

# AGENDA ITEM 7

## GOVERNANCE COMMITTEE

27 NOVEMBER 2013

### REPORT OF HEAD OF WELLAND INTERNAL AUDIT CONSORTIUM

#### INTERNAL AUDIT PERFORMANCE 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 support the development of the Committee's capacity to discharge the new responsibilities set out in the Public Sector Internal Audit Standards.
- 1.2 To update Members on the progress in implementing the Improvement Plan approved by the Welland Board in response to the External Quality Assessment undertaken by RSM Tenon.

##### 2.0 RECOMMENDATIONS

- 2.1 **That Members note the report and raise any issues that they judge appropriate about performance; about the adequacy of information provided; or about additional or enhanced information requirements.**

##### 3.0 UPDATE ON PERFORMANCE

- 3.1 Details of the Consortium's performance in delivering the 2013/14 Audit Plan is set out in Appendix A.

##### 4.0 IMPLEMENTING THE IMPROVEMENT PLAN

- 4.1 A detailed statement of progress with the Improvement Plan is shown in Appendix B. In summary:
  - The Consortium has implemented changes in the way that audit assignments are planned, conducted and reported; arrangements are in place to deliver briefings and such other support as may be necessary to ensure that client officers understand how the changes affect them and support the changes. An Audit Protocol – setting out the respective roles of Internal Audit and the Council's managers - has been adopted by the Council's Strategic Management Team.
  - The arrangements for supporting the "Audit Committee" are in place
  - Opportunities for engaging in benchmarking and joint reviews in the delivery of the 2013/14 Plan have been examined. The planned audit of Procurement Fraud will be delivered as a joint review with Rutland County Council and opportunities for process benchmarking will be considered in the design of the Benefits and Local Taxes assignments.
  - Member approval is being sought for a revised Audit Charter which meets the requirements of the Standards in a separate report to this Committee.

##### 5.0 SUPPORTING THE AUDIT COMMITTEE

- 5.1 The Standards require that, acting as the Council's "Audit Committee, Members develop the capacity for independent challenge of the performance of the Internal Audit Team; to determine the range and level of assurance that the Council requires; and to manage the assurance delivered by Internal Audit. To support the development of that capacity, the Consortium is working to deliver an agreed programme of training – and to facilitate joint learning with the other Welland clients. All Members of the Committee have been notified of the training opportunities presently available and will be advised as further training sessions are confirmed.
- 5.2 It is intended that further support will be provided through the delivery of the information that the Committee requires for effective scrutiny and challenge. Appendix A currently contains a range of information about both the Consortium's performance and the quality of the Council's control arrangements. The information is presented using a template employed for reporting to all client Audit Committees: this would facilitate benchmarking were Members to judge this to be worthwhile.
- 5.3 As part of the implementation of the Improvement Plan the assurance ratings provided by the Consortium have been modified to reduce any ambiguity as to the effectiveness of arrangements to control risks. The "Marginal Assurance" rating has been removed and audit assignments will be rated as "Substantial Assurance"; "Sufficient Assurance"; "Limited Assurance"; or "No Assurance". A "Limited Assurance" or "No Assurance" rating should be cause for concern.

## **6.0 POLICY AND CORPORATE IMPLICATIONS**

- 6.1 The audit work delivered by the Consortium allows the Committee to satisfy itself about the quality of the Council's arrangements to manage its risks. The developing capacity of the Committee to scrutinise and challenge the work of the Consortium represents a strengthening of the Council's governance arrangements.

## **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. Arrangements are in place to mitigate this risk by delivering training support and appropriate performance and risk management information to the Committee.

### 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 of the Committee 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: 4/11/13

Appendices : Appendix A: Internal Audit Update  
Appendix B: Internal Audit Improvement Plan

Background Papers: N/A  
References: N/A