

**REPORT TO THE GOVERNANCE & AUDIT COMMITTEE
MEETING OF 16th February 2012**

Status: For consideration / discussion

Title: Internal Audit – Progress and performance up to 31st December 2011

Originator: Rosanne Fleming – Interim Audit Manager, Welland Internal Audit Consortium.

Where from: SMT

Objective: To inform Members of the performance and progress of Internal Audit during the year and keep the Committee informed of areas where control weaknesses have been identified through the audit process and the management actions that have been agreed and taken to address them.

To provide Members with information about the status of agreed recommendations that have not been implemented by the agreed due date ('delinquent' recommendations).

1. Outcome sought from Committee
 - 1.1 Scrutiny of the reported performance of internal audit and the key findings of the audits completed.
 - 1.2 Scrutiny of the status of delinquent audit recommendations
- 2 Background
 - 2.1 The Welland Internal Audit Consortium is responsible for providing the Council's internal audit service. An agreed Annual Audit Plan defines the work that the Consortium is required to deliver, while the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit prescribes the standards applying to the conduct and management of audit work.

- 2.2 The Code of Practice makes it clear that the Governance & Audit Committee forms an integral part of the Council's internal audit arrangements. It is therefore important to ensure that the content and style of internal audit performance reports are fit for purpose. The report style and content should allow effective scrutiny of:
- How well the Consortium is performing; and
 - The developing internal audit opinion as to the adequacy of the Council's control framework.
- 2.3 Appendix 1 to the report includes evidence against key lines of enquiry relating to effective internal audit; the direction of travel with regard to the assurance level provided on the internal control framework; explanations for audits that have taken longer to complete than originally planned; and the full details of the action plans for all issued audit reports.
- 2.4 Internal Audit uses its audit software (Galileo) to track the progress on implementation and performs follow up work when the actions become due. Where actions have not been completed by the target date, an explanation is sought and a revised target date may be agreed if the Internal Auditor is satisfied that delays are for legitimate reasons. The report includes an Appendix identifying the number of current delinquent recommendations.

3 Points for consideration

- 3.1 The Committee may wish to consider the level of assurance that it requires from Internal Audit, and comment on the adequacy of the information provided in the report to give that assurance.
- 3.2 In its role as Audit Committee, and in order to support a robust and effective internal audit function, the Committee should "seek assurance that action has been taken where necessary" where recommendations to improve the control environment have been made. (Audit Committees - Practical Guidance for Local Authorities published by CIPFA refers).
- 3.3 The Committee should review each recommendation that is delinquent, examine the status update showing progress to date, and consider the following:
- The explanation by the Head of Service for the delay in implementation (status update)
 - Whether they are satisfied that progress is being made (even if later than planned)
 - Whether the timeliness of implementation is critical
 - Whether the cost of implementation is proportional to the benefit in terms of reducing risks to the Council
 - Whether additional resources are appropriate to assist in implementation
 - The professional opinion of the Internal Auditor on the relevance of the above points in each case

4 Equality Impact Assessment

4.1 Not applicable in this context

5 Conclusions

5.1 The report identifies the impact of staffing difficulties and other issues on the delivery of the number of days and the range of audits required to provide the Council with an appropriate level of assurance. The report also spells out the steps that have been taken to ensure that the Audit Plan for 2011/12 can be substantially completed by 31st March 2012.

5.2 Available audit evidence shows that the Council has put in place effective arrangements to manage its risks and that where weaknesses have been identified, appropriate action is being taken.

5.3 There are no areas of specific concern to report and the non-implementation of the recommendations within the agreed timescale does not present a significant risk to the Council. Meetings are being scheduled with the responsible Heads of Service to determine whether their recommendations have, in fact, been implemented.

6 Recommendations

6.1 The progress and performance of the Consortium is noted.

6.2 The status of implementation of recommendations is noted

Appendices

1 Internal Audit Progress and Performance Report (Quarter Three).

A Internal Audit Delivery Against Planned Audit Days.

B Executive Summary: Counter-fraud Analytical Review.

C Executive Summary: Counter-fraud: General Arrangements.

D Executive Summary: Use of Planning Processes.

E Executive Summary: Managing Absence.

F Executive Summary: Medium-term Financial Planning.

G Delinquent Recommendations Progress.