

ANNUAL REPORT FOR INTERNAL AUDIT FOR 2011/12

1. INTRODUCTION

- 1.1 The Accounts and Audit Regulations require that the Head of the Council's Internal Audit function produce an annual report to the Member body that discharges the role of the Audit Committee. The report must include an explicit Internal Audit Opinion on the Council's systems of control and risk management and its governance arrangements. In developing the Internal Audit Opinion, the Head of Internal Audit must cite the relevant evidence used for opinion purposes. There is also a requirement to report an annual review of the effectiveness of the Internal Audit function to provide Members with a basis for determining the extent to which reliance can be placed on the Internal Audit Opinion. At a minimum there is an expectation that an effective Internal Audit function will operate in compliance with the CIPFA Code of Practice for Internal Audit.

2. INTERNAL AUDIT OPINION

- 2.1 I have formed the opinion that the Council's overall internal control arrangements continue to provide a **Sound Level of Assurance**. This represents the second highest of the five levels assurance and indicates a satisfactory management of risk. While some elements of the control framework require attention, audit recommendations have been made to address those issues and responsible managers have agreed timetables for their implementation.

3. EVIDENCE SUPPORTING THE AUDIT OPINION

- 3.1 The Audit Opinion is based upon the assurance ratings arising from audits undertaken and on progress in implementing recommendations arising from those audits. Table One is a list of the assurance ratings for each of the audits undertaken. The table demonstrates that 18 out of 22 audits carry a "Good" or "Sound" assurance rating.

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Table One		
Summary of Assurance Ratings for Planned Audits		
Audit	Assurance Rating	Assurance Score *
FUNDAMENTAL FINANCIAL SYSTEMS		
Benefits	Marginal (draft)	3
Budgeting & Budgetary Control	Good	5
Cash & Banking	Sound	4
Creditors	Good	5
Debtors	Good	5
Housing Rents	Sound	4
Local Taxes	Sound (draft)	4
Main Accounting System	Good	5
Payroll & Employee Benefits	Sound	4
Treasury Management	Good	5
Average	Sound	4.4
FINANCIAL SYSTEMS		
External Funding Management	Sound	4
Financial Management and VFM	<i>Report to be drafted</i>	
Managing Capital / revenue contracts	<i>Report to be drafted</i>	
Average	Sound	4
GOVERNANCE & PERFORMANCE		
Corporate Health & Safety	Good	5
Managing Absence	Marginal (draft)	3
Average	Sound	4
CUSTOMER FACING		
Development Control and Planning Processes	Cancelled	N/A
Homelessness and Voids	Good	5
Provision of Leisure Facilities	Marginal	3
Average	Sound	4
CORPORATE ICT		
ICT Governance	Sound	4
ICT Policy	Sound	4
NTA Testing and Reporting	Good/Sound	4.5
Average	Sound	4.2
COUNTER-FRAUD ARRANGEMENTS		
Analytical Review	Sound	4
General Arrangements	Sound	4
Average	Sound	4
AVERAGE SCORE/RATING	SOUND	4.1
<p>Note 1 - Assurance Score * reflects Assurance Rating: Good scores 5; Sound scores 4; Marginal Scores 3; Unsatisfactory scores 2; Unsound scores 1.</p>		
<p>Note 2 - Draft = draft report issued, being finalised with client</p>		

- 3.1 The audit of Development Control was taken forward into the 2012/13 plan because the Government delayed roll out of local determination of planning fees which was to have been the focus of the audit.

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4. SUMMARY OF PERFORMANCE

4.1 Table Two below provides an overview of the Consortium's performance for 2011/12 using selected Key Lines of enquiry. It is considered that these Key areas provide Members with a basis for effective scrutiny of Internal Audit

Table Two		
Key Lines of Enquiry 2011/12		
Key Line of Enquiry		Available Evidence
Performance of the Consortium		
✓	Will the Audit Plan be delivered in full?	Use of audit contractors has allowed for the delivery of all audits shown in the table above– except for Development Control which was rolled forward due to Government delays in implementing new fee-setting arrangements.
✗	Are audits being delivered on time and to budget?	Resource issues resulted in considerable delays in delivering planned work. A significant proportion of work was delivered after year-end.
✓	Is auditor productivity satisfactory?	Overall productivity was 86% for the year: individual auditors continued to deliver in the range 90-95% but the need to address high vacancy levels and respond to Welland Board's requirements around restructuring meant that the Consortium's managers were engaged in a higher than anticipated level of non-chargeable work
✓	Is the quality of work of sufficiently high standard?	The Consortium's arrangements were subject to external review by the Audit Commission in February 2010 as part of their due diligence work relating to the change of internal auditors at Corby BC. The review confirmed that the Consortium's arrangements are compliant with CIPFA Standards.
✓	Is the Consortium meeting clients' needs & expectations?	The Consortium uses Customer Satisfaction Questionnaires where a score of 4 equates to "very good" and 3 to "good". In 2011/12 the average score for post-audit CSQs was 3.81: more than 95% of respondents rated the Consortium's service as good or 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?	The average for all assurance ratings (4.1) equated to a sound level of assurance. The overall assurance rating was depressed by four reports: the remaining 18 of 22 assignments found control arrangements to be appropriate and effective.
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?	Responsible managers agree the action prescribed in each recommendation before a final audit report is issued: agreement extends to a target date for implementing each recommendation. The Internal Audit Database (Galileo) is used to track and follow

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		<p>up recommendations and regular progress reports of implementation are presented to Management Team.</p> <p>At the date of reporting, 42 recommendations were outstanding and 23 of them were overdue: action is in hand to progress those overdue items. In view of the range and scale of internal audit activity, the speed at which recommendations are addressed is encouraging.</p>
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