

**WELLAND INTERNAL AUDIT CONSORTIUM**  
**Harborough District Council**  
**Appendix 1 to Governance & Audit Committee Report 16<sup>th</sup>**  
**February 2012**



**1 Introduction**

1.1 The Welland Internal Audit Consortium provides the internal audit service for Harborough District Council and the agreed annual audit plan provides for 230 audit days. The Welland Internal Consortium operates under the CIPFA Code of Practice for Internal Audit (2006) and was assessed by the Audit Commission as substantially compliant as at March 2008. Key findings and recommendations from each audit activity are reported to this Committee for monitoring and scrutiny purposes. Progress with implementation of recommendations is also reported quarterly to this Committee.

**2 Progress with Annual Audit Plan to 31<sup>st</sup> December 2011 (week 40)**

2.1 The Consortium had delivered 169 audit days to the Council by the end of week 40. This is about 11 days less than a straight-line budget profile would require and proportionately more of the budget than has been received by some of the Consortium's other clients.

2.2 As a result of decisions taken at the end of 2010/11, some 65 of the days delivered were used to complete the previous year's audit plan. The 104 days directed towards the current year's planned audits and other commissioned work have been used to complete (final report issued) six audits and to substantially complete testing for two further audits. Five audits have been issued as Final reports since the last report to this Committee on the 10<sup>th</sup> November 2011. Appendix A shows actual time on planned work compared to plan as well as a summary of delivery. The Executive summary for each report is attached at Appendices B to F.

In addition, the Head of Consortium has delivered a draft of the e-based counter-fraud training resource that had been commissioned by the Council. The Deputy Chief Executive's comments on the draft are currently being addressed with a view to making the resource available to both officers and Members by the end of March 2012.

2.3 The causes of the under-delivery of the 2011/12 Plan have been, as previously advised: prior decisions about the completion of the 2010/11 Plan; scheduling of resources across the Consortium to allow for the delivery of a range of time-critical assignments (mostly relating to the certification of major grant claims); and the impact of vacancies and maternity leave on the Consortium's resource base. The issue of vacancies became more pressing when one of the Assistant Auditors left at short notice to take up a post in the private sector. More recently, the Lead Auditor assigned to the Council was absent due to ill health from early October: he subsequently resigned on 31<sup>st</sup> December 2011.

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2.4 It is anticipated that the resource difficulties experienced in the first half of the year will be substantially resolved in the second half. An experienced Auditor has now returned from maternity leave and the two vacant Assistant Auditor posts have now been filled.

In addition, the Welland Board has agreed that salary and associated under-spending arising from vacancies shall be used to buy in additional days from agency auditors. One agency auditor has been working with the Consortium since the beginning of August to deliver audits of key financial systems for all clients. The Welland Board has recently confirmed its continued support of this course of action. As reported to the Committee in November, an experienced Audit Manager has been working with the Consortium and is primarily based at the Council to ensure delivery of the audit plan and associated on site internal audit management duties.

**3 Summary of Performance**

3.1 Table 1 below provides an overview of the Consortium’s performance up to week ending the 31<sup>st</sup> December 2011 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 1**

<b>Key line of Enquiry</b>		<b>Available Evidence</b>
<b>Performance of the Consortium</b>		
=	Will the Audit Plan be delivered in full?	Resources have already been earmarked to ensure the delivery of all audits of Key Financial Systems and plans are in place to deliver the days necessary to deliver the enough of the remainder of the plan to provide an audit opinion.
=	Are audits being delivered on time and to budget?	Some of the audits in progress have gone over budget and the agreed delivery dates for Q1 have not been met. Now that sufficient experienced audit resources have been procured in the form of agency auditors, on time and to budget performance is anticipated. The reported slippage has occurred in some cases as a result of the long term sickness of the Lead Auditor and being unable to access electronic files.
✓	Is staff productivity satisfactory?  Time spent on productive work as a % of time available. <i>Productive work = planned audits and consultancy work.</i> <i>Time available = 260 days per auditor per year, less annual leave, sickness and professional training.</i>	Despite staffing difficulties referred to above, the Consortium’s productivity was at 86% compared to the 87% achieved in 2010/11. The use of agency auditors, who have little or no responsibility to deliver non-chargeable work, should result in that statistic improving over the rest of the year.

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✓	Is the quality of work of sufficiently high standard?	<p>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.</p> <p>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.</p>
✓	Is the Consortium satisfying clients' needs & expectations?	The data received so far on client satisfaction for 2011/12 indicates that needs and expectations are being met. The average score is currently 3.7, with 3 being the target. ( where 3 = Good, 4 = Very Good)
<b>The Control Environment</b>		
✓	Do the completed audits provide assurance that the Council has made appropriate and effective arrangements to manage its key risks?	Work completed to the date of the report has not identified any material issues of concern.
<b>Implementing Recommendations</b>		
✓	Are effective arrangements in place to ensure that managers respond to the agreed audit recommendations for which they are responsible in a timely manner?	All managers agree the action for each recommendation prior to the issue of the final report. Significant effort is made by the auditors to produce SMART recommendations, including a target date for implementation. The Internal Audit database (Galileo) is used to track and follow up recommendations. The Deputy Chief Executive receives regular reports of recommendations due for implementation. The monitoring of delinquent audit recommendations is undertaken by the Internal Auditor on site with relevant Heads of Service. The progress with delinquent recommendations is at Appendix G.

**3.2 Direction of travel:** The Consortium provided an annual assurance rating of Sound for the past three years. The average assurance rating based on audits completed or at draft report stage remains Sound.

The percentage of productive time at week 40 was 86%, it is anticipated that this should improve over the remainder of the year. The comparable statistic for 2010/11 was 87%.

As new recommendations are generated and existing ones are implemented on an ongoing basis, the number delinquent at any one time can vary. There are currently 32



recommendations of which ten are shown to be overdue for completion. Some have been legitimately delayed due to the Transformation Programme and service reviews.

**4 Audit Reports – Assurance on the Internal Control Framework**  
**(sections 4.1 to 4.4 are a reminder of format and reporting)**

- 4.1 A formal audit report is issued as a pdf document by email as a result of each audit performed. The report format has been agreed by the Deputy Chief Executive and is consistent across all the Consortium clients. The report contains an Executive Summary and an Action Plan where the recommendations are listed alongside the agreed action.
- 4.2 The Consortium includes an overall audit assurance rating in each audit report. The ratings are:  
**Good** – The Control Environment can be relied upon, some minor risks may have been identified  
**Sound** – The Control Environment can be relied upon, however some risks have been identified and some recommendations for improvement have been made  
**Marginal** – The Control Environment can generally be relied upon, however a number of risks have been identified and some changes should be made  
**Unsatisfactory** - The Control Environment cannot be relied upon, unacceptable risks have been identified and changes must be made  
**Unsound** – The Control Environment is seriously flawed, major risks have been identified and improvements are required.  
A rating of Unsatisfactory or Unsound requires immediate management attention and arrangements would be made for a further review to be carried out at a later date.
- 4.3 Members agreed in September 2008 to receive the Executive Summary and Action Plan of all audit reports issued. This reporting takes place at the Committee meeting following the issue of the final report. The Executive Summaries of the issued reports are at Appendix B to F.
- 4.4 Members receive details of delinquent recommendations - those that have not been implemented within the agreed time period (usually six months from report issue), regardless of the original rating of the report.