF WELLAND INTERNAL AUDIT CONSORTIUM

INTERNAL AUDIT UPDATE

1.0 PURPOSE OF 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

2.0 RECOMMENDATIONS

- 2.1 **That Members note the report.**

3.0 UPDATE ON THE INTERNAL AUDIT PLAN

- 3.1 The Standards require the 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 A 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.
- 3.2 At the date of reporting field work is underway in respect of three assignments: an audit of Housing Grant Fraud; an audit of Economic Development; and a consultancy exercise to develop a more effective way of completing the annual NFI data matching exercise. A minor consultancy exercise, not included in the Plan has also been commissioned by the Section 151 Officer: one day has been budgeted for a follow-up to work completed in 2012/13 on Managing Absence.
- 3.3 Appendix A 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.

4.0 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 and 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.
- 4.6 There is an assumption that the Committee will develop the capacity to provide its own assurance to the Council. In 2013/14 the Committee will receive executive summaries for any audit resulting in an assurance rating falling below Marginal: it will be for the Committee to determine whether it seeks additional assurance about such aspects of the overall control framework. This might involve responsible Heads of Service attending Committee to provide updates on action taken to address the issues raised by audits.

5.0 PERFORMANCE INDICATORS

- 5.1 Appropriate, relevant Performance Indicators should provide the Committee with additional evidence to assess the performance and effectiveness of the Consortium. In Appendix B, 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.

6.0 POLICY AND CORPORATE IMPLICATIONS

- 6.1 Cooperating in full conformity with the Standards would enhance the Council's overall control framework. If the Committee cannot demonstrate that it operates in conformity with the Standard then it will be exposed to criticism when subject to mandatory external review.

7.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

- 7.1 There are no financial or other resource implications arising directly from this report.

8.0 LEGAL IMPLICATIONS/POWERS

- 8.1 There are no legal implications arising directly from this report

9.0 COMMUNITY SAFETY

- 9.1 There are no Community Safety implications arising directly from this report

10.0 EQUALITIES

- 10.1 There are no Equalities implications arising directly from this report

11.0 RISKS

11.1 If Members, discharging the role of the Council's Audit Committee, do not demonstrate that they are engaged in effective oversight of the internal audit function and proper consideration of the evidence produced by internal audit about risk management and the effectiveness of controls, the Council's governance arrangements may be compromised. Failure to demonstrate engagement may also result in adverse reporting from the Council's External Auditor. This risk can be mitigated by engagement in the selection of appropriate Performance Indicators and the development of an appropriate response to the Standards.

Probability



Very High A				
High B				
Significant C				
Low D		1		
Very Low E				
Almost Impossible F				
	IV Neg- ligible	III Marg- inal	II Critical	I Catast- rophic

Impact →

Risk No.	Description
1	Failure to demonstrate effective engagement and oversight

12.0 CLIMATE CHANGE

12.1 There are no Climate Change implications arising directly from this report

13.0 CONSULTATION

13.1 N/A

14.0 WARDS AFFECTED

14.1 All wards are indirectly affected by the report

Contact Officer: Richard Gaughran

Date: 3/6/13

Appendices: 2

Background Papers: N/A

Reference: N/A