



St Edmundsbury
BOROUGH COUNCIL

B570

Performance and Audit Scrutiny Committee 26 April 2011

Internal Audit Annual Report 2010/11 and Outline Audit Plan 2011/12

SUMMARY

This report advises Members of the work of the Internal Audit Section during 2010/11, supported by background information on the role of Internal Audit, including statutory and regulatory requirements. It also seeks approval of an outline plan for 2011/12. Your views and comments on the format and level of detail supplied within the report are welcome.

PURPOSE OF THE REPORT

The report aims to provide an overview of the work of the section during 2010/11, and sets out the planned audit work for 2011/12.

Members are asked to approve the outline audit plan, and consider any areas of concern which should be taken into account when conducting these audit reviews.

Contact Details

Name

Telephone

E-mail

Chairman

John Hale

01359 221141

john.hale@stedsbc.gov.uk

Audit Manager

Jon Snares

01284 757239

jon.snares@stedsbc.gov.uk

Performance and Audit Scrutiny Committee
26 April 2011

Annual Internal Audit Report 2010/11 and Outline
Audit Plan 2011/12

1 Recommendations

- 1.1 The contents of the Annual Internal Audit Report for 2010/11 are noted.
- 1.2 The Outline Audit Plan for 2011/12 (**Appendix C**) be approved.
- 1.3 Consider any issues or areas of concern in respect of the planned audit work at **Appendix C** that should be taken into consideration when conducting these audit reviews.

2 Purpose of Report

- 2.1 The CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 (the Code), which has been deemed as proper practice under the Accounts and Audit Regulations 2003, states under 'Standard 10 – Reporting' that the Audit Manager should provide a formal annual report to the organisation, and sets out a number of areas that this report must include. The purpose of this report is therefore to advise the Committee of the work of the Internal Audit section in 2010/11 and to seek approval for the Outline Audit Plan (Appendix C). The report also seeks to provide:
- background information on the role of Internal Audit, including the statutory and regulatory requirements for maintenance of an effective Internal Audit function;
 - an overview of the work of the section during 2010/11 including a summary of key audit findings (**Appendix A**) and an opinion on the adequacy of the internal control environment;
 - information on the section's performance during the year;
 - details of the progress made during the year in developing anti-fraud arrangements and actions taken where fraud or misconduct has been identified (**Appendix B**);
 - details of the proposed outline Audit Plan for 2011/12 for Committee consideration and approval (**Appendix C**); and
 - a list of auditable areas which are not core financial systems or fundamental review work showing which of these have been included within the draft Audit Plan (**Appendix D**).

3 Background

Role of Internal Audit

- 3.1 Management are responsible for the systems of internal control within the council and should set in place policies and procedures to help ensure that systems function correctly. It is the role of Internal Audit to review, appraise and report on the effectiveness and efficiency of financial and other management controls, including risk

management, corporate governance, and arrangements for providing best value for money. This is achieved by undertaking audits across the full range of the council's functions in accordance with a risk based Audit Plan which outlines assignments to be carried out and the resources and skills required to deliver the Plan.

- 3.2 Internal Audit also undertake other consultancy style work at the request of management, ranging from general financial advice and assistance and financial appraisals of contractors, to involvement in major council initiatives and projects, as well as undertaking special projects and investigations, including investigations into suspected irregularities or fraud.

Requirement for Internal Audit

- 3.3 The Accounts and Audit Regulations 2006 require every local authority to maintain an adequate and effective system of internal audit.
- 3.4 Internal Audit carries out the work to satisfy this legislative requirement, reporting the outcome of its work to this Committee. The Performance and Audit Scrutiny Committee in its role as the council's audit committee has a responsibility for reviewing the council's corporate governance arrangements, including internal control and for scrutinising the Annual Governance Statement prior to its approval at Full Council. The audit work carried out is therefore a key source of assurance that the internal control environment is operating effectively.

Resources

- 3.5 The section currently has a full complement of committed and experienced staff, comprising Audit Manager (FT), Principal Auditor (FT), Senior Auditor (FT) and Audit Assistant (FT). The section is fortunate to have a team of staff with a wide range of skills and experience.

4. Review of Internal Audit work in 2010/11

- 4.1 An overview of the work of Internal Audit in 2010/11 is set out below.

Corporate Work including Advice and Assistance

- 4.2 As in previous years, because of the section's skills and experience there continues to be a high demand for Internal Audit involvement in corporate projects and initiatives. During 2010/11 this aspect of the section's work has included:
- Drafting the Annual Governance Statement (AGS) as presented to this Committee on 27 July 2010. Production of the AGS is a significant piece of work and was well received by both officers and the Audit Commission;
 - Ongoing membership and contribution to the Strategic Risk Management Group and Performance Management Group;
 - Attendance at Management Team meetings to brief senior managers in relation to the outcomes of work undertaken by the section where corporate issues are covered;

- Supporting the Shared Services Programme with the Principal Auditor taking on the role of a Shared Services Architect, the Senior Auditor supporting the work of the Finance Workstream, and the Audit Manager assuming the role of Acting Internal Audit Manager at Forest Heath DC in addition to his existing duties at St Edmundsbury BC from the end of January 2011;
- Support of the WSLSP Legacy Funding bid review process, through the provision of advice and guidance and membership on the bid review panel;
- Continuing to provide advice to service areas on internal controls;
- Support provided to the Revenues and Benefits Service in relation to their external inspections.

Financial and Information Systems Audits

- 4.3 This work is concerned with the documentation, evaluation and testing of the effectiveness of systems of internal control within the council's financial and information systems, including compliance with the council's rules and policies and the council's overall risk management, data quality and corporate governance arrangements.
- 4.4 During 2010/11, 31 internal audit reports have been issued, comprising reviews of the following areas:

Audit Reviews

Accounts Payable
 Housing Benefits
 Treasury Management
 Council Tax
 National Non-Domestic Rates
 National Indicators
 Payroll
 Accounts Receivable
 Main Accounting System
 Capital Accounting System
 Risk Management
 Contract Procedures – Tendering Arrangements
 Review of Human Resources Arrangements
 Data Protection Arrangements
 Grants Paid
 Fees and Charges
 Internet Controls

A number of these audit reviews were of the council's main fundamental financial systems which underpin the critical financial processes of the council. Annual reviews provide assurance to the Chief Finance Officer and the Audit Commission that controls are operating satisfactorily.

Follow Ups of Previous Audit Reviews

ICT Disaster Recovery
Laptop Security
Parks
Car Parks
Partnerships
Cash handling – Bus Station
Cash handling – West Stow
Cash handling – Moyses Hall
Cash handling – Tourist Information Centre
National Indicators
West Suffolk House – Health and Safety
West Suffolk House – Building Security
West Suffolk House – Car Parking
Concessionary Bus Travel

- 4.5 An overview of the conclusions and main findings of each audit, together with a brief summary of progress made, is provided at **Appendix A**.

Consultancy Reviews

- 4.6 Internal Audit conducts consultancy work as part of its routine activities and in response to requests by management, our role being to provide advice, facilitation and support to management.

