

WELLAND INTERNAL AUDIT CONSORTIUM



Melton Borough Council

Governance Committee 20th September 2012 Internal Audit Performance Report

1 Introduction

- 1.1 The Welland Internal Audit Consortium provides the internal audit service for the Council and is contracted to provide 235 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.

Progress with Annual Audit Plan

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- 2.1 The Annual Plan calls for the delivery of:

- 20 audits giving assurance about the Council's overall control and risk management arrangements
- Consultancy work relating to:
 - the Council's counter-fraud arrangements; and
 - Inventory control
- A Strategic IT Audit Plan and 15 days of assurance work relating to that Plan

At the date of the report:

- One 2012/13 audit (Medium Term Financial Planning) has progressed to draft report stage while another (Cemeteries) is work in progress. Terms of reference have been agreed – and testing programmes developed - for the planned Counter-Fraud, Corporate Governance, Benefits and Local Taxes audits
- Training material in support of the Council's Counter-Fraud Strategy has been uploaded to the Learning Pool; a series of training sessions has been scheduled for employees without convenient access to e-based training; and an article has been drafted for inclusion in Corporate Messenger designed to raise awareness of the new Strategy
- Terms of reference and testing programme have been developed for the Inventory Control exercise
- A specialist ICT Audit Contractor has been engaged and work is in hand on developing the Strategic ICT Plan

- 2.2 The Consortium had delivered 59 audit days by the end of week 22 which is some 40 days less than the profiled resource budget. Some 30 days were spent finalising 2011/12 audits.

Given success in the current recruitment exercise, it should still be possible to deliver the required number of days by 31st March 2012.



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3 Summary of Performance

3.1 Table 1 below provides an overview of the Consortium's performance up to the end of week 22 (31st August 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 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?	There have been no problems in delivering audits within budget but some difficulties have been experienced in obtaining necessary evidence on a timely basis from auditees. More use is being made of pre-audit information requests to mitigate this problem.
=	Is staff productivity satisfactory? Time spent on productive work as a % of time available.	Productivity across the Consortium team is at 84% 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. Experience suggests that newly appointed auditors deliver lower levels of productivity (as clients are not charged for on the job training) It is therefore not anticipated that productivity will increase significantly at the end of the recruitment exercise.
✓	Is the quality of work of a sufficiently high standard?	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. 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.



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		Notwithstanding the reductions in current staffing levels, there has been no easing of quality standards.
=	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?	Limited work completed to the date of the report has not identified any 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 25 outstanding reports: three were overdue for implementation.</p>

4 Other Material Issues

- 4.1 The Consortium is coming 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. Interviews for two vacant Auditor posts take place in the week commencing 17th September and the quality of the shortlist makes it certain that the vacancies will be filled. Interviews for the vacant Audit Manager/Deputy post are scheduled for 8th October: both shortlisted candidates appear well qualified.
- 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.

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- 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, two suitable, “generalist” Contractors have been identified and terms of engagement agreed. Work to identify – and quality assure – further suitable Contractors is ongoing.