

**GOVERNANCE COMMITTEE**

**23 JUNE 2014**

**REPORT OF HEAD OF WELLAND INTERNAL AUDIT CONSORTIUM**

**INTERNAL AUDIT UPDATE**

**1.0 PURPOSE OF REPORT**

- 1.1 To update Members on the performance of the Consortium; on progress with the 2014/15 Audit Plan; and on other relevant matters

**2.0 RECOMMENDATIONS**

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

**3.0 UPDATE ON THE INTERNAL AUDIT PLAN**

- 3.1 Although it was necessary for the Audit Manager to focus on the finalisation of the 2013/14 Plan and the production of the Annual Report of Internal Audit, work has begun on six of the 18 assignments set out in the 2014/15 Plan:

- Civil Emergencies
- Discretionary Housing Payments
- Disclosure & Barring Service
- Freedom of Information;
- Employee Related Fraud; and
- Management of Debtors

At the date of reporting the first four of these assignments have been substantially completed.

- 3.2 To provide additional assurance that the 2014/15 Plan will be delivered in full by 31<sup>st</sup> March 2015 the Welland Internal Audit Board has required that the staff resources required for all assignments scheduled for delivery by 31<sup>st</sup> August be explicitly identified. The schedule provides for the delivery of two of the Council's three scheduled IT assignments (to be delivered by the Head of Consortium supported by the Consortium's specialist ICT audit contractor) and an assignment on the management of the ESF funded projects (to be delivered by a contractor with prior experience in this area). The completion of these resources assignments will mean that 50% of the Plan will have been delivered by the date of the next meeting of Committee.

**4.0 DELIVERY OF THE IMPROVEMENT PLAN**

- 4.1 The Improvement Plan developed in response to the review undertaken by RSM Tenon in June 2013 has now been substantially delivered. It remains only to commission an update to the Consortium's Galileo Audit Management System so that report templates reflect new approaches to auditing and reporting; and the formal adoption of a Quality Assurance and Improvement Programme. The System update has been commissioned and will be delivered in mid-July; the Board has agreed that it would be appropriate to defer the

adoption of a Quality Assurance & Improvement Programme until the new Head of Consortium has an opportunity to contribute to the selection of appropriate quality metrics.

## 5.0 STAFFING MATTERS

5.1 The Head of Consortium will retire on 31<sup>st</sup> August 2014: arrangements are in hand to recruit a replacement. One reason for the more robust scheduling of work referred to in 3.2 above is to allow for a smooth handover of responsibilities.

5.2 The Welland Board has determined that a change in the structure of the Consortium is necessary if a robust and high-quality service is to be delivered. On that basis it has taken advantage of staff turnover to modify the Consortium's establishment. One Auditor resigned in 2013/14 and there have been two further resignations in the current year: this demonstrates an ongoing difficulty to retain junior staff who can command significantly higher salaries either from larger local authorities or firms delivering internal audit services. Rather than fill these positions on a like-for-like basis the Board took the decision to appoint two Audit Managers: one of the candidates appointed is already in post, the other takes up post at the beginning of September. The Board also determined that the Consortium should recruit an Audit Apprentice as an appropriate and cost-effective way of delivering the low-level testing work still required. With effect from 1<sup>st</sup> September 2014 the staffing structure for the Consortium will be:

Head of Consortium

Audit Managers x 4 - one of whom will work 32hrs per week.

Auditor

Audit Apprentice

5.3 One specific benefit to the Council of the new structure is that, from 1<sup>st</sup> September, there will be a designated Audit Manager at each site with responsibility for delivery of the Council's Annual Plan and for all other aspects of client management.

5.4 An initial recruitment exercise undertaken in May 2014 for the Head of Consortium post was not successful. Currently interim solutions are being considered with a view to retesting the market later in the year. There is a concern throughout the consortium that there needs to be enhanced resilience within the team to ensure it can cope with any future vacancies and staff absences which have affected delivery of the plan for the last few years. As such it is recognised that this may result in a need to increase each partner's contribution for both the current and future years. The committee will be kept updated on progress.

## 6.0 POLICY AND CORPORATE IMPLICATIONS

6.1 Progress to date and arrangements to resource the delivery of the first half of the 2014/15 Annual Plan reduces any risk of non-delivery of required assurance.

6.2 The new staffing structure should deliver improved client management arrangements, including more focussed support for the Committee in the discharge of "Audit Committee responsibilities.

## 7.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

7.1 The recruitment exercise and future structural changes to improve team resilience may lead to an increased cost of the consortium and thereby to each partners contribution. This would still result in a day rate that is some way below that charged by the private sector.

Steps will be taken to minimise the need to request additional funds in the current year and any financial impact will be built into the budget for future years.

## 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 fail to demonstrate oversight of internal audit activities, a key element of the Council's governance framework would be compromised.

Probability					
Very High A					
High B					
Significant C		2			
Low D					
Very Low E		1			
Almost Impossible F					
		IV Negli- gible	III Marg- inal	II Critical	I Catast- rophic
		Impact			

Risk No.	Description
1	Failure of oversight of internal audit
2	Failure to recruit sufficient resources of the right calibre leads to the dissolution of the consortium

## 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:                    31/5/14  
  
Appendices :            0  
  
Background Papers:    N/A  
  
Reference :              N/A