A consultancy review was carried out at the Apex following a request by the Corporate Director – Community Services and the Head of Leisure. With the Apex being a new venue for events, conferences, functions and concerts, new systems and procedures had been introduced, in addition to a significant number of the staff responsible for controls being newly appointed.

This piece of work, which was very well received, gave management a picture of how arrangements were operating, with Internal Audit working closely with staff to understand arrangements. Verbal advice and guidance was provided and to assist the improvement process further, individual area action plans were provided to the Venues Director.

Assurance and an Opinion on the Systems of Internal Control

- 4.7 Internal Audit, along with other assurance processes of the council, have a statutory obligation under the Accounts and Audit Regulations 2003 and Accounts and Audit (Amendment) (England) Regulations 2006 to provide assurance from the work they undertake in respect of the internal control systems operating within the council.
- 4.8 The system of internal control should help the council to manage and control the risks which could affect the achievement of the council's objectives rather than eliminate them completely. Internal Audit and the other assurance processes can therefore only provide within the Annual Governance Statement reasonable and not absolute assurance of adequacy and effectiveness.

- 4.9 Based on the work undertaken during the year (main areas attached as **Appendix A**), as well as assurances made available to the council by other assurance providers, Internal Audit can provide reasonable assurance that the systems of internal control within these areas of the council, as well as the risk management systems, were operating adequately and effectively. Our work has, however, identified a number of areas where existing arrangements could usefully be improved, and details of the main areas are provided at **Appendix A**.

Probity

- 4.10 The Council is a large organisation with a sizeable workforce, high levels of income and expenditure, and provides a variety of services. Despite occasional incidents, probity is judged to remain at a high level.
- 4.11 Managing the risk of fraud, theft, and corruption is considered in detail at **Appendix B**.

5. Performance

- 5.1 Internal Audit have continued to work closely with the Audit Commission by sharing systems documentation and feeding back any necessary amendments to this systems documentation arising from Internal Audit work undertaken. This closer working has become increasingly important as a result of the International Standards on Auditing which effectively increase the reliance that external audit seek to place on Internal Audit. Internal Audit therefore holds regular, scheduled formal liaison meetings with the Audit Commission to further improve this relationship.

Reporting and Consultation

- 5.2 A written audit report to management is provided at the completion of each audit review, containing a summary, findings, suggested actions and risk exposure, for management agreement and commitment to take necessary actions.
- 5.3 The section is committed to providing an excellent service to its customers. As part of our commitment to ensure that we maintain high professional standards and ensure that we continually improve the quality and usefulness of our work, we issue a customer satisfaction questionnaire with every audit report. The questionnaire asks for the auditees' opinion on a range of issues and also seeks their views on how our services can be improved and developed. A summary of the results from customer satisfaction surveys completed is provided below. The first table summarises responses received regarding key quality indicators of the audit process, while the second table records respondents overall assessment of the audit.

Table 1: Key Quality Indicators – responses from auditees

Question	Yes %	No %	Total %
1. Did the audit meet your expectations?	100	0	100
2. Were agreed actions useful?	100	0	100
3. Has this audit helped move the service forward?	100*	0	100

* Note: one auditee responded that question 3 above was not applicable as the audit had concluded overall that the system was working reasonably well and no significant changes were recommended

Table 2: Overall Assessment – responses from auditees

	Very Good %	Good %	Fair %	Poor %	Total %
Overall Score	83	17	0	0	100

- 5.4 It is pleasing to note that satisfaction levels remain at a high level with all responses falling within the “good” or “very good” categories, the majority being “very good”. It should also be noted that the section regularly receives informal feedback regarding work carried out which is generally very favourable.

Performance Indicators and Targets

- 5.5 Internal Audit performance against the Audit Plan is measured throughout the year, via local performance indicators. Two key performance targets have been established for the section:
- The percentage of the planned core financial and information systems audits completed during the year – these being the audits upon which assurances regarding the Annual Governance Statement are based and upon which the Audit Commission seek to place reliance for their work on the annual Statement of Accounts.
 - Audit Commission opinion on Internal Audit work – based on the extent to which external audit are able to place reliance on the work of Internal Audit.

Performance against these targets is shown below.

Description	Target	Actual 2008/09	Actual 2009/10	Actual 2010/11
Completion of planned core system audits	100%	100%	100 %	100%
External audit triennial opinion on the work of Internal Audit	Able to place reliance	Next external audit opinion expected for 2008/09 – due to be reported in 2009/10	Able to place reliance	To be confirmed but expectation based on past experience is that the Audit Commission will be able to place reliance on Internal Audit's work where they have planned to do so.

5.6 The above table shows that 100% of planned core systems audits were completed for the year. It should also be noted that 100% of the planned departmental systems / probity audits were completed in the year as well as maintaining a planned programme of follow up reviews to check that previously agreed recommendations are being implemented as expected. .

5.7 In addition, Internal Audit performance against the Audit Plan is also monitored through the mid-year report to the Performance and Audit Scrutiny Committee in October and the third quarter progress report in January.

6 Compliance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006

6.1 The CIPFA Code of Practice requires that the Internal Audit Manager's annual report comments on compliance with the Standards as contained within the Code of Practice. Compliance with these Standards is judged by means of completing a checklist attached as an appendix to the Code and presenting the results for consideration by the Annual Governance Statement Senior Officer Group, Management Team and then Performance and Audit Scrutiny Committee. This forms part of the process of recommending the Annual Governance Statement for approval by Cabinet. An action plan is produced and reported to Performance and Audit Scrutiny Committee detailing the areas where further improvements can be made in order to fully comply with the Code. The Internal Audit Manager can confirm that the Code has been substantially complied with.

7 Partnership Working

Partnership Working – Suffolk Working Audit Partnership

7.1 Internal Audit actively contributes to the Suffolk Working Audit Partnership (SWAP). This partnership allows local authorities in Suffolk to share resources, knowledge, and experience regarding internal audit issues in order to identify and promote the adoption of best practice, primarily through an extranet facility. The partnership identifies common training needs and initiates joint training where necessary. This is all achieved at minimal cost.

- 7.2 In addition, the Suffolk Chief Executives have identified Internal Audit as one of the services that could be delivered more efficiently across all councils through a shared approach. In order to take this forward a Suffolk Internal Audit Partnership Board has been established to lead the process. The Board members meet on a regular basis, and provide progress reports to the Suffolk Chief Finance Officers.

Partnership Working – Shared Services Forest Heath District Council

- 7.3 Internal Audit is supporting the shared services initiative wherever possible through a number of ways. In addition to his existing role, the St Edmundsbury Internal Audit Manager is also currently performing the role of Acting Internal Audit Manager at Forest Heath, from 31 January 2011, following the departure of the previous post holder. In addition, one audit team member continues to act as a Shared Services Architect, while another member of the audit team provides support to the Finance workstream for shared services.

