



## Performance and Audit Scrutiny Committee 29 April 2013

### Internal Audit Annual Report 2012/13 and Outline Internal Audit Plan 2013/14

#### 1. Summary and reasons for recommendations

##### 1.1 This report:

- summarises the work undertaken by Internal Audit during the year and the resulting annual audit opinion;
- shows the work undertaken, primarily in the form of completed checklists, to fulfil the requirement for an annual review of the effectiveness of internal audit (covering both the Internal Audit Section and Performance and Audit Scrutiny Committee);
- provides details of the outline Internal Audit Plan for 2013/14; and
- shows progress made during the year in developing anti-fraud and corruption arrangements and actions taken where fraud or misconduct have been identified.

#### 2. Recommendations

- 2.1 That the contents of the Annual Internal Audit Report for 2012/13 be noted.
- 2.2 That Members consider the completed checklists and endorse the conclusion drawn in respect of the annual review of the effectiveness of internal audit.
- 2.3 That the Internal Audit Plan for 2013/14 be approved.
- 2.4 That the contents of the Managing the Risk of Fraud, Theft and Corruption Report be noted.

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### 3. Corporate priorities

- 3.1 The recommendation meets the following, as contained within the Corporate Plan:

Corporate priority: *'working together for an efficient council'*.

### 4. Key issues

#### Background Information

- 4.1 Internal Audit is an independent, objective assurance and consultancy function designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

#### Annual Internal Audit Report 2012/13

- 4.2 In accordance with the new Public Sector Internal Audit Standards the Internal Audit Manager is required to provide an annual written report to those charged with governance, timed to support the Annual Governance Statement, which includes an opinion on the overall adequacy and effectiveness of the organisation's governance arrangements, including the internal control environment. The attached Internal Audit Annual Report (**Appendix A**) summarises the audit work carried out during the year, presenting an opinion based upon the work performed.

#### Review of the Effectiveness of Internal Audit (forms part of the Quality Assurance and Improvement Programme)

- 4.3 Accounts and Audit Regulations 2011 requires the council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. Further it must at least once in each year, conduct a review of the effectiveness of its internal audit and have the findings considered by a committee. This report sets out evidence in the form of checklists (**Appendix B**) which the Performance and Audit Scrutiny Committee can look to rely on when reviewing whether internal audit is effective. It should be noted that there are **no specific areas of concern** to draw Members attention to and that responses recorded to the checklist questions are in the main very similar to those presented to Members last year. The main differences lie in the references to the new Public Sector Internal Audit Standards which came into effect from April 2013, and any changes arising through new shared service arrangements.

#### Internal Audit Plan 2013/14

- 4.4 In accordance with the new Public Sector Internal Audit Standards an Audit Plan (**Appendix C**) has been prepared covering a period of one year. The work of Internal Audit is based upon this Plan which is prepared after a risk assessment of potential audit issues compiled in consultation with stakeholders, including the Chair and Vice Chair of the Performance and Audit Scrutiny Committee, the External Auditors, and Joint Leadership Team.

## Managing the Risk of Fraud, Theft and Corruption Report

4.5 Theft, fraud & corruption are an ever present threat to the resources available in the public sector. The purpose of this report (**Appendix D**) is to demonstrate the council's progress in developing and maintaining an anti-fraud and anti-corruption culture and publicise the action taken where fraud or misconduct have been identified.

### 5. Other options considered

5.1 N/A

### 6. Community impact

6.1 **Crime and disorder impact** *(including Section 17 of the Crime and Disorder Act 1998)*

6.1.1 None arising directly from this report.

6.2 **Diversity and equality impact** *(including the findings of the Equality Impact Assessment)*

6.2.1 None arising directly from this report.

6.3 **Sustainability impact** *(including completing a Sustainability Impact Assessment)*

6.3.1 None arising directly from this report.

6.4 **Other impact** *(any other impacts affecting this report)*

6.4.1 None arising directly from this report.

7. **Consultation** *(what consultation has been undertaken, and what were the outcomes?)*

7.1 The Internal Audit Plan has been compiled in consultation with stakeholders, including the Chair and Vice Chair of the Performance and Audit Scrutiny Committee, the External Auditors, and Joint Leadership Team.

7.2 Consultation with key officers is also carried out during the audit process and in the production of individual internal audit reports and follow up work.

8. **Financial and resource implications** *(including asset management implications)*

8.1 There are no direct financial implications arising from this report. All internal audit recommendations must be considered in terms of their cost effectiveness.

9. **Risk/opportunity assessment** *(potential hazards or opportunities affecting corporate, service or project objectives)*

Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
Internal controls within the council may not be efficient and effective and as a result the council may not be identifying	Medium	Members receive and approve the internal audit plan and receive progress reports throughout the year. The audit plan is based	Low

<p>significant weaknesses that could impact on the achievement of the council's priorities and/or lead to fraud, financial loss or inefficiency.</p> <p>The authority is required to maintain an adequate and effective system of internal audit in accordance with the Accounts and Audit Regulations 2011.</p> <p>Failure to consider the effectiveness of its system of internal audit, and the opinion on council's control environment, could result in non-compliance with the requirements of the Regulations.</p>		<p>on an assessment of risk for each system or operational area.</p> <p>External Audit reviews the work of the internal audit section and internal control arrangements.</p>	
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**10. Legal and policy implications**

- 10.1 The provision of the Internal Audit Service allows the Council to meet its statutory obligations with regards to the Local Government Act 1972, the Local Government Finance Act 1982 and the Accounts and Audit Regulations 2011

**11. Ward(s) affected**

- 11.1 All

**12. Background papers**

- 12.1 N/A

**13. Documents attached**

- 13.1 Appendix A – Internal Audit Annual Report
- Appendix B – Checklists
- Appendix C – Outline Internal Audit Plan 2013/14
- Appendix D – Managing the Risk of Fraud, Theft and Corruption Report
- Appendix E – Summary of Audit Reports Issued

# INTERNAL AUDIT

## St Edmundsbury Borough Council Annual Internal Audit Report 2012/13 and Internal Audit Plan 2013/14

### 1. Background

- 1.1 The statutory basis for Internal Audit in local government is provided by the Accounts and Audit Regulations 2011 which requires a local authority to 'undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'. These 'proper practices' are those now contained within the new Public Sector Internal Audit Standards which came into effect from 1 April 2013 (having replaced the CIPFA Code of Practice for Internal Audit in Local Government).
- 1.2 These new Public Sector Internal Audit Standards are mandatory and underpin the internal audit arrangements within the council. The Internal Audit Manager considers that we are likely to be already substantially complying with these Standards and will report on conformance with these Standards in future annual reports.
- 1.3 Similar to the CIPFA Code of Practice, the new Standards require the Internal Audit Manager to report periodically to senior management and the Performance and Audit Scrutiny Committee on the internal audit activity's, purpose, authority and responsibility and performance relative to its Audit Plan. Also, the Internal Audit Manager continues to establish a risk based plan to determine the priorities of the internal audit activity consistent with the council's priorities.

### 2. Reporting to Senior Management and the Board

#### 2.1 Organisational Independence

- 2.1.1 The new Standards require internal audit to confirm to the board, at least annually, the organisational independence of the audit activity. Internal Audit effectively achieves this through the Performance and Audit Scrutiny Committee's involvement in the following:
  - approval of the risk based internal audit plan;

- receiving communications from the Internal Audit Manager on the internal audit activity relative to the audit plan and other matters; and
- approval of the internal audit charter as and when required, but not necessarily annually.

### 2.2 Performance against the 2012/13 Audit Plan

2.2.1 During 2012/13, all audits included within the audit plan were completed with the exception of the ARP Governance audit. The reason for this work not being carried out was that it was considered more appropriate for the Norfolk Internal Audit Consortium to undertake this work. In total, 30 audit reports were issued, an overview of the conclusions and main findings of each audit, together with a brief summary of progress made, is provided at **Appendix E**.

2.2.2 Internal Audit, along with other internal and external assurance processes of the council, has a statutory obligation to provide independent, objective assurance from the work undertaken in respect of the effectiveness of the risk management, control and governance processes operating within the council.

2.2.3 The system of 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.

2.2.4 Based upon an independent and objective assessment of the framework of risk management, control and governance processes, Internal Audit can provide reasonable assurance that the framework has operated adequately and effectively during the year. Our work has, however, identified a number of areas where existing arrangements could usefully be improved, and details of these are provided in **Appendix E**.

2.2.5 In addition to undertaking audit reviews Internal Audit is involved in corporate work including advice and assistance. During 2012/13 this aspect of the section's work has included:

- Leading the corporate governance review as contained with the Annual Governance Statement (AGS) and its associated documents;
- Membership and contribution to the Strategic Risk Management Group and Information Governance Group;
- Carrying out a piece of work to provide options for the Head of Resources & Performance to consider in evolving a combined risk and control management process;
- Attendance at Joint Leadership Team meetings to brief senior managers in relation to the outcomes of work undertaken by the section;
- Responding to 9 requests for financial vetting on contracts / projects which involved examining and assessing the financial suitability of 84 contractors;
- Acting as Independent Examiner for the 2011/12 West Stow Anglo Saxon Village Trust Accounts and 2011/12 Friends of Kavelaer Account;

- One team member is currently on the Council's Business Process Re-engineering team which is reviewing and re-designing the Forest Heath and St Edmundsbury's service processes and methods of interaction.

### 2.3 Quality Assurance and Improvement Programme (incorporating the Review of the Effectiveness of Internal Audit)

2.3.1 Internal Audit operated a quality assurance programme under the previous Code of Practice. However, the new Standards also require the programme to include both internal and external assessments. The external five year assessment will require a qualified, independent assessor or assessment team outside of the organisation to complete the assessment. Also, a further new requirement is that the Internal Audit Manager must in future communicate the results of the quality assurance and improvement programme to senior management and the Performance and Audit Scrutiny Committee. The form, content and frequency of this will need to be established through discussions with senior management and committee but must demonstrate conformance with the Standards.

2.3.2 Currently, internal self assessments are carried out and a quality review process is undertaken for each individual audit, customer satisfaction questionnaires are issued with audit reports, and performance against the Audit Plan is measured via two local performance indicators (see paragraph 2.3.5).

2.3.3 The Accounts and Audit Regulations 2011 requires the council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. Further it must at least once in each year, conduct a review of the effectiveness of its internal audit and have the findings considered by a committee. A number of checklists have been completed and are shown as **Appendix B**, which provide evidence to the Performance and Audit Scrutiny Committee that internal audit is effective and the opinion of the Internal Audit Manager in this Annual Report can be relied upon as a key source of evidence in the production of the Annual Governance Statement. The checklists consist of the following:

- review of the Performance and Audit Scrutiny Committee against the Audit Committee self assessment checklist;
- review of Internal Audit's role within the authority;
- review of Internal Audit performance; and
- review of compliance with the CIPFA Code of Practice for Internal Audit.

