

WELLAND INTERNAL AUDIT CONSORTIUM



Melton Borough Council

Governance Committee 28th March 2013

Internal Audit Performance Report

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1 Introduction

- 1.1 The 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 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.

2 Progress with Annual Audit Plan

- 2.1 At the date of reporting (11th March) progress on planned audit work is as follows

Audit	Status
Financial Systems	
Benefits	Work in Progress
Budgeting & Budgetary Control	Final Report
Cash & Banking	Undertaken as part of Main Accounting
Creditors	Draft Report
Debtors	Work in Progress
Housing Rents	Work in Progress
Local Taxes	Draft Report
Main Accounting System	Work in Progress
Payroll	Draft Report
Treasury Management	Final Report
Medium Term Financial Plan	Final Report
Accounting for Tax	Draft Report
Counter-Fraud	
General Arrangements	Work in Progress
Governance & Performance	
Managing Absence	Final Report
Corporate Governance	Work in Progress
Risk Management	Undertaken as part of Corporate Governance
Partnership Working	Undertaken as part of Corporate Governance
Customer Facing Services	
Cemeteries	Final Report
Environmental Maintenance	Work in Progress
Inventories	Work in Progress
Corporate Landlord	Terms of Reference
Use of Planning Powers	Terms of Reference
IT Audit	
Logical Security	To be delivered by the Council's ICT Audit Contractor - completion in 2013/14
Internet & Website development	
Legislative Requirements	
Review of NTA Penetration Testing work	Awaiting delivery of NTA results

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In summary

- All financial systems are either completed to draft report stage or beyond or have progressed to the stage where it is certain that the draft reports will be available for review by the External Auditor in the week commencing 18th March – as required
- The Counter-Fraud assignment has progressed to the stage where completion – to draft report stage - by 31st March is certain
- All assignments relating to Governance and Performance have either been completed or has progressed to the stage where it is certain that the draft report will be issued by 31st March
- Three of the five Customer-Facing assignments will be finished by 31st March. Two, relatively minor assignments are likely to remain work in progress at that date.
- Planned IT Audit assignments will not be delivered until April but the delays in delivering this element of the Plan will not materially impact on the 2013/14 Plan. Arrangements are in place to ensure that the specialist contractor completes these assignments in time for the assurance to be fed into the Annual Report of Internal Audit.

2.2 In addition to the planned assurance work undertaken, the Consortium has completed a major consultancy exercise in support of the Council's Counter-Fraud Strategy. Training material was developed and uploaded to the Learning Pool to allow the majority of employees to undertake e-training at their own pace. In addition,; a series of training sessions have been delivered for employees without convenient access to e-based training; and an article has been included in Corporate Messenger designed to raise awareness of the new Strategy

2.3 The Consortium had delivered 172 audit days by the end of week 48 (1st March 2013) which is some 45 days less than the profiled resource budget. As previously reported - because of staffing difficulties in the first half of the year - it will not be possible to deliver all of the days commissioned. The likely shortfall is now anticipated to be something less than 30 days.

3 Summary of Performance

3.1 Table 1 below provides an overview of the Consortium's performance up to the end of week 48 (1st March 2013) 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.

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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 – has made it possible to substantially deliver the Plan. Because of the shortfall in days available it has been necessary to combine some planned assignments and make some reductions in range and depth of testing within planned audits.
=	Are audits being delivered on time and to budget?	In a number of audits, additional and unplanned work was required to address uncertainties about the control framework.
=	Is staff productivity satisfactory? Time spent on productive work as a % of time available.	Productivity across the Consortium team is at 80% 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.
✓	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. Notwithstanding the reductions in current staffing levels, there has been no easing of quality standards.
=	Is the Consortium satisfying clients' needs & expectations?	Customer Satisfaction Surveys give the Consortium a satisfaction rating falling between "good" and "very good"
The Control Environment		
=	Do the completed audits provide assurance that the Council has made appropriate and effective arrangements to manage its key risks?	Although some issues were raised in respect of the Managing Absence audit, action to implement audit recommendations has addressed those concerns.

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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 1st March 2013, there were 10 outstanding and overdue recommendations: seven relate to the current year's Cemeteries Audit; three relate to the 2012/13 Benefits Audit. There is evidence of progress on the outstanding Benefits recommendations but priority has been given to implementation of the Welfare Reform Pilot. It is confidently anticipated that an oral report on progress with Cemeteries Audit recommendations will be made to Committee.</p>

4 Other Material Issues

- 4.1 The Consortium is now at full establishment. The state of the jobs market allowed for the selection from a wide pool of appropriately qualified candidates.
- 4.2 The Consortium has begun the work necessary to allow it and its client local authorities to operate in conformity with the new Public Sector Internal Audit Standards.