8 Internal Audit Plan 2011/12

- 8.1 In accordance with the CIPFA Code an Audit Plan has been prepared covering a period of one year (2011/12). The Plan provides for the annual review of all the main financial systems (as required by the Audit Commission) together with corporate governance review and support, and the audit of a number of areas which are neither core financial systems nor fundamental review type work chosen using a risk based methodology. The Audit Plan has been prepared based upon the identification and prioritisation of auditable areas and taking into account available staff resources. Factors used in the risk assessments of each audit area include:
- financial materiality – e.g. levels of income and expenditure, value of assets, volume of transactions;
 - control environment - previous assessments of the soundness of internal controls, taking into account previous findings of Internal Audit, Audit Commission, and other assurance provider reviews and inspections;
 - stability, complexity and vulnerability – taking into account such factors as the stability of management and staffing arrangements, complexity / changes in regulations and legislation, major system changes, new IT systems etc.;
 - sensitivity – taking into account such factors as confidentiality of data, impact of failure, business risk, political interest and client / customer sensitivity; and
 - date of last audit – i.e. the longer the time since the last audit the greater the risk.
- 8.2 Demand for the section's skills and expertise means provision is also made for continued assistance with corporate projects including, for example, membership of various corporate working groups.
- 8.3 The Internal Audit section leads on the corporate governance review as contained within the Annual Governance Statement (AGS), and its associated documents. The AGS is a statutory document, signed by the Leader of the Council and the Chief Executive Officer, and reported alongside the Council's annual Statement of Accounts.
- 8.4 The outline Audit Plan for 2011/12 is provided at **Appendix C**. The Plan has been compiled in consultation with stakeholders, including the Chair and Vice Chair of the Performance and Audit Scrutiny Committee, the Audit Commission, the Chief Finance Officer, Corporate Directors, and Heads of Service.

- 8.5 The Audit Plan is dynamic, requiring flexibility to reflect changing risks and priorities. Our ability to deliver the Audit Plan is dependent upon the retention of sufficient staff resources and the need to maintain an effective balance between planned audit work, unplanned activities and investigations, and the section's involvement in corporate priorities and initiatives.
- 8.6 Members are asked to formally approve the contents of the Outline Audit Plan for 2011/12 (**Appendix C**) and to consider any issues or areas of concern in respect of the planned audit work that should be taken into consideration when conducting these audit reviews.

Summary of Internal Audit Reports Issued in 2010/11

1. Introduction

- 1.1 During the period, 33 audit reviews were completed to final report stage. Audit reports are issued as final where their contents have been agreed with management, in particular responsibility for actions and timescale.
- 1.2 The following sections contain a summary of the content of the internal audit reports issued during the 2010/11 financial year. Each summary provides an indication of the issues arising from the reviews, as well as action taken in response to previous audit reports. The audit summaries covered by sections 2 - 20 below were previously reported to Performance and Audit Scrutiny Committee in the October 2010 half-yearly report and January 2011 third quarter progress report. They are re-presented here for the sake of completeness and to enable the Internal Audit Manager to discharge his responsibility to present a summary of the audit work which forms the basis of the annual opinion on the overall adequacy and effectiveness of the organisation's control environment.
- 1.3 It should be noted that each summary below represents the situation at the point in time that the audit work was undertaken and therefore it is likely that a number of agreed key improvements will subsequently have been made.
- 1.4 In line with CIPFA good practice guidance, opinions are provided on the operation of control mechanisms where a full audit has been undertaken for the area reviewed. A key to these opinions can be found at the end of this appendix. Where a follow up review has been undertaken full testing of controls will not always be undertaken and therefore an opinion on the operation of controls will not normally be given.
- 1.5 Progress towards implementing agreed key improvements will be reviewed by Internal Audit during 2011/12 and reported to Performance and Audit Scrutiny Committee as appropriate.

2. Data Protection Arrangements

- 2.1 This was the first time, in recent years, that this area has been reviewed by Internal Audit. The purpose of the audit was to determine whether activities involving the processing, collection, usage, retention, disposal and security of personal information are carried out in accordance with the council's Financial Procedure Rules, and whether the requirements of the Data Protection Act 1998 are met. A *limited assurance* opinion was provided.

Key areas where improvements are required

- 2.2 A data protection policy should be drafted to illustrate how the council endorses and seeks to adhere to the principles of data protection, as set out in the Data Protection Act 1998.

- 2.3 The audit review also concluded that a staff member should be formally nominated to act as the council's Data Protection Officer who is then able to carry out /delegate a number of actions included within the internal audit report. It should be noted that Management Team, having discussed the issues raised in the report, agreed that the Head of Legal and Democratic Services will act as the council's Data Protection Officer.

3. Grants Paid

- 3.1 This was the first time, in recent years, that the grants process had been reviewed by Internal Audit. During this review three different types of grants (core funding, housing, and environmental health) approved by the council were examined to ensure grants are checked for eligibility, and awarded and paid in accordance with relevant approved criteria. A *substantial assurance* opinion was provided.

Key areas where improvements are required

- 3.2 Procedures in all three grant areas require updating and enhancing in order to further improve clarity.
- 3.3 Arrangements regarding monitoring the effective use of grants could be further improved by considering the adequacy of current reporting arrangements to members.
- 3.4 The Funding Sources Guide available to the public on the internet site requires further updating.
- 3.5 The Core Grants Scoring Matrix which Grants Officers use to evaluate grants needs to be reviewed and updated to ensure that this can be more easily used by members to make an informed assessment of each grant application.

4. Fees and Charges

- 4.1 This review focused on the application of the Fees and Charges Policy and the ability of the council to maximise income raised from fees and charges. A *substantial assurance* opinion was provided.

Improvements made since the previous audit

- 4.2 Since the 2008 audit review the Fees and Charges Policy has been developed, approved and rolled out, and the DR-IVE initiative and budget setting processes both continue to drive the income management process.
- 4.3 Service managers have become increasingly aware of the importance of reviewing fees and charges, identifying new income opportunities and reviewing existing arrangements to ensure these are efficient, effective and more services are accessible and payable direct and online.

Key areas where improvements are required

- 4.4 Whilst it is clear that significant progress has been made, the latest audit review confirmed that more could be done to ensure that all relevant fees and charges are regularly reviewed and compared or benchmarked with other local service providers.

5. Corporate Review of National Indicators

- 5.1 This is an audit review that is undertaken on an annual basis by Internal Audit. The purpose of the audit was to determine whether activities involving the collation, calculation, verification and reporting of National Indicators is in line with recommended practice. A *substantial assurance* opinion was provided.

Key areas where improvements are required

- 5.2 Service managers responsible for collating and reporting on performance indicators should ensure that there are adequate written procedures so that in the event of key staff absences this area of work can continue; also roles and responsibilities can be easily shared with new staff and partner organisations. It is acknowledged that procedures have been produced for NI179, following the Internal Audit review of 2009/10.
- 5.3 Service areas with responsibility for National Indicators should consider the adequacy of current arrangements for reporting performance to their related member groups.
- 5.4 Suggestions have been made to improve the robustness of peer challenge for NI188.