The review of compliance against the eleven standards of the CIPFA Code of Practice (from 2013/14 a self assessment will be performed against the new Public Sector Internal Audit Standards which have replaced the CIPFA Code of Practice) concluded that the Code has been complied with, whilst the Internal Audit Manager has concluded that the establishment and operation of the Performance and Audit Committee essentially satisfies the key requirements of the toolkit for Local Authority Audit Committees.

2.3.4. At the conclusion of each full audit undertaken the relevant service (e.g. Finance, if it is a financial system being audited) is asked to complete a customer satisfaction questionnaire and give their view of the quality and usefulness of the audit review undertaken. From an analysis of the returned customer satisfaction questionnaires, it is pleasing to report that satisfaction levels remain at a high level with all responses falling within the 'good' or 'very good' categories – 12 responses were returned, 10 rating the audit as 'very good' (the highest rating) and the other 2 as 'good'. It should also be noted that the section regularly receives informal feedback regarding work carried out which is generally very favorable.

2.3.5 As mentioned above in paragraph 2.3.2 internal audit performance against the Audit Plan is measured throughout the year, via two local performance indicators.

- (1) 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 external auditors seek to place reliance for their work on the annual statement of accounts.

*100% of planned core systems audits were completed for the year 2012/13.*

- (2) External audit opinion on internal audit work – based on the extent to which external audit are able to place reliance on the work of internal audit.

*In respect of external audit's opinion on internal audit work this is to be confirmed but expectation based on past experience is that they will be able to place reliance on our work where they have planned to do so.*

2.3.6 Whilst arrangements for a quality assurance and improvement programme are already in place the Internal Audit Manager will be considering whether and how this can be further improved.

### **3. Internal Audit Plan 2013/14**

3.1 In accordance with the new Public Sector Internal Audit Standards an annual risk based Audit Plan has been established to determine the priorities of the internal audit activity, consistent with the council's goals, for approval by the Performance and Audit Scrutiny Committee.

3.2 The proposed 2013/14 Audit Plan is provided at **Appendix C** and has been compiled in consultation with stakeholders, including the Chair and Vice Chair of the Performance and Audit Scrutiny Committee, the Head of Resources and Performance (as the councils' Section 151 Officer), Joint Leadership Team and the external auditors.

3.3 The Audit Plan is clearly influenced by the resources made available by the council for Internal Audit. For this reason a balance needs to be achieved in terms of keeping costs at a realistic level, whilst ensuring that the level of



## Appendix A

coverage is appropriate, sufficient and effectively deployed to achieve the Audit Plan and that the external auditors (Ernst and Young) are satisfied that they can place reliance on the work of Internal Audit for the purpose of auditing both councils' annual financial statements.

- 3.4 The Audit Plan provides for the annual review of all the main financial systems 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, in consultation with stakeholders.
- 3.5 Whilst Internal Audit must be in a position to give an opinion/assurance that covers the effectiveness of risk management, control and governance processes in relation to both existing and new systems / developments it is essential that such work is undertaken in a flexible and supportive manner, in conjunction with senior management, to ensure that both risks and opportunities are properly considered. For this reason, Internal Audit includes time in the Audit Plan to support and work with management / staff by providing advice and guidance on controls to ensure an adequate control environment is in place to mitigate significant risks. In addition, time is included in the Audit Plan for continued assistance with corporate projects / pieces of work relating to major developments / changes.
- 3.6 In times of significant transformation, organisations must manage change effectively and ensure that core controls remain in place. Both West Suffolk councils are facing significant financial pressures as a result of the national reduction in public sector spending, whilst continuing to be engaged in a number of major projects, developments and restructurings, including the corporate shared services programme, procurement of a single financial management system and the customer access project which are all looking at changes in the way services are delivered. It is important for Internal Audit to add value to both councils through providing objective and relevant assurance, and contributing to the effectiveness and efficiency of risk management, control and governance processes. The proposed 2013/14 Audit Plan seeks to ensure that this is the case, by retaining enough flexibility to enable Internal Audit to react to changing risks and priorities.

### **4. Managing the Risk of Fraud, Theft and Corruption**

- 4.1 The council has a sizeable workforce, significant levels of income and expenditure, and provides a variety of services. Despite occasional incidents, probity is judged to remain at a high level.
- 4.2 Managing the risk of theft, fraud and corruption is considered in detail at **Appendix D.**

## Performance and Audit Scrutiny Committee's Self Assessment

Issue	Yes (Y) / No (N) / Partial (P)	Comments/action
<b>Establishment, Operation and Duties</b>		
<b>Role and Remit</b>		
1. Does the audit committee have written terms of reference?	Y	
2. Do the terms of reference cover the core functions of an audit committee as identified in the CIPFA guidance?	Y	
3. Are the terms of reference approved by the council and reviewed periodically?	Y	Should a need be identified, the Chairman of the Committee would take a report through Democratic Renewal Working Party and arrange for the necessary changes to the Constitution.
4. Has the audit committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	Y	
5. Can the audit committee access other committees and full council as necessary?	Y	The Committee is unable under its Terms of Reference to carry out reviews, but is able to recommend that the Overview and Scrutiny Committee or Cabinet do so, where it identifies issues.
6. Does the authority's statement on internal control include a description of the audit committee's establishment and activities?	Y	
7. Does the audit committee periodically assess its own effectiveness?	Y	Although it has not done this for a while. We used to carry out a biennial evaluation of both scrutiny committees, where officers and members were asked to give their opinions of how scrutiny is running and recommend improvements, but we have not done this since 2008. This is one of the priorities for any new Joint Scrutiny Manager appointed under shared services, so an evaluation will probably be carried out before the end of 2013/14.  In addition, this checklist is completed and considered by Performance and Audit Scrutiny Committee annually.
8. Does the audit committee make a formal annual report on its work and performance during the year to full council?	Y	
<b>Membership, Induction and Training</b>		
9. Has the membership of the audit committee been formally agreed and a quorum set?	Y	
10. Is the chair independent of the executive function?	Y	

Issue	Yes (Y) / No (N) / Partial (P)	Comments/action
11. Has the audit committee chair either previous knowledge of, or received appropriate training on, financial and risk management, accounting concepts and standards, and the regulatory regime?	Y	<p>Bite size' training sessions are given on an occasional basis as the need arises. For example, at the July 2011 meeting the Senior Auditor undertook a presentation to the Committee which outlined the history and importance of corporate governance and the background to the annual governance review, and the Audit Commission gave a briefing on International Financial Reporting Standards. At the January 2012 meeting a presentation was given on how Members can access the Covalent Performance Management System, which enables them to more closely monitor Key Performance Indicators between meetings.</p> <p>Also, the Chair of the Committee worked in the financial sector, until his retirement in 2009. Whilst the Vice Chair was in the accounting profession prior to his retirement.</p> <p>The Chair and Vice Chair of Performance and Audit Scrutiny Committee attended an introduction to treasury management training course in 2010 provided by Sector Treasury Services. They also attended a course put on in-house provided by LG Futures called Treasury Management Explained (which was attended by councillors from other authorities also), and they received some training from the Deputy Chief Finance Officer on more specific treasury management issues relating to SEBC.</p> <p>Additionally, the Chairman and Vice Chairmen attended Centre for Public Scrutiny Parliamentary Select Committee seminars.</p> <p>Training attended by the Chair and Vice Chair in 2012/13 includes: Chair:-</p> <ul style="list-style-type: none"> <li>• Raising the Standard</li> </ul> <p>Vice Chair: -</p> <ul style="list-style-type: none"> <li>• Anglia Revenues Partnership visit</li> <li>• Local Government Finance</li> <li>• Data Protection and Freedom of Information</li> </ul>
12. Are new audit committee members provided with an appropriate induction?	Y	<p>Following the Borough Council elections in May 2011 the Committee has seen some changes in its Membership. An Audit and Treasury Management training session took place before the Committee's first scheduled meeting of the civic year, which covered the basic requirements of an effective Audit Committee, Members' responsibilities and the nature and scope of internal and external audit. A separate induction session on Local Government Finance was also held.</p>

Issue	Yes (Y) / No (N) / Partial (P)	Comments/action
13. Have all members' skills and experiences been assessed and training given for identified gaps?	Y	All councillors are given the opportunity to assess their level of expertise under a number of skills via an annual Training Needs Analysis. The Member Development Programme is set following analysis of these forms, and there is a budget for member training.
14. Has each member declared his or her business interests?	Y	
15. Are members sufficiently independent of the other key committees of the council?	Y	
<b>Meetings</b>		
16. Does the audit committee meet regularly?	Y	
17. Do the terms of reference set out the frequency of meetings?	P	
18. Does the audit committee calendar meet the authority's business needs, governance needs and the financial calendar?	Y	
19. Are members attending meetings on a regular basis and if not, is appropriate action taken?	Y	
20. Are meetings free and open without political influences being displayed?	Y	
21. Does the authority's S151 officer or deputy attend all meetings?	Y	
22. Does the audit committee have the benefit of attendance of appropriate officers at its meetings?	Y	
<b>Internal Control</b>		
23. Does the audit committee consider the findings of the annual review of the effectiveness of the system of internal control (as required by the Accounts & Audit Regulations) including the review of the effectiveness of the system of internal audit?	Y	
24. Does the audit committee have responsibility for review and approval of the Annual Governance Statement and does it consider it separately from the accounts?	Y	The Annual Governance Statement and Statement of Accounts will be presented and reviewed by Performance & Audit Scrutiny Committee at their September meeting prior to being approved at Council.
25. Does the audit committee consider how meaningful the Annual Governance Statement is?	Y	
26. Does the audit committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	Y	
27. Has the audit committee considered how it integrates with other committees that may have responsibility for risk management?	N/A	Risk Management is an agenda item of the Performance & Audit Scrutiny Committee

Issue	Yes (Y) / No (N) / Partial (P)	Comments/action
28. Has the audit committee (with delegated responsibility) or the full council adopted "Managing the Risk of Fraud – Actions to Counter Fraud and Corruption?"	Y	<p>The council's Anti-Fraud and Anti-Corruption Strategy meets current good practice as set out in the CIPFA Better Governance Forum guidance 'Managing the Risk of Fraud: actions to counter fraud and corruption'.</p> <p>A self assessment of how the council compares to the requirements of the above mentioned guidance has been carried out, involving both internal audit and benefits fraud staff.</p> <p>An appendix of the Annual Internal Audit Report relates to fraud and demonstrates the progress made by the council annually in developing anti-fraud arrangements; and publicises the actions taken where fraud or misconduct has been identified</p>
29. Does the audit committee ensure that the "Actions to Counter Fraud and Corruption" are being implemented?	Y	
30. Is the audit committee made aware of the role of risk management in the preparation of the internal audit plan?	Y	
31. Does the audit committee review the authority's strategic risk register at least annually?	Y	
32. Does the audit committee monitor how the authority assesses its risk?	Y	
33. Do the audit committee's terms of reference include oversight of the risk management process?	Y	
<b>Financial Reporting and Regulatory Matters</b>		
34. Is the audit committee's role in the consideration and/or approval of the annual accounts clearly defined?	Y	
35. Does the audit committee consider specifically:		The Performance and Audit Scrutiny Committee reviews and challenges the draft accounts before recommending to Full Council. This challenge may include any of the bullet points but it is considered unrealistic for example for Members to have the detailed technical knowledge to challenge suitability of accounting policies.
• the suitability of accounting policies and treatments	Y	
• major judgements made	Y	
• large write-offs	N	
• changes in accounting treatment	Y	
• the reasonableness of accounting estimates the narrative aspects of reporting?	Y	The Council's External Auditors have in the past made a number of presentations to the Audit Committee on the accounting framework, form and content of local authority accounts, and the Member role in this.
36. Is an audit committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?	Y	
37. Does the audit committee review management's letter of representation?	Y	Included within the External Auditors (Ernst and Young) Annual Audit Letter.
38. Does the audit committee annually review the accounting policies of the authority?	N	See response to earlier related question.

