

GOVERNANCE COMMITTEE

27 NOVEMBER 2013

REPORT OF HEAD OF CENTRAL SERVICES

REVIEW OF INTERNAL AUDIT

1.0 PURPOSE OF REPORT

- 1.1 To update Members on the outcome of the recent review of Internal Audit commissioned by the Welland Internal Audit Board and the approved action plan.

2.0 RECOMMENDATIONS

- 2.1 **That the committee note the outcome of the review and the associated action plan.**

3.0 KEY ISSUES

- 3.1 The Welland Internal Audit Board consists of the S151 Officers from each of the authorities which form part of the Welland Internal Audit Partnership. Through the employing Authority, Rutland County Council, an External Quality Assessment (EQA) was commissioned to assess any gaps in conformance with the newly established Public Sector Internal Audit Standards (PSIAS) as developed by the Institute of Internal Auditors. This was in response to some concerns surrounding the performance of the service by the employing Authority.
- 3.2 The review has identified that the Internal Audit service is partially in conformance with the standards and has made a number of recommendations for improvement. The full report is attached as Appendix A.
- 3.3 As outlined in the report in order to deliver the required improvements there will need to be strong leadership of the team and a focus on performance improvement and delivering better outcomes. The extent of the change should not be underestimated. The Welland Internal Audit Board will have a role to play in ensuring these changes are made and are effective.
- 3.4 Since the report was issued, the Welland Internal Audit Board has held a number of meetings to discuss the findings with the Head of Internal Audit. The view of the Board is that it wishes to continue with the existing shared service model but that the Head of Internal Audit must deliver the required improvements. Should these improvements not be made, the Board will consider its options which include looking at different delivery models or reviewing the way in which the team is led and managed. A copy of the agreed Improvement Plan is attached as Appendix B.
- 3.5 The Welland Internal Audit board will be meeting more regularly to monitor the achievement of the plan and will be liaising regularly with the Client Manager at Rutland County Council as the employing Authority.

4.0 POLICY AND CORPORATE IMPLICATIONS

4.1 The role of Internal Audit is to provide independent assurance that an Organisation's Risk Management, Governance and Internal Control Processes are operating effectively. It is vital that they are working effectively and contributing to the corporate work of the Organisation and Policy Development.

5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

5.1 The cost of the review has been met from within the existing Internal Audit budget specifically from balances held from prior year under spends.

5.2 The current cost of Internal Audit is low per available day therefore in order to make the necessary changes it will be necessary to recognise that this is likely to result in reduced but more focussed work in order to facilitate the emphasis of the audit from expected controls to a more risk based approach. The alternative would be to increase the overall cost through additional resources.

6.0 LEGAL IMPLICATIONS/POWERS

6.1 A number of regulations support the legal requirement for an Internal Audit service:

- Section 151 of the Local Government Act 1972 states that "every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs"
- The Local Government Finance Act 1982 requires that "the responsible financial officer of a local authority maintains an adequate and effective internal audit of the accounts of the body"
- The Accounts and Audit Regulations 1996 state that "a relevant body shall maintain an adequate and effective system of internal audit of their accounting records and control systems".

7.0 COMMUNITY SAFETY

7.1 There are no specific community safety issues as a result of this report.

8.0 EQUALITIES

8.1 There are no direct links to equalities as a result of this report.

9.0 RISKS

9.1 Probability



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

→
Impact

Risk No.	Description
1	That the actions are not implemented effectively and in a timely manner leading to little improvement in the internal audit service

10.0 CLIMATE CHANGE

10.1 There are no direct links to climate change.

11.0 CONSULTATION

11.1 The Head of the Welland Internal Audit Consortium has been involved in the review and subsequent discussions of the Welland Internal Audit Board. In turn the Head of the Welland Internal Audit consortium has kept staff updated with developments.

11.2 The external reviewer engaged in discussions with both the Head of Central Services and the Chair of this committee as part of the review process.

12.0 WARDS AFFECTED

12.1 All wards are affected

Contact Officer: Dawn Garton

Date: 28th October 2013-09-26

Appendices: A – Final report of the review of Internal Audit
B – Improvement Plan

Background Papers: Minutes of the Welland Audit Board

Reference: X: C'tees, Council & Sub-C'tees/Governance/2013-14/27-11-13/Review of internal audit