6. ICT Audit (Internet Controls)

- 6.1 This audit was undertaken to review the adequacy of the council's internet, firewall and website controls. A *substantial assurance* opinion was provided.

Key areas where improvements are required

- 6.2 Whilst an E-mail and Internet Usage Policy is in place, advising of the council's rules for e-mail and access to the internet, the document has not been reviewed since 2006.
- 6.3 An agreement has been entered into with an internet service provider. Points have been raised by both Internal Audit and Legal Services following sight of the agreement, specifically, the section relating to customer data and usage which requires prompt attention. This reinforces the need for Legal Services to have seen and approved the contract prior to it having been signed, as stated in the Contract Procedure Rules.
- 6.4 As part of the Shared Services Project between St Edmundsbury and Forest Heath District Councils staff are beginning to work across both offices, and as such, awareness and compliance against each authority's ICT policies is an area that requires further investigation.

7. ICT Disaster Recovery Follow Up

- 7.1 This was the third follow up review to an audit report issued in December 2006, the first follow up took place in March 2008 and the second in April 2009.
- 7.2 The report concluded that all previously recommended actions are now closed. However, a new action was raised during this review whereby staff should investigate the possibility of introducing penalty clauses into the business continuity contract to ensure that the council's interests remain safeguarded when the contract is renewed, or next tendered for.

8. ICT Laptop Security Follow Up

- 8.1 This was the third follow up review of progress made towards completing agreed actions arising from the report originally issued in September 2007. All recommendations made have now been addressed.

9. Cash Handling Review – Bury Bus Station Follow Up

- 9.1 This was a follow up review to an audit report issued in October 2009. Significant progress has been made in tightening controls with all recommendations made in the previous report now addressed.

10. Cash Handling Review – Tourist Information Centre Follow Up

- 10.1 This was the first follow up review of progress made towards completing agreed actions arising from the audit report originally issued in October 2009. The majority of the agreed actions have been implemented; the remaining actions concern the need to further improve the management trail supporting transactions and for the Insurance Section to issue reminders to establishments regarding insurance requirements.

11. Concessionary Bus Travel Follow Up

- 11.1 This was the first follow up review to an audit report issued in October 2009. The majority of the agreed actions have been implemented; the remaining action concerns the accessibility of information and forms relating to the concessionary travel scheme for potential users of the service.
- 11.2 It should be noted that the council will cease to manage the concessionary travel service from the 1st April 2011, when full responsibility will be transferred to Suffolk County Council.

12. West Suffolk House Building Security Follow Up

- 12.1 This was a follow up review to an audit report issued in September 2009. The report concluded that whilst progress had been made in tightening controls, the security culture could usefully still be further improved.

13. West Suffolk House Car Parking Arrangements Follow Up

- 13.1 This was the first follow up review to an audit report issued in October 2009. This review identified that progress has been made against a number of the agreed actions, however, testing identified that errors still existed within the charging formulae. Also, verification procedures could be further improved to provide a management trail demonstrating that all appropriate checks had been undertaken before informing the Payroll Section of salary deductions to be made in respect of West Suffolk House car parking charges.

14. Parks Follow Up

- 14.1 This was a second follow up review to audit reports issued in December 2007 and July 2009 relating to cash handling issues at two council parks.
- 14.2 This report concluded that whilst significant progress had been made in tightening controls and many of the recommendations made in the previous reports had been addressed, there remained scope to further improve controls over the preparing of monies for banking.

15. Partnerships Follow Up

- 15.1 This was the first follow up review to an audit report issued in July 2008. The review concluded that significant progress had been made, specifically a Partnership Strategy has been adopted and significant partners identified. However, a number of improvements could still be made including more clearly defining governance arrangements within Funding Agreements, and in some instances Service Level Agreements, that are currently in place for key partnerships.

16. Car Parks Follow Up

- 16.1 This was the second follow up to an audit report issued in September 2007, with the initial follow up being undertaken in January 2009.
- 16.2 The majority of the agreed actions have been implemented, the remaining actions concern further improvements regarding the cash counting and recording process, car park signage, and completion of procedure manuals in respect of all relevant aspects of car parks operations.

17. National Indicators Follow Up

- 17.1 All previously agreed actions for NI 182, satisfaction of businesses with local authority regulation services, have been implemented.
- 17.2 The agreed action for NI 184, food establishments in the area which are broadly compliant with food hygiene law, has been implemented and although collection for this NI is no longer required it has been decided to continue recording this data for internal monitoring.

18. West Stow Cash Handling Follow Up

18.1 This was a follow up review to an audit report issued in October 2009. Significant progress has been made in tightening controls and addressing the original actions. New actions are agreed to further improve controls in cash handling and procedures.

19. Cash Handling Review – Moyses Hall Follow Up

19.1 This was a follow up review to an audit report issued in October 2009. Significant progress has been made in tightening controls and addressing the original actions. New actions are agreed to further improve controls in cash handling and procedures.

20. West Suffolk House Health and Safety Follow Up

20.1 This was the first follow up review of progress made towards completing agreed actions arising from the audit report originally issued in December 2009. Almost half of the agreed actions have been implemented; of the remaining actions, two are reliant on working in partnership with a colleague in SCC, which has been hampered by the long term sickness of this key officer, and the remaining actions are currently in progress.

21. Housing and Council Tax Benefits Review

21.1 The Benefits Service is currently going through a radical change process with the move to working within the Anglia Revenues Partnership (ARP). This audit is therefore the final review to be completed on processes undertaken within West Suffolk House and solely on the Northgate system. This fundamental financial system for the assessment and administration of the council's housing and council tax benefits achieved a *substantial assurance* opinion for the period under audit.

Improvements made since the previous audit

21.2 Progress has been achieved on actions raised within the previous review, with approximately 50% of the actions arising from the previous review completed or superseded with the move to work with ARP.

Key areas where improvements are required

21.3 Verification processes for income and rent.

21.4 Assessment of self-employed claims.

21.5 Data quality and retention of supporting evidence

22. Treasury Management

- 22.1 This audit review covered controls relating to the management of the council's short term and long term investments with approved organisations to achieve the best possible rate of return. Audit work undertaken resulted in a ***substantial assurance*** opinion being given.

Improvements made since the previous audit

- 22.2 The council's Constitution document and Treasury Management Practices have been updated to reflect revised guidance.
- 22.3 Investments are now processed using the HSBC bank's on line banking facility.
- 22.4 New reporting arrangements have been established, specifically the creation of a Treasury Management Sub Committee, with training sessions provided to members of that committee.

Key areas where improvements are required

- 22.5 Controls around investments could be improved further by investment authorising officers being advised of the need to review relevant information on which to base their authorisation decision. This ensures investment proposals are appropriate and within agreed council policy.
- 22.6 Monthly reconciliations of the treasury management records to the main accounting system should be completed in a timely manner to ensure that financial records are complete and accurate.