Issue	Yes (Y) / No (N) / Partial (P)	Comments/action
39. Does the audit committee gain an understanding of management's procedures for preparing the authority's annual accounts?	Y	Albeit at a very high level.
40. Does the audit committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?	Y	<p>A specific duty of a member of the Performance and Audit Scrutiny Committee is to be aware of national developments and best practice relating to scrutiny and to keep the effectiveness of the process under review.</p> <p>Additionally, any new legislative requirements affecting the Committee would always be made known to it via a report.</p>
<b>Internal Audit</b>		
41. Does the audit committee approve, annually and in detail, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks?	Y	
42. Does internal audit have an appropriate reporting line to the audit committee?	Y	
43. Does the audit committee receive periodic reports from the internal audit service including an annual report from the Head of Internal Audit?	Y	
44. Are follow-up audits by internal audit monitored by the audit committee and does the committee consider the adequacy of implementation of recommendations?	Y	
45. Does the audit committee hold periodic private discussions with the Head of Internal Audit?	Y	<p>Internal Audit Manager attends Chair's briefing before Committee.</p> <p>Annually the Internal Audit Manager and S151 Officer meets privately with the Chair and Vice Chair of the Committee to discuss the audit planning process, and to consult with them on the outline Audit Plan for the forthcoming year.</p>
46. Is there appropriate cooperation between the internal and external auditors?	Y	Internal Audit and External Audit liaise to ensure work is not duplicated and that External Audit are able to place full reliance on the work of Internal Audit.
47. Does the audit committee review the adequacy of internal audit staffing and other resources?	Y	
48. Has the audit committee evaluated whether its internal audit service complies with CIPFA's Code of Practice for Internal audit in Local Government in the United Kingdom?	Y	Note – in future years the Performance and Audit Scrutiny Committee will need to evaluate whether Internal Audit has compiled with the new Public Sector Internal Audit Standards which apply from 2013-14 onwards.
49. Are internal audit performance measures monitored by the audit committee?	Y	
50. Has the audit committee considered the information it wishes to receive from internal audit?	Y	

Issue	Yes (Y) / No (N) / Partial (P)	Comments/action
<b>External Audit</b>		
51. Do the external auditors present and discuss their audit plans and strategy with the audit committee (recognising the statutory duties of external audit)?	Y	
52. Does the audit committee hold periodic private discussions with the external auditor?	N	Believed not to be the case – but could if felt necessary.
53. Does the audit committee review the external auditor's annual report to those charged with governance?	Y	
54. Does the audit committee ensure that officers are monitoring action taken to implement external audit recommendations?	Y	The Internal Audit Manager does this and would build into internal audit work / action plans where necessary – Internal Audit performance reports cover areas of improvement still required.
55. Are reports on the work of external audit and other inspection agencies presented to the committee, including the Audit Commission's annual audit and inspection letter?	Y	
56. Does the audit committee assess the performance of external audit?	Y	
57. Does the audit committee consider and approve the external audit fee?	Y	<p>The Performance and Audit Scrutiny Committee receives and notes the Annual Audit Fee Letter which confirms the audit work the External Auditors propose to undertake during the financial year, setting out the estimated fee for that work.</p> <p>The council is advised of the Annual Audit Fee Letter through the Performance and Audit Committee Chairman's report.</p>
<b>Administration</b>		
<b>Agenda Management</b>		
58. Does the audit committee have a designated secretary from Committee/Member Services?	Y	
59. Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?	Y	
60. Are outline agendas planned one year ahead to cover issues on a cyclical basis?	Y	
61. Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit?	Y	There is a statutory prohibition against the transaction of business not on an agenda in the case of principal councils (LGA 1972), although urgent issues may be considered with the approval of the Chairman of the Committee, but these must be genuinely urgent, for example the inadvertent omission from an agenda of business required by law to be done at that meeting
<b>Papers</b>		

Issue	Yes (Y) / No (N) / Partial (P)	Comments/action
62. Do reports to the audit committee communicate relevant information at the right frequency, time, and in a format that is effective?	Y	
63. Does the audit committee issue guidelines or a pro forma concerning the format and content of the papers to be presented?	Y	All committees, including scrutiny committees, now use the Corporate Report Template. This template is very clear on every area which must be covered when writing a report for Members.
<b>Actions Arising</b>		
64. Are minutes prepared and circulated promptly to the appropriate people?	Y	
65. Is a report on matters arising made and minuted at the audit committee's next meeting?	N	If an issue is raised at a meeting and a report or more information is requested at a future meeting, this would be a separate report, but would not necessarily be titled as matters arising, although the report would make it clear that the issue arose at an earlier meeting.
66. Do action points indicate who is to perform what and by when?	Y	



**Performance and Audit Scrutiny Committee's Review of Internal Audit's Role in the Authority**

Question	Result (narrative)
1. Do the internal auditors receive the necessary degree of co-operation?	Yes – during the year, all reviews and investigations are carried out with the fullest possible co-operation of officers, at all levels.
2. Do the authority's statements on corporate governance reflect reality?	Yes – these receive input from a number of officers and are subject to various review processes to ensure they are robust.
3. Has there been any attempt to restrict the scope of the internal auditors' work in any way?	No – an Annual Audit Plan is produced which is presented to and approved by the Performance and Audit Scrutiny Committee.  The scope of individual reviews are discussed and agreed with officers at the pre-audit meeting.  During the year, no attempt has been made by officers to adversely influence the scope of the work to be undertaken.
4. Was the original audit plan modified due to deficiencies in internal control or accounting records?	No
5. Did the auditors have any significant disagreements with management? How were these resolved?	No – all audit recommendations are discussed with operational management at the post-audit meeting. Any significant disagreements would be discussed with senior management and if not resolved this would be reported to Performance and Audit Scrutiny Committee.
6. Do the internal auditors have any concerns about management's control awareness or operating style?	No – during the year there were no concerns regarding the 'tone at the top'. Senior management provide a level of challenge and scrutiny, particularly around control deficiencies identified through the audit review process which lead to audit recommendations.
7. What is the internal auditors' view of their relationship with management?	The Internal Audit Manager believes that the good working relationship with management has continued during the year.
8. Do the internal auditors believe they are under any undue pressure?	No – the Internal Audit Manager believes that the service is not only seen as independent and objective, but is also treated as such.
9. Are there any other matters that, in the opinion of the internal auditors, should be considered by the audit committee?	No

**Performance and Audit Scrutiny Committee's Review of Internal Audit's Performance**

Question	Result (narrative)
1. Are there formal terms of reference that define internal audit's objectives, responsibilities, authority and reporting lines?	Yes – the Internal Audit Charter address objectives and responsibilities, authority and reporting lines.
2. Has the scope of internal audit work been determined using a risk-based systematic approach and in accordance with CIPFA's Code of practice for Internal Audit in Local Government in the UK?	Yes - a risk based approach is taken when preparing the Internal Audit Plan – also scope of each individual audit is based on a consideration of relevant risks.
3. What are the relative emphases given to internal control reviews, VFM (economy/efficiency/effectiveness) audits and special projects?	Internal Audit's primary objective is to review the internal controls framework.  Internal Audit also contributes to corporate projects where appropriate to do so, including the current Business Process Re-engineering project (where different sets of processes from the two councils are being re-engineered into a single set of processes which will increase efficiency and thereby deliver the shared service savings targets).
4. Are any restrictions placed on the scope of internal audit work and, if so, who establishes them?	The only restriction is that of capacity, i.e. number of available person-days. Capacity issues that affect any proposed audit plans would be addressed by the Joint Leadership Team and the Performance and Audit Scrutiny Committee.
5. If internal audit is asked to undertake a special project, how is its independence safeguarded?	The Internal Audit Manager has direct access to all levels of Members and officers.
6. Does internal audit report directly to an appropriate level of management that will ensure audit recommendations are given due weight and attention?	Yes – audit recommendations are agreed by Service Managers, and are often ratified by Heads of Service and Directors. In addition, progress of implementation of audit recommendations is monitored by Performance and Audit Scrutiny Committee.
7. Are the internal auditors free from any other responsibilities that could impair their objectivity?	Yes
8. Do internal audit staff have sufficient technical knowledge and experience to ensure that duties are performed to an appropriate standard? Is there sufficient information systems expertise to deal with the level of technology used by the authority?	The Internal Audit Manager is a professionally qualified accountant and has significant audit experience covering private practice, local government and the National Audit Office.  Remaining audit staff have considerable local government and private practice experience. Their qualifications include ACCA professional accountant, Accounting Technician and the Diploma in Internal Audit Practice.  Internal Audit staff have a basic level of IT skills. If it was felt that additional specialist expertise is needed in say IT we have access to a number of specialists through the Suffolk audit network.
9. Is the work of the internal auditors properly planned, completed, supervised and reviewed? Are there any quality assurance procedures?	Yes - an audit brief is issued in respect of each piece of audit work setting scope, objectives, time allocation, audit approach, etc. The degree of supervision will depend on the complexity of the audit but support is always available. All work undertaken is documented and reviewed according to agreed quality standards within the section.
10. Are internal audit reports issued on a timely	Yes

basis?	
11. Are reports followed up on a timely basis? Is there evidence that internal audit has a systematic approach to following up recommendations, and reporting on those where little or no action has been taken by management?	Yes



