

## GOVERNANCE COMMITTEE

27<sup>th</sup> JUNE 2012

## REPORT OF HEAD OF CONSORTIUM

## ANNUAL REPORT OF INTERNAL AUDIT FOR 2011/12

## 1.0 PURPOSE OF REPORT

- 1.1 To satisfy the Accounts and Audit Regulations by providing Members with the opportunity to consider a report from the Head of the Council's Internal Audit function on the performance of Internal Audit during the year and the "Internal Audit Opinion" on the Council's system of internal control and its arrangements for risk management and governance.

## 2.0 RECOMMENDATIONS

- 2.1 **That Members note the Annual Report of Internal Audit for 2011/12 and the Internal Audit Opinion that it supports.**
- 2.2 **That the Level of Assurance contained within the Internal Audit Opinion and the acknowledgement of partial non-compliance with the CIPFA Code of Practice be inserted in the draft of the Annual Governance Statement**

## 3.0 KEY ISSUES

- 3.1 The Welland Internal Audit Consortium delivers the Council's Internal Audit service. The Consortium's processes and procedures have been subject to external peer review during 2009/10 and judged to be compliant with best practice as defined by the CIPFA Code of Practice for Internal Audit. That external review demonstrates that the Consortium can issue an authoritative Opinion. That Opinion is set out in the Annual Report of Internal Audit for 2011/12, which forms Appendix A to this report.
- 3.2 The Internal Audit Opinion is that the Council's internal control arrangements continue to provide a Sound Level of Assurance. This represents the second highest of the five levels of assurance within the model adopted by the Consortium and indicates a satisfactory management of risk.
- 3.3 The level of staffing within the Consortium provides no slack to deal with unforeseen staffing issues. During 2011/12 the Consortium experienced a significant level of staff sickness, some of which was directly linked to disciplinary investigations. The decision of the Welland Board to revise the staffing structure has delayed the filling of vacancies arising: at 31st March three of the eight established posts were vacant and the Audit Manager post (deputy to Head of Consortium) had been vacant since June 2011. While the Board authorized the use of salary savings to engage audit contractors, fewer days than planned were delivered and a significant proportion of work was not completed "in-year". One direct consequence of this problem of resources was a delay in identifying a material control weakness.
- 3.4 The Head of Consortium acknowledges that the Consortium was not operating fully in line with the CIPFA Code of Practice for Internal Audit: specifically it did not meet Standard 6.1 relating to the staffing of internal audit

## 4.0 POLICY AND CORPORATE IMPLICATIONS

- 4.1 The report provides some confirmation that the Council's corporate governance

arrangements relating to internal control were appropriate and effective in 2011/12.

**5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS**

5.1 There are no financial implications arising directly from this report.

**6.0 LEGAL IMPLICATIONS/POWERS**

6.1 There are no legal implications directly arising from this report.

**7.0 COMMUNITY SAFETY**

7.1 There are no community safety issues directly arising from this report.

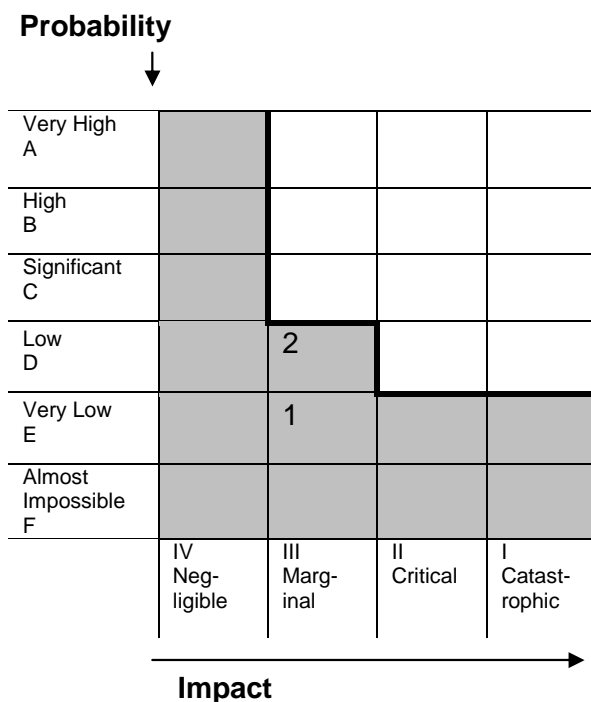
**8.0 EQUALITIES**

8.1 There are no equalities issues directly arising from this report.

**9.0 RISKS**

9.1 Failure to consider the Internal Audit Opinion would compromise the Council's overall governance arrangements. This risk is mitigated by the provision of information to the Governance Committee in the Annual report at Appendix 1.

9.2 Failure to properly resource the Consortium could compromise the ability to provide adequate assurance to Members that the control framework is operating effectively to mitigate risk, and attract adverse criticism from External Audit. The Welland Internal Audit Board has plans in place to resolve the resourcing issues that have occurred during 2011/12.



Risk No.	Description
1	Failure to consider Audit Opinion
2	Failure to properly resource the Consortium

**10.0 CLIMATE CHANGE**

10.1 There are no climate change issues directly arising from this report.

11.0 **CONSULTATION**

11.1 N/A

12.0 **WARDS AFFECTED**

12.1 All wards are indirectly affected.

Contact Officer Richard Gaughran  
Date: 11/06/12

Appendices : 1

Background Papers: N/A

Reference :