23. Payroll

- 23.1 This audit reviewed the key controls for payroll processing, including starters and leavers, amendments, verification, reconciliation and system updates. In addition, testing of the following areas has also taken place: implementation of iTrent, post project management and P11Ds. A ***substantial assurance*** opinion has been given.

Improvements made since the previous audit

- 23.2 The HR section have upgraded their computer software to a fully web deployable system that has the capability to provide for example, improved security, employee & employer self service and the ability to develop our own on line application forms (both the latter are pending, waiting the outcome of the Shared Services HR business case).

Key areas where improvements are required

23.3 Only minor improvements were suggested to improve current controls.

24. Accounts Receivable

24.1 The purpose of the audit was to review the controls around the accounts receivable system to record, collect and report on income received by the council for chargeable services provided. A *substantial* assurance opinion was provided.

Improvements made since the previous audit

24.2 Until September 2010 responsibility for the debtors system was with the Revenues and Benefits Section, but now lies with the Finance Section, with the Recovery Officer having transferred to Finance. This has allowed the Recovery Officer to concentrate her efforts on debt recovery.

Key areas where improvements are required

24.3 A number of agreed actions from the 2009/10 audit review still remain outstanding. The Finance Section have recognised this and will be using the audit report as an action plan to assist them during their review of sundry debtor arrangements, planned for the summer of 2011.

25. Main Accounting System (General Ledger)

25.1 The purpose of the main accounting system is to record all financial transactions and to provide the base information for budget monitoring, preparation of the annual accounts, and financial returns. As such, it is central to ensuring the financial well-being of the council. The purpose of this audit was to ensure that adequate accountancy routines exist, they are open and transparent so as to protect the integrity of the system, and that those routines are implemented in practice. A *substantial assurance* opinion was achieved.

Improvements made since the previous audit

25.2 The main development in 2010/11 is the change to the accounts of the introduction of the International Financial Reporting Standards (IFRS). This will have a substantial impact for many public sector organisations, encompassing areas such as the setting and measurement of performance targets, budgeting and forecasting, in addition to financial reporting. Work is also ongoing by the Finance Section to make sure the 2010-11 Statement of Accounts complies with IFRS.

Key areas where improvements are required

25.3 Controls around access rights to the main accounting system could usefully be improved, including restricting authority to amend passwords and change access rights.

25.4 Management should consider full regular monthly reconciliations of the council's bank account, allowing year end to focus on smaller levels of query, and carry forward unallocated balances kept to a minimum.

26. Accounts Payable

- 26.1 The purpose of this audit was to review the controls around the accounts payable system which is designed to record payments and to report on expenditure made on behalf of the council. A *substantial assurance* opinion was provided.

Improvements made since previous audit

- 26.2 The council purchases goods and services which results in hundreds of invoices being received, these documents need to be archived. The council has introduced invoice scanning which removes the expenses associated with storage costs, lost documents and staff costs.

Key areas where improvements are required

- 26.3 Staff need to be reminded of the importance of following Procurement Regulations to ensure for example, that quotes from alternative suppliers are obtained where appropriate, and also that orders are raised in advance of goods and services being supplied.
- 26.4 More efforts should be made by departments in reviewing and investigating outstanding purchase orders, particularly those outstanding for a significant amount of time.

27. Capital Accounting (Fixed Assets) System

- 27.1 The purpose of the audit was to review and test Finance controls over ensuring that assets have been accurately transferred from the previous asset register to the new asset recording system, Asset 4000. A *substantial assurance* opinion was provided.

Key areas where improvements are required

Only very minor recommendations were raised as part of the audit.

28. Council Tax

- 28.1 This year's review of the council tax collection arrangements took place in a time of impending change within the Revenues and Benefits Service. From April 2011 this service area will be joining ARP in order to provide this service jointly as part of this partnership.

- 28.2 The audit was undertaken as part of the agreed annual programme of audit work performed to provide assurance to the S151 Officer of the controls in place within the council tax system, for managing council tax collection from the borough's residential properties. Its purpose to ensure that adequate routines exist, are open and transparent, so as to protect the integrity of the system and that those routines are implemented in practice. An opinion of *substantial assurance* was given.

Improvements made since the previous audit

- 28.3 Arrangements continue to work well, this is particularly positive considering the disruption occurring as a result of both strategic and staff changes.

Key areas where improvements are required

- 28.4 Daily and monthly reconciliation arrangements covering the interface between the council's main financial system and council tax system allocated to ARP staff have not been operating as effectively as they could have been, this is due to resourcing issues and queries relating to differences in processes.
- 28.5 Management overview arrangements and clear allocation of tasks in terms of income allocation in respect of the council tax suspense account could usefully be improved.

29. Non Domestic Rates (NDR)

- 29.1 Similar to the council tax audit review, this year's review of NDR took place in a time of impending change within the Revenues and Benefits Department. From April 2011 this department will be joining ARP in order to provide this service jointly as part of this partnership.
- 29.2 The audit was undertaken to provide assurance of the controls in place within the NDR System, for managing NDR collection from the borough's commercial properties. NDR collection is an area which forms a high proportion of the income coming into the Authority. In the current economic climate, it is essential that the recovery process is robust and non-payment of NNDR does not adversely affect the council's cash flow. An opinion of *substantial assurance* was given.

Improvements made since the previous audit

- 29.3 Please refer to the council tax summary 28.3 for further details.

Key areas where improvements are required

- 29.4 Areas for improvements are as per those detailed within the council tax summary. Please refer to paragraphs 28.4 and 28.5 for further details.

30. Risk Management

- 30.1 The audit review considered the adequacy and suitability to the council's needs of current risk management arrangements, including the reasonableness of the corporate risk

register and the use of risk management within project management processes. It also focused on progress made towards implementing agreed actions arising from in-depth, comprehensive internal review finalised in April 2009. A **substantial assurance** opinion was provided.

Improvements made since the previous audit

- 30.2 New and more concise risk management guidance has been produced for managers, along with an online training module created.

Key areas where improvements are required

- 30.3 Suggestions have been made in respect of improving further the application of risk management for projects.
- 30.4 There is scope for the review of risks and opportunities of existing contracts to be further improved.
- 30.5 Improvements could be made to the consideration and recording of risk within committee reports.

31. Review of Human Resources (HR) Arrangements

- 31.1 An internal audit review of HR arrangements had not been undertaken for a number of years and this work was selected for review by the Chair and Vice Chair of the Performance and Audit Scrutiny Committee.
- 31.2 HR is a core service of high strategic importance and demand for HR resource and support has increased as a result of the shared services agenda. A review was considered timely, in providing management with assurance on the operation of HR controls and to consider whether there were any areas that could benefit from further improvement. The audit reviewed controls around recruitment, promotion and termination of service, pay and remuneration and career development and training. A **substantial assurance** opinion was provided.

Key areas where improvements are required

- 31.3 ICT receive a report from the HR system notifying them that a member of staff has left, however, we would also encourage them to change the passwords to any computer accounts that the leaver may have had, therefore ensuring any accounts remain secure until the leaver's line manager confirms to ICT that the accounts can be closed.
- 31.4 Minor improvements were also suggested in respect of procedures.