Ref	Adherence to the Standard	Y	P	N	Evidence
	monitoring mechanisms taken into account when determining Internal Audit's work and where effort should be concentrated?				performance indicators. The Internal Audit Manager is a member of the Strategic Risk Management Group and has access to the Corporate Risk Register, while key performance information is readily available via committee reports and the performance management system, Covalent. The audit plan is also informed by financial materiality of systems; control environment (including results of recent audits, other inspection agency reports e.g. external audit), stability, complexity and vulnerability of systems; sensitivity (impact of failure, customer sensitivity etc); and date of previous audit.
1.2.3	Where services are provided in partnership has the Head of Internal Audit identified: (a) how assurance will be sought? (b) agreed access rights where appropriate?	N/A			The Internal Audit Manager should share information and coordinate activities with others to ensure proper coverage and minimise duplication of efforts. Therefore, where services and other activities for which the Councils are responsible or accountable are delivered through partnership or contract, an assessment will be made as to whether Internal Audit staff will undertake assurance work themselves, or may rely on the assurance provided by other auditors where this is already in existence..  Where it is necessary for Internal Audit to work with internal auditors of another local authority, the roles and responsibilities of each will be agreed with the necessary safeguards put in place to ensure they are clearly defined and understood.
<b>1.3</b>	<b>Other Work</b>				
1.3.1	Where Internal Audit undertakes consultancy and/or fraud and corruption work, does it have the: (a) skills, and (b) resources to do this?	Y			This clearly depends on the nature and frequency of consultancy or fraud and corruption work as no Internal Audit section can have limitless capacity. However it is considered that Internal Audit has approximately the right level of resources.
1.3.2	Do the terms of reference define Internal Audit's role in: (a) fraud and corruption? (b) consultancy work?	Y Y			Internal Audit Charter.
<b>1.4</b>	<b>Fraud Corruption</b>				
1.4.2	Has the Head of Internal Audit made arrangements, within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety?	Y			The Anti-Fraud & Anti-Corruption Strategy requires suspected frauds to be reported to the Head of Resources and Performance and (as the council's S151 Officer), and therefore in effect the Internal Audit Manager.
<b>2</b>	<b>Independence</b>				
<b>2.1</b>	<b>Principles of Independence</b>				
2.1.1	Is Internal Audit: (a) independent of the activities it audits? (b) free from any non-audit (operational) duties?	Y Y			Internal Audit Charter
2.1.2	Where internal audit staff have been consulted during system, policy or	Y			Where advice is given, including regarding significant changes to the

Ref	Adherence to the Standard	Y	P	N	Evidence
	procedure development, are they precluded from reviewing and making comments during routine or future audits?				<p>internal control systems, Internal Audit reserve the right to review and make further recommendations at a later date.</p> <p>Any future audit assurance work, in an area where an auditor has undertaken significant consultancy work will be assigned to a different auditor. This has been easier to achieve from 2012/13 due to the creation of a shared Internal Audit service and the ability to draw from a larger pool of staff.</p>
<b>2.2</b>	<b>Organisational Independence</b>				
2.2.1	Does the status of Internal Audit allow it to demonstrate independence?	Y			<p>Internal Audit has adequate status within the council – this has been demonstrated by the readiness to fully staff the section with appropriately skilled and qualified staff.</p> <p>In addition, our working procedures define the standards of ethics for internal auditors working across West Suffolk. Working to these ensures that staff are compliant with professional standards.</p> <p>We declare any potential conflicts of interest as they arise, to enable alternative auditors to be assigned to the audit where conflicts are identified. Auditors are not allowed to audit areas where they previously had operational roles for a suitable period (for current staff in Internal Audit this is n/a) to ensure they are not auditing their own role. In addition, audits are rotated between auditors to encourage innovation in approach and independence from previous advice or actions agreed.</p>
2.2.2.	Does the Head of Internal Audit Have direct access to: (a) Officers? (b) Members?	Y Y			<p>(a) Access to officers is unrestricted – this is enshrined within the council's Constitution (Financial Procedure Rules). (b) Annual report to Members on audit work undertaken for the year and approval of the Audit Plan for the coming year.</p>
2.2.2	Does the Head of Internal Audit report in his or her own name to Members and Officers?	Y			Annual report to Members is in the name of the Internal Audit Manager. Audit reports issued to officers within the year are issued under the name of the relevant auditor undertaking the work, under the supervision and within the quality monitoring arrangements approved by the Internal Audit Manager.

Ref	Adherence to the Standard	Y	P	N	Evidence
2.2.3	(a) Is there an assessment that the budget for Internal Audit is adequate?  (b) Does any budget delegated to service areas ensure that: (i) Internal Audit adherence to the Code is not compromised? (ii) The scope of Internal Audit is not affected? (iii) Internal Audit can continue to provide assurance for the Statement on Internal Control.	Y  Y  Y  Y			(a) An annual audit plan is devised which necessarily considers whether staff resources are available to undertake sufficient statutory audit work for the Section 151 Officer to fulfil her responsibilities and also to undertake necessary corporate and other work. (b) Internal Audit has an adequate budget.
<b>2.3</b>	<b>Status of the Head of Internal Audit</b>				
2.3.1	Is the Head of Internal Audit managed by a member of the corporate management team?	Y			Line management responsibility is to Head of Resources and Performance (S151 Officer) who is a member of the Joint Leadership Team.
<b>2.5</b>	<b>Independence of Internal Audit Contractors</b>				
2.5.1	Does the planning process recognise and tackle potential conflicts of interest where contractors also provide non-internal audit services?	N/A			Not applicable – internal audit contractors are not generally used.
<b>2.6</b>	<b>Declaration of Interest</b>				
2.6.1	Do audit staff make formal declarations of interest?	Y			Internal Audit staff have each made a declaration of interest for audit purposes. They are also aware of the requirement to record any interests as per the <u>Employees Code of Conduct</u> .
2.6.2	Does the planning process take account of the declarations of interest registered by staff?	Y			As mentioned in 2.2.1 any potential conflicts of interest are taken into account when allocating work.
<b>3</b>	<b>Ethics for Internal Auditors</b>				
<b>3.1</b>	<b>Purpose</b>				
3.1.1	Does the Head of Internal Audit regularly remind staff of their ethical responsibilities?	Y			This is reinforced by the preparation of an audit briefing note and a discussion with the auditor at the commencement as to how the audit is to be undertaken, regular informal monitoring during the course of the audit, and reinforced further at the performance development and personal reviews.  In addition, the working procedures include a section on 'ethics', these are the standards that internal auditors are expected to follow whilst working for the council.
<b>3.2</b>	<b>Integrity</b>				
3.2.1	Has the internal audit team established an environment of trust and confidence?	Y			Customer satisfaction questionnaires received back from auditees at the conclusion of audits have never questioned the integrity of the auditor(s) conducting the audit review.  Again, this is incorporated into our working procedures.
3.2.1	Do Internal Auditors demonstrate integrity in all aspects of their work?	Y			As above.

Ref	Adherence to the Standard	Y	P	N	Evidence
<b>3.3</b>	<b>Objectivity</b>				
3.3.2	Are internal auditors perceived as being objective and free from conflicts of interest?	Y			<p>We declare any potential conflicts of interest as they arise, to enable alternative auditors to be assigned to the audit where conflicts are identified.</p> <p>Also Internal Audit have not been subject to any undue influences that could restrict or modify the scope or conduct of the work or significantly affect the content or judgements in any internal audit reports</p>
3.3.3	Is a time period set by the Head of Internal Audit for staff where they do not undertake an audit in an area where they have had previous operational roles?	Y			<p>This has been incorporated into our working procedures. Auditors are not allowed to audit areas where they previously had operational roles for a suitable period to ensure they are not auditing their own role. However, it should be noted that this situation has not arisen and is not likely to arise. Were the situation to arise an appropriate time period would be set.</p>
3.3.4	Are staff rotated on regular/annually audited areas?	Y			<p>Staff are rotated wherever possible. The intention is to rotate team members but account needs to be taken of the fact that the team is small in common with other Suffolk local authorities of a similar size (although this has been made easier with the creation of the Internal Audit shared service in 2012/13).</p>
<b>3.4</b>	<b>Competence</b>				
3.4.1	Does the Head of Internal Audit ensure that staff have sufficient knowledge of: <ul style="list-style-type: none"> <li>(a) the organisation's aims, objectives, risks and governance arrangements?</li> <li>(b) the purpose, risks and issues of the service area?</li> <li>(c) the scope of each audit assignment?</li> <li>(d) relevant legislation and other regulatory arrangements that relate to the audit?</li> </ul>	Y Y Y Y			<p>(a) Staff are encouraged to attend all staff briefing sessions, read key corporate documents, have an awareness of the council's risk management process and the service planning process. Also regular team meetings are held which feedback involvement in corporate work such as the Shared Services Agenda.</p> <p>(b) – (d) A briefing note is prepared before the start of each audit detailing reason for the audit, background documents to be consulted, risks related to the audit area, scope, coverage and objectives of the audit review, audit approach, outcomes / outputs expected from the review, and timescales / resource inputs.</p>
<b>3.5</b>	<b>Confidentiality</b>				
3.5.1	Do internal audit staff understand their obligations in respect to confidentiality?	Y			<p>The need for confidentiality is regularly reinforced within the audit team, not just for irregularity investigations but also for statutory and other audit work.</p> <p>Again, this is incorporated into our Code of Ethics within the working procedures.</p>
<b>4</b>	<b>Audit Committees</b>				
<b>4.1</b>	<b>Purpose of the Audit Committee</b>				
4.1.1	Does the organisation have an independent Audit Committee?	Y			<p>Committee structure includes a Performance and Audit Scrutiny Committee which serves the function of an audit committee.</p>
<b>4.2</b>	<b>Internal Audit's Relationship with the Audit Committee</b>				
4.2.1	Is there an effective working	Y			<p>The Internal Audit Manager has a good</p>



Ref	Adherence to the Standard	Y	P	N	Evidence
1	relationship between the Audit Committee and Internal Audit?				<p>working relationship with Performance and Audit Scrutiny Committee, which continues to be built upon.</p> <p>For example, the Internal Audit Manager meets with both the Chair and Vice Chair of the Committee to provide them with an oversight of the audit planning process, in addition to discussing potential areas of audit work for the following year's Audit Plan prior to the Plan's presentation to Committee for formal approval.</p> <p>Members of the audit team have been introduced to, and periodically attend, Committee.</p>
4.2.2	Does the Committee approve the internal audit strategy and monitor progress?	Y			<p>The Audit Strategy for 2012/13 was approved by Performance and Audit Scrutiny Committee.</p> <p>From 2013/14 a separate Internal Audit Strategy is no longer required, any relevant information will instead be incorporated into the Internal Audit Plan reported to Performance and Audit Scrutiny Committee.</p>
4.2.2	Does the Committee approve the annual internal audit plan and monitor progress?	Y			The Committee approves the annual Audit Plan and receives progress reports detailing performance over the financial year.
4.2.4	Does the Head of Internal Audit: (a) attend the Committee and contribute to its Agenda? (b) participate in the Committee's review of its own remit and effectiveness? (c) ensure that the Committee receives and understands documents that describe how Internal Audit will fulfil its objectives? (d) report on the outcomes of internal audit work to the Committee? (e) establish if anything arising from the work of the Committee requires consideration of changes to the audit plan, or vice versa? (f) present the annual internal audit report to the Committee?	Y			<p>(a) The Internal Audit Manager attends the Committee, presenting audit reports for their consideration and approval.</p> <p>(b) The Internal Audit Manager drafts responses in respect of the Audit Committee Toolkit checklist for consideration by the Performance and Audit Scrutiny Committee.</p> <p>(c) Covered by the Annual Internal Audit report and Internal Audit Charter.</p> <p>(d) This is covered by the Annual Internal Audit Report.</p> <p>(e) The Committee has the opportunity to ask questions and comment on the annual Audit Plan and progress reports and also to consider whether there are any areas within the audit plan where the Committee may want specific feedback on.</p> <p>(f) Annual Internal Audit Report is presented to Committee.</p>
4.2.5	Is there the opportunity for the Head of Internal Audit to meet privately with the Audit Committee?	Y			The Internal Audit Manager attends Chair's briefing before Committee – the Internal Audit Manager could speak privately with the Chair if necessary or alternatively arrangements could be made to meet privately with the Committee.
<b>5</b>	<b>Relationships</b>				
<b>5.1</b>	<b>Principles of Good Relationships</b>				
5.1.2	Is there a protocol that defines the working relationship for Internal Audit with: (a) management?	Y			(a) Internal Audit Charter

Ref	Adherence to the Standard	Y	P	N	Evidence
	(b) other internal auditors? (c) external auditors? (d) other regulators and inspectors? (e) elected Members?				(b) Internal Audit Charter / West Suffolk Information Sharing Protocol (c) Previously discussed with the Audit Commission where situation was adequate. To be discussed with new external auditors Ernst & Young. (d) Contact with other regulators and inspectors is extremely limited so a separate protocol is not felt to be relevant. (e) This is currently covered in general terms by the Protocol on Member / Officer Relations contained within the council's Constitution and in the Audit Charter.
<b>5.2</b>	<b>Relationships with Management</b>				
5.2.1	Does the Head of Internal Audit seek to maintain effective relationships between internal auditors and managers?	Y			
5.2.2	Is the timing of audit work planned in conjunction with management?	Y			Internal Audit discusses timing of audit work with management and tries to avoid particularly busy periods for the auditee where ever possible.
<b>5.3</b>	<b>Relationships with Other Internal Auditors</b>				
5.3.1	Do arrangements exist with other internal auditors that include joint working, access to working papers, respective roles and confidentiality?	Y			<u>Partnership Working – Suffolk Working Audit Partnership</u>  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.  <u>Partnership Working – Shared Services Forest Heath District Council</u>  A shared Internal Audit Service has been created across West Suffolk with one audit team working across both authorities undertaking a range of audit related work.
<b>5.4</b>	<b>Relationships with External Auditors</b>				
5.4.2	Is it possible for Internal Audit and External Audit to rely on each other's work?	Y			As evidenced in the Annual Audit Letter.
5.4.3	Are there regular meetings between the Head of Internal Audit and the External Audit Manager?	Y			Meetings take place during the year between the Internal Audit Manager and the relevant External Audit Manager. Liaison also generally takes place on various issues between these meetings (i.e. meetings on specific issues, telephone calls and e-mails).
5.4.3	Are the internal and external audit plans co-ordinated?	Y			The External Auditors receive and have an opportunity to comment on Internal Audit's annual Audit Plan in advance of it being approved by Committee. Also,

Ref	Adherence to the Standard	Y	P	N	Evidence
					Internal Audit have sight of the Audit Commission's Audit and Inspection Plan. From 2013/14 this is Ernst & Young's Audit Plan. Work plans will be discussed at the liaison meetings between Internal Audit and the External Auditors.
<b>5.5</b>	<b>Relationships with Other Regulators and Inspectors</b>				
5.5.1	Has the Head of Internal Audit sought to establish a dialogue with the regulatory and inspection agencies that interact with the organisation?	Y			Ongoing dialogue held with the External Auditors.
<b>5.6</b>	<b>Relationships with Elected Members</b>				
5.6.1	Do the terms of reference for Internal Audit define the channels of communication with Members and describe how such relationships should operate?				Channels of communication between members and officers are covered in the Protocol for Member / Officer Relations contained within the Constitution, plus the Internal Audit Charter.
5.6.1	Does the Head of Internal Audit maintain good working relationships with Members?	Y			The Internal Audit Manager has a good working relationship with the Performance & Audit Scrutiny Committee, which continues to be built upon. Members of the audit team have been introduced to, and attend, Committee.
<b>6</b>	<b>Staffing, Training and Continuing Professional Development</b>				
<b>6.1</b>	<b>Staffing Internal Audit</b>				
6.1.1	Is Internal Audit appropriately staffed (numbers, grades, qualifications, personal attributes and experience) to achieve its objectives and comply with these standards?	Y			Internal Audit is currently fully staffed with a complement of 6 FTEs; this is in keeping with local authorities of a similar size.  The Internal Audit Manager is a professionally qualified accountant and has significant audit experience covering private practice, local government and the National Audit Office.  Remaining audit staff have considerable local government and private practice experience. Their qualifications include ACCA professional accountant, Accounting Technician and the Diploma in Internal Audit Practice.
6.1.1	Does the Head of Internal Audit have access to appropriate resources where the necessary skills and expertise are not available within the internal audit team?	Y			Skills and expertise are regularly updated to keep up to date with new developments within audit methodologies and local government. This is achieved through attendance at training courses, reading relevant publications, use of on-line discussion forums, and sharing best practice through the Suffolk audit network. If it is felt that additional specialist expertise is needed in say IT audit or fraud and corruption work we have access to a number of specialists within the Suffolk audit network. Use of agency staff and buy in from others if lack of staff resources, and the budget permits.
6.1.2	Is the Head of Internal Audit professionally qualified and experienced?	Y			See 6.1.1 above
6.1.	Does the Head of Internal Audit have	Y			See 6.1.1 above. The Internal Audit

Ref	Adherence to the Standard	Y	P	N	Evidence
2	wide experience of internal audit and management?				Manager has wide experience of both internal and external audit – within the private sector, central government and local government, and is accustomed to dealing with senior officials within all of these sectors.
6.1.3	(a) Do all internal audit staff have up-to-date job descriptions? (b) Are there person specifications that define the required qualifications, competencies, skills, experience and personal attributes for internal audit staff?	Y			Job descriptions are reviewed and updated as necessary before each appointment is made.
<b>6.2</b>	<b>Training and Continuing Professional Development</b>				
6.2.1	(a) Has the Head of Internal Audit defined the skills and competencies for each level of auditor? (b) Are individual auditors periodically assessed against these predetermined skills and competencies?	Y Y			(a) Job descriptions and selection criteria for each post detailing skills and competencies required. (b) Internal Audit actively participates within the council's Performance Development Review and Forest Heath's Personal Review process, which includes on-going development.
	(c) Are training or development needs identified and included in an appropriate ongoing development programme? (d) Is the development programme recorded, regularly reviewed and monitored?	Y			(c) Training and development needs are identified as part of the Performance Development Review and Personal Review processes. (d) Development programme is recorded and monitored regularly as part of the performance development and personal review processes.
6.2.2	Do individual auditors maintain a record of their professional training and development activities?	Y			A training record is maintained for each member of the section. Also staff in internal audit are members of accountancy bodies (i.e. CIPFA, AAT and IIA) and therefore maintain Continuing Professional Development (CPD) records of training and development activities undertaken.
<b>7</b>	<b>Audit Strategy and Planning</b>				
<b>7.1</b>	<b>Audit Strategy</b>				
7.1.1	(a) Is there an internal audit strategy for delivering the services? (b) Is it kept up to date with the organisation and its changing priorities?	Y			(a) An Internal Audit Strategy exists, approved by Performance and Audit Scrutiny Committee. (b) The Strategy is reviewed annually, any significant changes would be subject to Committee approval.  From 2013/14 a separate Internal Audit Strategy is no longer required – any relevant information will instead be incorporated into the Internal Audit Plan reported to Performance and Audit Scrutiny Committee.
7.1.2	Does the strategy include: (a) Internal Audit objectives and outcomes? (b) how the Head of Internal Audit will form and evidence his or her opinion on the control environment? (c) how Internal Audit's work will identify and address local and	Y Y Y			Contained within Internal Audit Strategy.  From 2013/14 a separate Internal Audit Strategy is no longer required – any relevant information will instead be incorporated into the Internal Audit Plan reported to Performance and Audit Scrutiny Committee.

Ref	Adherence to the Standard	Y	P	N	Evidence
	<p>national issues and risks?            (d) how the service will be provided, i.e. internally, externally, or a mix of the two?            (e) the resources and skills required to deliver the strategy?</p>	Y Y			
7.1.3	Has the strategy been approved by the Audit Committee?	Y			The Internal Audit Strategy has been approved by the Performance and Audit Scrutiny Committee. From 2013/14 a separate Internal Audit Strategy is no longer required – any relevant information will instead be incorporated into the Internal Audit Plan reported to Performance and Audit Scrutiny Committee.
<b>7.2</b>	<b>Audit Planning</b>				
7.2.1	Is there a risk-based plan that is informed by the organisation's risk management, performance management and other assurance processes?	Y			The Audit Plan is risk-based and takes account of corporate risks, and also key performance indicators. The Internal Audit Manager is a member of the Strategic Risk Management Group and has access to the Corporate Risk Register, while key performance information is readily available via Committee reports and the performance management system, Covalent. The Internal Audit Plan is also informed by financial materiality of systems; previous assessments of the soundness of internal controls; stability, complexity and vulnerability of systems; sensitivity (impact of failure, customer sensitivity etc); and date of previous audit.
7.2.1	Where the risk management process is not fully developed or reliable, does the Head of Internal Audit undertake his or her own risk assessment process?	Y			The Internal Audit Manager performs a risk assessment of each audit area – this takes into account the factors referred to above.
7.2.1	Are stakeholders consulted on the audit plan?	Y			The External Auditors, Performance and Audit Scrutiny Committee Chair and Vice Chair, Head of Resources and Performance (as the council's Section 151 Officer), and Joint Leadership Team are consulted on the Internal Audit Plan which is approved by Committee.
7.2.2	Does the plan demonstrate a clear understanding of the organisation's functions?	Y			Key financial systems and other key risks where audit input is likely to add value are covered.
7.2.3	Does the plan:				
	(a) cover a fixed period of no longer than one year?	Y			(a) The Internal Audit Plan approved covers the current financial year only.
	(b) outline the assignments to be carried out?	Y			(b) The Internal Audit Plan details the audits and other work to be carried out.
	(c) prioritise assignments?	Y			(c) The priority is completion of the statutory financial systems audits – this is stated on the audit plan.
	(d) estimate the resources required?	Y			(d) The Internal Audit Plan details the resources required to undertake the planned work.
	(e) differentiate between assurance and other work?	Y			(e) Appendix C within the annual internal audit report makes this distinction.
	(f) allow a degree of flexibility?	Y			(f) The Internal Audit Plan necessarily includes a degree of flexibility in that an estimate is included for unplanned work (e.g. irregularity investigations).