32. Contract Procedures – Tendering Arrangements

- 32.1 This audit was undertaken as part of the agreed annual programme of audit work for 2010/11 to determine whether the council's approved procedures have been followed when procuring supplies, works and services over £50k and that all tenders have been treated equally and fairly. All procurement processes must be robust, carried out with

integrity, be well documented and provide an audit trail. An opinion of *substantial assurance* was given.

Key areas where improvements are required

- 32.2 The Procurement Manager and Property Services will work together to improve the arrangements around the advertising and review of the standing list of pre vetted companies in use within Property Services.
- 32.3 A number of observations were made in respect of the procedures in operation for the receipt of tenders received by West Suffolk House reception. It would be useful for staff to be reminded of the procedures for obtaining quotations and tendering under the Contract Procedure Rules.
- 32.4 Whilst procurement documents and guidance exist for staff to use and refer to, in the spirit of continuous improvement a number of enhancements could be made to existing arrangements in line with best practice.

Meaning of words used: -	
Full Assurance	The full assurance opinion is given where no significant or fundamental recommendations have been made and where controls within the system should provide full assurance that the risks material to the achievement of the system objectives are adequately managed.
Substantial Assurance	The substantial assurance opinion is given where a small number of significant, but no fundamental recommendations have been made and where controls within the system should provide substantial assurance that the risks material to the achievement of the system objectives are adequately managed.
Limited Assurance	The limited assurance opinion is given where a small number of fundamental and also a number of significant recommendations have been made and where controls within the system provide limited assurance that the risks material to the achievement of the system objectives are adequately managed.
No Assurance	The no assurance opinion is given where little or no assurance could be gained from a system where a large number of both fundamental and significant recommendations were proposed and where controls within the system provide little or no assurance that the risks material to the achievement of the system objectives are adequately managed.

Managing the Risk of Fraud, Theft and Corruption

1. Introduction

- 1.1 St Edmundsbury Borough Council spends millions of pounds of public money each year on essential local services. It is essential that the council protects and preserves its ability to provide these services by ensuring that its assets are protected against all risks of loss and damage.
- 1.2 The council has traditionally encountered low levels of fraud and corruption. However, the risk of loss through theft, fraud or corruption both internally and externally, is recognised nationally as a part of business life that needs to be managed effectively.
- 1.3 The council is committed to creating a culture of zero tolerance of fraud, theft and corruption and maintaining high ethical standards in its administration of public funds.
- 1.4 The corporate framework, which underpins the operation of the council, has a number of facets that exist to protect the council against fraud and corruption. The anti-fraud and anti-corruption strategy underpins this framework.
- 1.5 The following narrative provides information and progress on the council's arrangements for managing the risk of fraud, theft and corruption during 2010/11.

2. The Risk of Fraud

- 2.1 All organisations are susceptible to fraud, theft and corruption regardless of their size or nature. That risk can come from many directions, internally from employees, or by individuals or companies dealing with an organisation from outside. Local authorities are no different and given the wide range and diversity of their activities and the individuals connected with them, the risks come from a variety of sources.
- 2.2 As a result, everyone involved with the council has an important role to play in the management of risks. We all want to reduce risks and hence eliminate unnecessary costs to our services.
- 2.3 Fraud, theft and corruption are costly, both in terms of reputational risk and financial losses. As a result, the risk of safeguarding the council's monetary and physical assets continues to be included on the corporate risk register and so is subject to corporate monitoring and review arrangements. The corporate risk register links to the council's corporate priorities through service plans, requiring managers to identify mitigating actions for risks and to keep these under review.

3. CIPFA Red Book 2 – Managing the Risk of Fraud

3.1 In 2008 the Chartered Institute of Public Finance and Accountancy (CIPFA) Better Governance Forum updated its publication 'Managing the Risk of Fraud' which provides guidance on the actions necessary to counter fraud and corruption in public authorities, and is acknowledged as good practice.

3.2 The guidance is framed as a series of questions, and describes what actions are needed for an organisation such as the council to be effective in countering fraud and corruption. The questions address the following areas:

- Adopting the right strategy
- Accurately identifying the risks
- Creating and maintaining a strong structure
- Taking action to tackle the problem
- Defining success.

3.3 A self assessment of how the council compares to the requirements of the guidance was undertaken in 2009/10, involving both Internal Audit and Benefits Enquiry Team staff.

3.4 Overall, the self assessment showed that the council was already substantially complying with requirements. There were some minor areas for development nevertheless, where we could further strengthen our arrangements, including:

- Incorporating an annual a review of propriety checking within the council in the Internal Audit programme of work;
- Ensure that Internal Audit's fraud awareness communications cover all of the areas specified in the CIPFA Red Book 2 checklist;
- Ensure that Internal Audit's irregularity and fraud working procedures include a requirement to include within concluding reports on investigations a specific section on identified policy and systems weaknesses that allowed the fraud and corruption to take place; and
- To review Internal Audit's guidance on undertaking investigative work generally, as contained within its working procedure.

These improvements were introduced by Internal Audit during 2010/11:

- Propriety checking formed part of the Internal Audit programme of work, specifically a follow up of Gifts and Hospitality arrangements was carried out, and spot checks against pre employment checks formed part of the audit review of Human Resources arrangements; the need for propriety checking will now be specifically considered each year when preparing the draft annual audit plan
- Internal Audit's working procedures have been updated to incorporate the improvements suggested as a result of the self assessment review;

4. Protecting the Public Purse

4.1 The Audit Commission published a report in September 2009 titled 'Protecting the Public Purse – Local Government Fighting Fraud' which considers the key fraud risks and pressures facing councils, along with identifying good practice.

4.2 The report included a checklist which was completed by Internal Audit during 2009/10, the results illustrating that as with the Managing the Risk of Fraud checklist referred to above, the council was already substantially complying with requirements. Again, there were some minor areas for development nevertheless, where we could further strengthen our arrangements, these being:

- Including a review of contract letting procedures within the Internal Audit programme of work for 2010/11 to check whether these procedures comply with good practice guidance issued by the Office of Fair Trading, thereby reducing the risk of illegal practices such as cartels; and
- To ensure, taking into account current best practice, that the council's reporting mechanism encourages staff to raise any concerns they may have regarding money laundering.

These improvements were introduced by Internal Audit during 2010/11:

- Contract procedures now forms an annual audit review. An audit review of contract procedures – tendering arrangements was carried out in 2010/11 with one of the areas reviewed to check that tender documents contain a standard statement governing rules regarding bribery and corruption. The Procurement Manager was already aware of the guidance issued by the Office of Fair Trading – Understanding Competition Law Cartels and the Competition Act 1998 (to which guidance 435 refers);
- In respect of money laundering arrangements an anti-money laundering policy was drafted by Internal Audit and approved by Full Council. Where appropriate, key staff will be provided with training identifying potential activities and reporting concerns to the Money Laundering Reporting Officer.