Ref	Adherence to the Standard	Y	P	N	Evidence
					<p>As in previous years, because of the section's skills and experience there continues to be a high demand for audit involvement in corporate projects and initiatives.</p> <p>It should also be noted that there are increasing demands on the section for reactive work (e.g. financial vetting of contractors, other financial advice etc) – it is clearly difficult to plan resource requirements for this work.</p>
7.2.4	If there is an imbalance between the resources available and resources needed to deliver the plan, is the Audit Committee informed of proposed solutions?	Y			This situation has not arisen – if it were to arise the Performance and Audit Scrutiny Committee would be informed of proposed solutions.
7.2.4	Has the plan been approved by the audit committee?	Y			The 2012/13 Internal Audit Plan was approved at the April 2012 Performance and Audit Scrutiny Committee meeting.
7.2.5	If significant matters arise that jeopardise the delivery of the plan, are these addressed and reported to the Audit Committee?	Y			<p>Should the need arise these would be brought to the attention of the Performance and Audit Scrutiny Committee.</p> <p>In addition, the Head of Resources and Performance would be advised accordingly.</p>
<b>8</b>	<b>Undertaking Audit Work</b>				
<b>8.1</b>	<b>Planning</b>				
8.1.1	(a) Is a brief prepared for each audit? (b) Is the brief discussed and agreed with the relevant managers?	Y Y			(a) An audit briefing note is prepared for all audit work which is likely to take more than a day. (b) Audit briefing notes are agreed before commencement of the audit with relevant managers.
8.1.1	Does the brief set out: (a) objectives? (b) scope? (c) timing? (d) resources? (e) reporting requirements?	Y Y Y Y Y			Audit briefing note incorporates all of these areas.
<b>8.2</b>	<b>Approach</b>				
8.2.1	Is a risk-based audit approach used?	Y			Audit approach is constantly under review and is evolving but is currently, and will remain for the foreseeable future, a risk-based approach.
8.2.3	Does the audit approach show when management should be informed of interim findings where key (serious) issues have arisen?	Y			Where key issues arise these will be brought to the attention of the relevant manager during the course of the audit, rather than waiting until the closure stage of the audit.
8.2.4	Does the audit approach include a quality review process for each audit?	Y			Completion of post audit review checklists
<b>8.3</b>	<b>Recording Audit Assignments</b>				

Ref	Adherence to the Standard	Y	P	N	Evidence
8.3.1	Has the Head of Internal Audit defined a standard for audit documentation and working papers?	Y			Working procedure notes cover audit documentation and working papers. As above the audit approach is always evolving and subject to continual improvement which may require updating of working procedures.
8.3.1	Do quality reviews ensure that the defined standard is followed consistently for all audit work?	Y			A quality review process is in operation. As above the audit approach is always evolving and subject to continual improvement.
8.3.2	Are working papers such that an experienced auditor can easily: (a) identify the work that has been performed? (b) re-perform it if necessary? (c) see how the work supports the conclusions reached?	Y Y Y			The quality review process aims to ensure that these requirements are always achieved.
8.3.3	Is there a defined policy for the retention of all audit documentation, both paper and electronic?	Y			There is a working procedure for this.
8.3.3	Do all retention and access policies conform to appropriate legislation, i.e. Data Protection Act, Freedom of Information Act, etc. and any organisational requirements?	Y			See above.
8.3.3	Is there an access policy for audit files and records?	Y			
<b>9</b>	<b>Due Professional Care</b>				
<b>9.2</b>	<b>Responsibilities of the Individual Auditor</b>				

Ref	Adherence to the Standard	Y	P	N	Evidence
9.2.1	<p>Are there documents that set out the requirements on all audit staff in terms of:</p> <p>(a) being fair and not allowing prejudice or bias to override objectivity?</p> <p>(b) declaring interests that could be perceived to be conflicting or could potentially lead to conflict?</p> <p>(c) receiving and giving gifts and hospitality from employees, clients, suppliers or third parties?</p> <p>(d) using all reasonable care in obtaining sufficient, relevant and reliable evidence on which to base conclusions?</p> <p>(e) being alert to the possibility of intentional wrongdoing, errors or omissions, poor value for money, failure to comply with management policy or conflict of interest?</p> <p>(f) having sufficient knowledge to identify indicators that fraud or corruption may have been committed?</p> <p>(g) disclosing all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice?</p> <p>(h) disclosing any non-compliance with these standards?</p> <p>(i) not using information they gain in the course of their duties for personal use?</p>	Y			<p>Our working procedures define the standards of ethics for internal auditors working across both West Suffolk authorities. Working to these ensures that staff are compliant with the standards expected of Chartered Institute of Public Finance and Accountancy (CIPFA) / Institute of Internal Auditors.</p> <p>In addition, a number of these are also covered as part of the Employees Code of Conduct (i.e. gifts and hospitality, declarations of interest and disclosure of information). This document defines the standards of personal behaviour officers of the council must follow and ensures that employees are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders.</p> <p>These are all covered within the CIPFA Internal Audit Manual.</p>
<b>9.3</b>	<b>Responsibilities of the Head of Internal Audit</b>				
9.3.1	Has the Head of Internal Audit established a monitoring and review programme to ensure that due professional care is achieved and maintained?	Y			This is achieved through review of work undertaken, performance development review and personal review processes, regular workload and team meetings, feedback from customers via customer satisfaction questionnaires, etc.
9.3.2	Are there systems in place for individual auditors to disclose any suspicions of fraud, corruption or improper conduct?	Y			Individual auditors can disclose suspicions directly to the Internal Audit Manager or via the routes shown within the council's Whistleblowing Policy.
<b>10</b>	<b>Reporting</b>				
<b>10.1</b>	<b>Principles of Reporting</b>				



Ref	Adherence to the Standard	Y	P	N	Evidence
10.1.1	Is an opinion on the control environment and risk exposure given in each audit report?	Y			In line with good practice guidance, opinions are provided on the design and operation of control mechanisms for the areas reviewed.  In addition, within the audit report each action has a priority assessment of high, medium or low (low risk areas are mostly classed as 'verbal' points and will have been raised at the time of draft report discussion). This is provided to assist in the planning of implementation of recommendations.
10.1.3	Has the Head of Internal Audit determined the way in which Internal Audit will report?	Y			Working procedure on audit reporting.
10.1.4	Has the Head of Internal Audit set out the standards for internal audit reporting?	Y			Working procedure on audit reporting.
10.1.5	Are there laid-down timescales for reports to be issued?	Y			Working procedure for this.
<b>10.2</b>	<b>Reporting on Audit Work</b>				
10.1.4 10.1.4 10.1.4 10.2.2 10.2.1 10.1.4 10.2.1	Do the reporting standards include: (a) format of the reports? (b) quality assurance of reports? (c) the need to state the scope and purpose of the audit? (d) the requirement to give an opinion? (e) process for agreeing reports with the recipient? (f) an action plan or record of points arising from the audit and, where appropriate, of agreements reached with management together with appropriate timescales?	Y  Y			(a) Standard audit report template in use. (b) Audit reports are reviewed as part of the quality review process. (c) Scope and purpose of the audit are included within the audit report template. (d) An opinion is included within the standard format of audit report. (e) There is a working procedure for agreeing reports with the recipient. (f) An agreed action plan is included within the final report, detailing the action owner as well as including target dates for implementing actions.
10.2.3	Does the audit reporting process include discussion and agreement of reports?	Y			Draft internal audit reports are discussed and agreed with management before being finalised and formally issued.
10.2.4	Has the Head of Internal Audit determined a process for prioritising recommendations according to risk?	Y			Risks of not implementing agreed actions are explicitly stated within the audit report and allocated a risk rating of high, medium, or low.
10.2.5	Are areas of disagreement recorded appropriately?	Y			Where relevant this would happen, however the approach taken is to try wherever possible to reach agreement.  The audit report provides a column that allows management the opportunity to comment on the findings / actions.  However, it remains the duty of management, not Internal Audit, to manage risk and systems of internal control. It is for management to determine whether or not to accept audit recommendations, and to recognise and accept the risk of not taking action.

Ref	Adherence to the Standard	Y	P	N	Evidence
10.2.5	Are those weaknesses giving rise to significant risk that are not agreed drawn to the attention to senior management?	Y			Where relevant this would happen, however the approach taken is to try wherever possible to reach agreement.
10.2.6	(a) Does the reporting process include details of circulation of that particular audit report? (b) Is this included in the brief for each individual audit?	Y Y			(a) Circulation of reports is considered before commencement of an audit. The front cover of the report indicates recipients of the report.  (b) This is included within the audit briefing note.
10.2.7	Does the Head of Internal Audit have mechanisms in place to ensure that: (a) recommendations that have a wider impact are reported to the appropriate forums? (b) risk registers are updated?	Y Y			(a) Distribution of audit reports can be widened where necessary. Also, audit reviews of a corporate nature are considered by the council's Joint Leadership Team. (b) The Internal Audit Manager is a member of the Strategic Risk Management Group, any significant risks identified would be fed through to the group and the risk register where appropriate.
<b>10.3</b>	<b>Follow-up Audits and Reporting</b>				
10.3.1	Has the Head of Internal Audit defined the need for and the forum of any follow-up action?	Y			There is a working procedure for following up progress on agreed actions arising from audits undertaken.
10.3.2	Has the Head of Internal Audit established appropriate escalation procedures for internal audit recommendations not implemented by the agreed date?	Y			The Internal Audit Manager will take into account whether there is good reason for agreed actions not being implemented by an agreed date and the extent to which reasonable progress has been made. Where the Internal Audit Manager is not satisfied this would be raised with the Head of Resources and Performance (as the council's Section 151 Officer).
10.3.3	Where appropriate, is a revised opinion given following a follow-up audit and reported to management?	Y			An opinion will be given where appropriate.
10.3.4	Are the findings of audits and follow-ups used to inform the planning of future audit work?	Y			This is a factor used in the scoring of audit areas to determine the annual, risk-based audit plan.
<b>10.4</b>	<b>Annual Reporting and Presentation of Audit Opinion</b>				
10.4.1	Does the Head of Internal Audit provide an annual report to support the Annual Governance Statement?	Y			Annual Internal Audit Report supports the Annual Governance Statement.