5. Corporate anti-fraud, theft and corruption arrangements

5.1 Awareness

5.1.1 The council has in place an anti-fraud and anti-corruption strategy. Its purpose is to outline the council's approach, as well as defining roles and responsibilities, for dealing with the threat of fraud and corruption, both internally and externally. This is available on the both the council's website and intranet.

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- 5.1.2 The bi-annual fraud awareness newsletter continues to be published to staff. It is designed to highlight areas of fraud in the workplace and to help staff understand why we need to combat it effectively.
- 5.1.3 A number of messages have been included in the council's internal bulletin to remind staff of their responsibilities regarding:-
- Declaration of interests, gifts and hospitality
 - Expenses claims
 - Information security
- 5.1.4 Annual reminders continue to appear in the Members' Bulletin reminding members of the need to report anything within the council they are concerned with.
- 5.1.5 An anti-fraud survey was developed and circulated to staff in April 2010 to assess the level of fraud awareness within the council. In order to achieve as wide a response as possible the survey was sent to all staff with their payslips, the number of responses was 98. The following is an analysis of the survey findings:
- 99% of staff responding were aware of the council's anti-fraud and anti-corruption strategy;
 - 97% of staff responding were aware that the council's whistleblowing guide contains arrangements for staff to express concerns about fraud and corruption;
 - Methods of publishing fraud awareness material that were considered most effective by staff included e-teamwork, intranet, posters and payslips (all such methods are already used to promote fraud awareness);
 - 100% of staff responding were aware of the Code of Conduct for Employees
 - 94% of staff responding would submit a declaration of interest to their Corporate Director if their work involved dealing with an individual, company and/or organisation that they already have involvement with outside work.
 - However, results were less clear in respect of receiving gifts and hospitality, whilst a significant number of responses state that gifts and hospitality would be declined or discussed with their line manager, the question was unanswered on a number of responses. As a result, a reminder as to arrangements to be followed for gifts and hospitality was issued to staff in December 2010, and an article included in the Spring 2011 newsletter.

Overall, those responses received demonstrated a good awareness of the council's fraud and corruption arrangements, although they highlighted that further awareness is required in respect of gifts and hospitality. It is anticipated that a similar survey will be circulated every 2 years with mechanisms also looked into, in an endeavour to gain a higher response rate.

6. Benefits fraud arrangements

6.1 Awareness

- 6.1.1 All new staff recruited to the revenues and benefits section are given a half day fraud awareness session which includes an awareness of key documents, the role of the benefits fraud team and the types of fraud that they uncover. Existing benefits staff attend a fraud awareness session every 2 years, which from 2010/11 also included revenues staff.
- 6.1.2 An half day verification and fraud awareness session is offered to each of the housing associations every 2 years for those who complete forms and verify documents from tenants.

6.2 Reported suspicions

- 6.2.1 Department for Work and Pensions (DWP) campaign posters are on display at the benefits counters in the Haverhill office, detailing the council's benefits fraud hotline number.
- 6.2.2 Business cards are available which customers are able to pick-up and take away from both the Haverhill and West Suffolk House offices. In addition, business cards are also on display within the staff breakout areas of West Suffolk House which provide details of the benefit fraud hotline number.
- 6.2.3 The benefits fraud hotline is included within the staff weekly newsletter.
- 6.2.4 From 1st April 2011 the council will join the Anglia Revenues Partnership. Whilst the back office work will be performed at offices in Thetford customer service teams will remain in both West Suffolk House and the council offices in Haverhill. It is the council's intention that customers will continue to receive the best service we can offer.
- 6.2.5 Reports are written for the local newspaper each time there is a successful prosecution. Prosecutions are also reported via the Magistrate Court listings within the local newspaper.

6.3 Successful investigations

- 6.3.1 In all cases recovery is sought from the claimant either by sundry debtor invoice or collection from ongoing benefit, if still entitled.
- 6.3.2 Examples of successful benefit fraud prosecutions for 2010/11 include (note figures have been rounded):
- Miss A failed to declare that she was working and had signed claim forms declaring she did not work. She was overpaid housing benefit of £1680, council tax benefits of £600 and income support of £2015. She was fined £270, with the council awarded compensation of £475 and £100 costs.

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- Mrs B failed to declare she was working and was in receipt of working tax credit. She also chose not to attend an interview under caution which was her opportunity to advise the council about what had happened. She was overpaid housing benefit of £2100 and council tax benefits of £350. She was fined £80, with the council awarded costs of £270.
- Mr C failed to declare that he had inherited a significant amount of money, although he had been asked specifically if he had inherited any money when visited by an officer following an anonymous telephone call to the benefits fraud hotline. Under its powers the council was able to obtain bank statements which illustrated that all the funds had been withdrawn in less than a year, although Mr D was unable to provide evidence as to where the monies had been spent. He was overpaid housing benefit of £5980, council tax benefits of £1430 and job seekers allowance of £4950. He was ordered to carry out 100 hours community service, in addition, Mr C no longer received job seekers allowance.
- Mr D failed to declare a private pension and had sub let his housing association property. The pension was discovered under the council's powers to check bank statements. He was overpaid housing benefits of £1250, council tax benefits of £320 and job seekers allowance £760. Mr D received a conditional discharge.
- A case is currently pending in respect of single person discount and housing benefit fraud. This is the beginning of a campaign to clamp down on single person discount fraud.

6.4 Sanctions applied

- 6.4.1 For the 2010/11 financial year there have been 15 prosecutions and another 11 pending, 25 formal cautions and 13 administrative penalties.
- 6.4.2 These compare with last year's figures which were 16 prosecutions, 11 cautions and 10 administrative penalties.
- 6.4.3 Most investigations do not result in a sanction but the investigation itself stops or reduces the amount of benefit paid. Investigations are sometimes closed without a sanction because it is considered to be a genuine error or because there is insufficient evidence of fraud or because the health of the individual at the time the fraud is discovered is worse than at the time of the interview. In these instances the benefit has been corrected and recovery action on any overpayment is taken so a saving to the tax payer has been made although not recorded as a fraud.

6.5 Financial loss recovered and (where appropriate) financial savings

- 6.5.1 Every effort is made to recover debt caused by fraud in line with DWP guidance.

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6.5.2 The in year collection of fraud debt for the financial year 2010/11 is as follows:

Total overpayments attributed to fraud	Prosecutions	Cautions	Administrative Penalties
Housing Benefit £55,194.73	£30,410.06	£17,227.70	£7,556.97
Council Tax Benefit £15,164.60	£8,426.89	£3,495.98	£3,241.73
Income Support £10,506.55	£6,761.22	£1,833.42	£1,911.91

This compares with the 2009/10 figures which were:

Total overpayments attributed to fraud	Prosecutions	Cautions	Administrative Penalties
Housing Benefit £57,864.01	£44,332.68	£6,303.69	£7,227.64
Council Tax Benefit £13,973.06	£12,205.03	£1,096.78	£671.65
Income support £49,318.70	£49,318.70	Figure not easily available	Figure not easily available

6.5.3 In the next financial year the Revenues and Benefits compliance team, as part of Anglia Revenues Partnership will be doing more active work with regard to false claims to Single Person Discount for Council Tax which could lead to court action. This follows on from work carried out in the current year of checking data sources and information received from the public.