Ref	Adherence to the Standard	Y	P	N	Evidence
10.4.2	Does the Head of Internal Audit's annual report: (a) include an opinion on the overall adequacy and effectiveness of the organisation's control environment? (b) disclose any qualifications to that opinion, together with the reasons for the qualification? (c) present a summary of the audit work from which the opinion was derived, including reliance placed on work by other assurance bodies? (d) draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement? (e) compare the actual work undertaken with the planned work and summarise the performance of the internal audit function against its performance measures and targets? (f) comment on compliance with the standards of the Code? (g) communicate the results of the internal audit quality assurance programme?	Y Y Y N/A Y Y Y			(a) An opinion is given on the council's control environment. (b) Qualifications and reasons would be given to the opinion if relevant. (c) A summary is provided. (d) Where appropriate (e) This information is included within the annual report. (f) Professional standards are referred to in various sections of the report – notably sections 2 and 6. (g) Results of customer satisfaction questionnaires, key performance targets etc are contained within the annual audit report – section 5.
10.4.3	Has the Head of Internal Audit made provision for interim reporting to the organisation during the year?	Y			Reporting to the Performance & Audit Scrutiny Committee is as follows: mid year (October), third quarter (January) plus end of year review (April).
<b>11</b>	<b>Performance, Quality and Effectiveness</b>				
<b>11.1</b>	<b>Principles of Performance, Quality and Effectiveness</b>				
11.1.1	Is there an audit manual?	Y			The CIPFA Internal Audit Manual is used – this is available to audit staff. This is supplemented by documented working procedure notes.
11.1.1	Does the audit manual provide guidance on: (a) carrying out day-to-day audit work? (b) complying with the Code?	Y Y			(a) Working procedure notes provide guidance on carrying out day to day audit work. (b) CIPFA Internal Audit Manual is based on good practice.
11.1.1	Is the audit manual reviewed regularly and updated to reflect changes in working practices and standards?	Y			Working procedures are reviewed on an ongoing basis, to ensure effectiveness and efficiency of the section's work. Internal Audit is committed to ongoing improvement and therefore working practices are likely to change further over time.

Ref	Adherence to the Standard	Y	P	N	Evidence
11.1.2	Does the Head of Internal Audit have arrangements in place to assess the performance and effectiveness of: (a) each individual audit? (b) the internal audit service as a whole?	Y			(a) & (b) Customer satisfaction questionnaires are sent to key auditees / managers responsible for the service audited at the conclusion of each audit. Any comments provided by the auditee suggesting how the audit service could be improved, or any scores given which are less than "good", are followed up by the Internal Audit Manager.  In addition performance against key performance indicators are reported to Performance and Audit Scrutiny Committee each year via the annual internal audit report.
<b>11.2</b>	<b>Quality Assurance of Audit Work</b>				
11.2.1	Does the Head of Internal Audit have a process in place to ensure that work is allocated to auditors who have the appropriate skills, experience and competence?	Y			The size of the team allows the Internal Audit Manager to have a good knowledge of the skills, experience and competence of each member of the section.
11.2.2	Does the Head of Internal Audit have a process in place to ensure that all staff are supervised appropriately throughout all audits?	Y			Regular team meetings are held to monitor progress and issues arising on audits and other work undertaken.
11.2.2	Does the supervisory process cover: (a) monitoring progress? (b) assessing quality of audit work? (c) coaching staff?	Y Y Y			(a) See 11.2.1 above (b) The Internal Audit Manager and Senior Auditors perform reviews of the work undertaken and give detailed feedback to the lead auditor regarding the quality of the work undertaken. (c) The feedback referred to above also provides suggestions as to how work can be improved. Where a staff member is inexperienced or has never worked on a particular audit before they will be assisted or work jointly with a more experienced member of the section.
<b>11.3</b>	<b>Performance and Effectiveness of the Internal Audit Service</b>				
11.3.1	Does the Head of Internal Audit have a performance management and quality assurance programme in place?	Y			Performance targets have been set-performance against these is reported upon in the annual internal audit report to Performance and Audit Scrutiny Committee.  Quality assurance is undertaken for each individual audit.  The review and scrutiny by Joint Leadership Team and Performance and Audit Scrutiny Committee of audit reports are all considered as part of the quality assurance process.

Ref	Adherence to the Standard	Y	P	N	Evidence
11.3.2	<p>Does the performance management and quality assurance framework include as a minimum:</p> <p>(a) a comprehensive set of targets to measure performance:</p> <p>(i) which are developed in consultation with appropriate parties?</p> <p>(ii) Which are included in Service Level Agreements, where appropriate?</p> <p>(iii) Against which the Head of Internal Audit measures, monitors and reports appropriately on progress?</p> <p>(b) user feedback obtained for each individual audit and periodically for the whole service?</p> <p>(c) a periodic review of the service against the strategy and the achievement of its aims and objectives, the results of which are used to inform the future strategy?</p> <p>(d) Internal quality reviews to be undertaken periodically to ensure compliance with this Code and the audit manual?</p> <p>(e) an action plan to implement improvements?</p>	Y			<p>(a) Internal Audit currently has two key performance targets – developed and set in conjunction with the S151 Officer (Head of Resources and Performance) – these being percentage completion of planned core system audits and degree of reliance placed by External Audit on the work of Internal Audit. Performance against these targets is reported upon in the annual internal audit report.</p> <p>(b) Feedback is requested via a customer satisfaction questionnaire at the conclusion of each audit. This questionnaire seeks both feedback on the audit itself but also more broadly on how the service could be improved.</p> <p>(c) The service is reviewed via the Internal Audit Strategy, Service Plan and the Annual Internal Audit Report, plus completion of this checklist.</p> <p>(d) An annual review of the effectiveness of the system of internal audit is undertaken, this ensures compliance against professional standards, plus identifies any areas for further improvement.</p> <p>Also, expectations of the professional standards are incorporated into the quality review process for each audit, as appropriate.</p> <p>(e) Improvements are made on an ongoing basis.</p>
11.3.3	<p>Does the Head of Internal Audit compare the performance and the effectiveness of the service over time, in terms of both the achievement of targets and the quality of the service provided to the user?</p>	Y			<p>Comparison of achievement against targets is currently undertaken by the Internal Audit Manager. Quality of service is more difficult to measure but the importance of this is recognised.</p> <p>Performance is included within the annual internal report to Performance and Audit Scrutiny Committee.</p>
11.3.1	<p>Do the results of the performance management and quality assurance programme evidence that the internal audit service is:</p> <p>(a) meetings its aims and objectives?</p> <p>(b) compliant with the Code?</p> <p>(c) meeting internal quality standards?</p> <p>(d) effective, efficient, continuously improving?</p> <p>(e) adding value and assisting the organisation in achieving its objectives?</p>	Y			
11.3.4	<p>Does the Head of Internal Audit report on the results of the performance management and quality assurance programme in the annual audit report?</p>	Y			<p>This is included within the annual internal audit report presented to Performance and Audit Scrutiny Committee.</p>

Ref	Adherence to the Standard	Y	P	N	Evidence
11.3.5	Does the Head of Internal Audit provide evidence from his or her review of the performance and quality of the internal audit service to the organisation for consideration as part of the annual review of the effectiveness of the system of internal audit?	Y			Evidence available on request.

Initially completed June 2007 by the Internal Audit Manager. Reviewed annually thereafter, most recent review by the Internal Audit Manager and Senior Auditor (PBS) March 2013.

**Internal Audit Plan 2013/14**

**1. Core Financial Systems and Fundamental Review Work (audits which must be undertaken every year):**

- Accounts Payable (Creditors)
- Accounts Receivable (Debtors)
- Main Accounting System (General Ledger)
- Payroll
- Treasury Management
- Council Tax
- Non Domestic Business Rates
- Housing and Council Tax Benefits
- ICT Audit
- Cash Handling
- Overall Risk Management Arrangements

**2. Proposed Non Fundamental Systems Audits:**

Audit Area	Possible Coverage
Contract Procedures	Review of systems in place to assess potential contractors, review of tendering procedures, processes in place to ensure compliance with both local and EU Procurement Regulations, and openness and transparency of procurement processes and activity.
Fees and Charges	Review of whether fees and charges have been amended in line with agreed policy, whether fees and charges are correctly recorded on the website, extent to which income is obtained at the point of service, etc
Election Account	Review of whether all claims for payment are signed by claimant, calculated correctly and appropriately authorised, number of miles claimed is reasonable and payment has been correctly calculated, rates paid to staff are in accordance with published guidance, etc
Payment Cards	Review of whether usage of payment cards is appropriate and properly controlled and whether usage should be rolled out to more users.

## APPENDIX C

Compliance with Legislation (areas to include to be determined)	Could include a number of areas such as licensing, homelessness, cctv, cemeteries, equality and diversity, anti money laundering provisions – to check whether legislation / best practice is being applied in these or other areas.
Members and Officers Gifts & Hospitality and Members Allowances and Expenses	Review of whether allowances are correctly claimed and paid and appropriate and accurate records maintained, etc, and controls over recording and monitoring of gifts and hospitality.
Performance Indicators	Review of data quality in relation to performance indicators including whether indicators are calculated using accurate and timely information etc.

**It should be noted that the above 'possible coverage' for the proposed non fundamental systems audits is subject to this being further developed in consultation with the relevant services. It should also be noted that flexibility needs to be retained within the 2013/14 Audit Plan to allow the substitution of other non fundamental audits for those non fundamental audits included above where considered appropriate, to ensure that audit work undertaken maximises added value and takes into account changing priorities.**

In addition to the above, **follow up work** will be undertaken to check the extent to which agreed recommendations / actions have been implemented in respect of previous audits undertaken. Where this follow up work relates to a core financial system or fundamental review work this will form an integral part of the annual audit for that area. However, where this relates to a non fundamental system a separate follow up audit will be undertaken and a follow up audit report issued.

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;
- in order to include the maximum possible coverage for our audit testing on the core financial systems and fundamental review work these audits must in general be undertaken in the second half of the financial year. This also allows external audit to place the maximum possible reliance on Internal Audit's work thereby helping to minimise external audit costs and efficiency of the audit process.