7. Policies and Procedures

7.1 The council is committed to ensuring that any opportunity for fraud and corruption is minimised, and has in place a strong framework of processes and responsibilities which make fraud and corruption hard to perpetrate, and are likely to expose fraud and corruption at the earliest opportunity.

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- 7.2 The council has adopted a culture in which all employees and members can help the organisation maintain a proactive attitude towards preventing fraud and corruption by reporting dishonest, unethical or corrupt behaviour. This is supported by the anti-fraud and anti-corruption strategy, whistleblowing guide, anti-money laundering policy and notes and other guidance available on the council's intranet.
- 7.3 The council maintains a separate fraud and prosecutions policy for combating benefits fraud and employs a team of officers to visit, provide help and investigate suspected or alleged offences. The public and staff are encouraged to raise concerns relating to benefits fraud through the benefit fraud telephone hotline.

8. National Fraud Initiative

- 8.1 The National Fraud Initiative (NFI) is a rolling programme of electronic data extraction, data matching, review of and investigation of matched reports and reporting on outcomes. The extracted St Edmundsbury data is matched with other data from within public sector organisations to highlight potentially fraudulent activity. Organisations participating include police authorities, local probation boards, pension authorities, housing associations, a number of government offices and fire and rescue authorities, as well as all local authorities.
- 8.2 From 2008, the Audit Commission has conducted the NFI exercise under the statutory powers given to it under the Serious Crimes Act 2007. All mandatory participants, including St Edmundsbury Borough Council must provide data, with failure to do so a criminal offence.
- 8.3 Internal Audit takes a leading role in co-ordinating this exercise, the current round commenced in October. The submitted data has been matched with data from other bodies and central government organisations and work has commenced on the NFI data matching reports to investigate potential errors and fraud. A number of key reports have already been opened and investigations into potential error and fraud have commenced.

9. Conclusion

- 9.1 The council is committed to creating a culture of zero tolerance of fraud, theft and corruption and maintaining high ethical standards in its administration of public funds.
- 9.2 It has in place a sound network of systems and procedures. However, the council will remain alert to the risks to which it could be exposed, to ensure its arrangements remain effective and uphold the strongest possible standards of governance.

Outline Internal Audit Plan 2011/12

(1) Work on behalf of Chief Finance Officer:

- Dealing with “non audit” & wider finance matters at request of the Chief Finance Officer
- Liaison with Audit Commission
- Financial Vetting of Contractors
- Audit of Voluntary Bodies accounts (including Friends of Compiegne, Friends of Kevelaer, and West Stow Trust)
- Raising fraud awareness / anti-money laundering
- Growth Fund Allocation audit
- Contribute to corporate groups including Strategic Risk Management Group and Performance Management Group
- Final Accounts (audit of certificate of final payments on contracts)
- East of England Development Agency (EEDA) Cattle Market Grant

(2) Audit Advice and Assistance to all Directorates

(3) Special Projects

This provides for input to corporate projects and reviews

(4) Provision for Unplanned Projects, Investigations and Irregularities, Shared Services

(5) Core Financial Systems and Fundamental Review Work:

- Accounts Payable
- Accounts Receivable
- Main Accounting System
- Budgetary Control
- Capital Accounting System
- Payroll
- Council Tax
- Non Domestic Business Rates
- Benefits
- National Fraud Initiative
- Treasury Management
- Computer Audit
- National Indicators
- Action Plan Follow Up Audits
- Cash Handling
- Overall Risk Management Arrangements

(6) Non Fundamental Systems Audits:

- Contract Procedures
- Public Halls
- Register of Interests
- Community Infrastructure Levy

(7) Corporate Governance Arrangements:

- Lead the council's work on the Annual Governance Statement

Note: the core systems and fundamental review work should all be completed within the year as these form the bulk of our assurance work, and have a higher priority than the departmental systems / probity audits.

Non Fundamental Systems Audits INCLUDED within the 2011/12 Draft Internal Audit Plan

Audit	Overall Risk Rating	2011/12 - Monetary Value (nearest £10k)	Risks
Contract Procedures	High	Value of contracts to be tendered in 2011/12 – approximately £450k	Contracts to be tendered in 2011/12 include..... (ZIA TO PROVIDE DETAILS) Statutory and financial risks around non-compliance with contract procedure rules, including ensuring procedures for receiving and recording tenders are clear and strictly followed, specific issues may arise from e-tendering. Best practice suggests that contracts audit should be included annually within the Audit Plan.
Public Halls	High (due to cash handling and new income streams)	Net Expenditure £682k	The Apex, a high profile and multi-purpose venue, opened in 2010/11, providing a wide variety of events including concerts, performances, exhibitions, wedding receptions, dinner dances, conferences, seminars, markets and dance classes. A number of new income streams have therefore commenced. Internal Audit work would focus on operational issues.
Register of Interests	Medium	Not Applicable	Risks of the council being able to demonstrate that decisions are open and accountable and free from conflict of interest may increase where there is a potential influx of new Members.
Community Infrastructure Levy	Medium	Not Applicable	Since April 2010 the Section 106 regime has been significantly altered and reduced in scope with the Community Infrastructure Levy effectively replacing it for the majority of infrastructure funding arising from new development. This levy imposes significant new financial management requirements upon local authorities that are significantly more complex than under the Section 106 regime, bringing with it attendant risks.

Non Fundamental Systems Audits NOT INCLUDED within the 2010/11 Draft Internal Audit Plan

Auditable Area	Overall Risk Rating	Auditable Area	Overall Risk Rating
Partnerships	Medium	Fees and Charges	Medium
Concessionary Fares Scheme	Medium	Grant Payments	Medium
Emergency and Contingency Planning	Medium	Vehicles and Plant	Medium / Low
Section 106 Agreements	Medium	Bury Festival	Medium / Low
Commercial Property Management	Medium	Bus Station	Low
Parks and Gardens	Medium	Cemeteries	Low
Museums	Medium	Mayoralty	Low
Car Parks	Medium	Gifts and Hospitality	Low
Cleansing and Refuse	Medium	Land Charges	Low
Information Management	Medium	Banking Terms and Arrangements	Low
Criminal Records Bureau (CRB) Checks	Medium	Payment Cards	Low
West Suffolk House	Medium	Safeguarding Children	Low
Planning and Building Control Fees	Medium	Insurances	Low
Data Protection / Data Sharing	Medium	Homelessness	Low
Regulation of Investigatory Powers Act (RIPA)	Medium	Car Loans / Car Leasing	Low
Electoral Registration / Election Account	Medium	Security	Low
Freedom of Information	Medium	Markets	Low
Human Resources	Medium	Tourist Information Centre	Low