- as a consequence of the above, wherever possible the non fundamental systems audits will need to be undertaken in the first half of the financial year – this will not however always be possible where services are heavily engaged in changes around shared services and will create a further challenge regarding completing the 2013/14 Audit Plan on time. It should of course be noted that the Internal Audit Plan is geared as much as possible towards assisting the shared services process through involvement with the Business Process Re-engineering project and also advising on controls for new systems / changes in working practices, including planned significant involvement in the General Ledger specification / implementation project;
- the majority of the above audits in sections 1 and 2 are also included within the Forest Heath DC Draft Audit Plan. Where the audit relates to a shared service and/or shared systems the degree to which a single audit covering both councils can be undertaken will be considered. It should however be noted that the audit opinion issued as part of each audit will cover April 2013 to the point in time at which the audit is undertaken therefore for a number of areas separate (but linked) audits will continue to be undertaken for 2013/14;
- it should also be noted that where a particular audit has been included in the Audit Plan for one authority but not the other, every effort will be made to learn lessons for the authority not subject to audit in that area.

### 3. Other Work

In addition to the audit reviews identified above there is also time allocated in the Internal Audit Plan regarding:

#### 3.1 Corporate Advice and Assistance

- Advice and assistance regarding changes to the internal control environment as a result of moves to shared services – this is expected to include significant input into the implementation of a new General Ledger system
- Input to corporate working groups (for example, Information Governance Group and Strategic Risk Management Group) and projects (Business Process Re-engineering);
- Providing input to the Annual Governance Statement and Code of Corporate Governance;
- Financial Vetting of Contractors;
- Audit of voluntary bodies accounts if necessary;

3.2 Fraud and Corruption

- Developing and managing the council's anti-fraud framework;
- Raising fraud and anti-money laundering awareness;
- Providing support to the National Fraud Initiative; and
- Investigating any alleged fraud and corruption;

3.3 Audit Management

- Undertaking the annual review of the system of internal audit;
- Reviewing, revising, and creating new Internal Audit strategies, policies, procedures, and audit approach;
- Reporting Internal Audit activities to the Performance and Audit Scrutiny Committee and Joint Leadership Team;
- Liaising with other Internal Audit services across Suffolk and Cambridgeshire with a view to achieving continuous improvement of the internal audit product;
- Monitoring and reporting Internal Audit performance; and
- Liaising with External Audit.

3.4 Audit Work Undertaken on Behalf of Other Councils (Income Generating Work)

- The current intention is that, similar to 2012/13, 90 days of audit work will be sold to East Cambs DC and approximately 35 days to Breckland DC.
- Work undertaken For East Cambs DC will consist of audits chosen by East Cambs plus the ARP systems audits (Benefits, Council Tax, and Non Domestic Rates), while the work undertaken on behalf of Breckland DC will entirely consist of the ARP audits.

**4 Potential Audit Areas Considered but not included with the Audit Plan for 2013/14**

Non-fundamental auditable areas were subject to a consideration of attendant risks based on the following factors:

- Materiality – level of income or expenditure, or volume of transactions
- Control Environment – results of recent audits or other reports, risk of fraud / corruption
- Stability and Complexity / vulnerability of system
- Sensitivity – impact of failure, confidentiality of data, etc
- Date of last audit

## APPENDIX C

As a result of the above exercise, the following areas were considered for inclusion in the draft 2013/4 Audit Plan but not included, due to either being considered of lower risk than the audits chosen in section 2 above or due to the timing not being right for these audits to take place in 2013/14.

<b><u>Auditable Area</u></b>
Budgetary Control
Insurances
Capital Accounting
Commercial Property Management
Grants Paid (Disabled Facilities, Decent Homes, etc)
Mayoralty / Chair and Vice Chair Accounts
Buildings Security
Markets
Car Leasing
Car Loans
Section 106 Agreements / Community Infrastructure Levy
Partnerships
Information Governance
Register of Interests
Freedom of Information
Emergency and Business Continuity Planning
Use of criminal record checks in recruitment process
Safeguarding Children

## **Managing the Risk of Fraud, Theft and Corruption Report**

### **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 purpose of this report is to bring together in a single document a summary of the work which has taken place during 2012/13 to prevent and detect fraud, theft and corruption. By publicising the report the council aims to show its commitment to minimising the risk of theft, fraud and corruption and deter any would-be fraudsters.

### **2. The Risk of Fraud**

- 2.1 Theft, fraud & corruption is an ever present threat to the resources available in the public sector. The current economic climate means that the likelihood of fraud has increased.
- 2.2 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. Protecting the Public Purse**

- 3.1 The Audit Commission published a report in November 2011 entitled 'Protecting the Public Purse – Fighting Fraud against Local Government' which provides useful information on the detection of fraud in local government. It considers the key fraud risks and pressures facing councils, along with identifying good practice and markers to future issues.
- 3.2 The report included a fraud checklist in which the council could assess the effectiveness of its governance and counter fraud arrangements. The checklist was completed during 2012/13 and similar to the original checklist completed in 2009/10 illustrated that the council is substantially complying with requirements.

### **4. Audit Commission Annual Fraud and Corruption Survey**

- 4.1 The Audit Commission conducts an annual national survey of public sector fraud and corruption with a significant number of

public sector bodies involved. The council participates in the survey which collects information on a range of fraud and corruption issues.

- 4.2 The national survey results were published in November 2012 and in summary illustrated that local government bodies are targeting their investigative and resources more efficiently and effectively.

## **5. Corporate Fraud, Theft, Bribery 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 both the council's website and intranet.
- 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; and
  - Information security.
- 5.1.4 A leaflet has been produced and shared with staff summarising counter fraud arrangements and advising of what action to take if concerns are suspected.
- 5.1.5 The Anti-Money Laundering Policy has been reviewed to ensure it continues to reflect best practice, legislation and shared services arrangements. A Joint Policy between St Edmundsbury and Forest Heath has been produced which is available on both the website and intranet.
- 5.1.6 The council is a member of the National Anti-fraud Network (NAFN), recognised as a centre of excellence dedicated to supporting its members in protecting the public purse from fraud, abuse and error. Regular alerts are received which are viewed with action taken where necessary.
- 5.1.7 Other areas of activity which are still ongoing at the year end include the drafting of an internal leaflet on whistleblowing arrangements, the introducing of a new online whistleblowing webpage and reporting form to encourage individuals to report

their suspicions. It is anticipated that these actions will improve the ways in which concerns are reported and will sit along existing reporting avenues such as the whistleblowing e-mail and telephone number.

## **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. Fraud awareness refresher training is provided to all revenues and benefits staff annually.

### **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 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 2012/13 include (note figures have been rounded):

Miss A made a claim for benefit as a single parent stating that she was separated from her husband. Enquiries revealed evidence which suggested that the partner was still living at the claim address. As a result, Miss A was overpaid benefit in excess of £16,000. She was successfully prosecuted and ordered to undertake 100 hours unpaid work.

Miss B claimed as a single parent. This was false and she failed to declare that she was married, her husband was living with her and he was in paid employment. She was overpaid benefit in excess of £8,000. Miss B was prosecuted for making a false statement to obtain benefit and was sentenced to 8 weeks in custody which was suspended for 1 year and was also ordered to undertake 120 hours unpaid work.

Mr C made a claim for benefit and declared his circumstances. He failed to notify a change in his circumstances when his wife rejoined the household. He also failed to declare that his wife was in paid employment. Following this, Mr C also failed to declare a further change in his circumstances when he also gained paid employment. As a result he was overpaid benefit in excess of £10,000. He was prosecuted for these offences and sentenced to undertake 200 hours of unpaid work.

### **6.4 Sanctions applied**

- 6.4.1 For the 2012/2013 financial year there have been 10 prosecutions and another 14 pending, 22 formal cautions and 18 administrative penalties.
- 6.4.2 These compare with last year's figures which were 17 prosecutions, 28 cautions and 14 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 Department for Work and Pensions (DWP) guidance.

## APPENDIX D

6.5.2 The in-year collection of fraud debt where a sanction is imposed for the financial year 2012/2013 is as follows:

<b>Total overpayments attributed to fraud</b>	<b>Prosecutions</b>	<b>Cautions</b>	<b>Administrative Penalties</b>
Housing Benefit £102,932.41	£58,612.12	£24,681.53	£19,638.76
Council Tax Benefit £25,932.77	£12,865.06	£3834.12	£9233.59

This compares with the 2011/2012 figures which were:

<b>Total overpayments attributed to fraud</b>	<b>Prosecutions</b>	<b>Cautions</b>	<b>Administrative Penalties</b>
Housing Benefit £88,393.94	£47,807.52	£22,483.15	£18,103.27
Council Tax Benefit £22,330.50	£12,050.40	£6109.40	£4170.70

6.5.3 During this year the Revenues and Benefits compliance team, as part of Anglia Revenues Partnership has undertaken proactive work with regard to false claims to Single Person Discount for Council Tax which could lead to court action. These cases continue and work is ongoing. 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 has a range of interrelated policies and procedures that provide a corporate framework to counter fraudulent activity. These include:

- Codes of Conduct for Members and Officers
- Code of Corporate Governance
- Constitution – including Contract and Financial Procedure Rules
- Anti-Fraud and Anti-Corruption Strategy
- Whistleblowing Policy
- Anti-Money Laundering Policy
- Recruitment and Selection Procedures



**8. National Fraud Initiative**

- 8.1 Councils are required to participate in the biennial National Fraud Initiative, an exercise involving data matching of records such as benefits, payroll, pensions, student awards, housing rents (where appropriate), licenses, parking permits, and travel concessions. Internal Audit takes a leading role in co-ordinating this exercise working across a number of service areas to support staff in providing data and subsequently investigating and recording the results of matches.
- 8.2 During the year we completed preparatory work with data matching reports released at the end of January 2013. Currently, match investigations are being performed on a risk based approach.

**9. Internal Audit**

- 9.1 Fraud and corruption risks are identified as part of the annual audit planning process, with the annual Internal Audit Plan including resources to undertake special irregularity investigative work, co-ordination of the NFI data matching exercise, and proactive anti-fraud and corruption work.
- 9.2 In addition, Internal Audit work in partnership with other Suffolk Councils through the Suffolk Audit Network. For example, the Interim Head of Audit Services at Suffolk County Council holds The Chartered Institute of Public Finance and Accountancy (CIPFA's) Advanced Certificate in Investigative Practice and acts as the partnership's 'centre of excellence' on fraud matters.

## **Summary of Internal Audit Reports Issued in 2012/13**

### **1. Introduction**

- 1.1 During the period, 30 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 2012/13 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 - 16 below were previously reported to Performance and Audit Scrutiny Committee in the October 2012 half-yearly report and January 2013 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 2013/14 and reported to Performance and Audit Scrutiny Committee as appropriate.

### **2. Central Government Data Requirements and Key Performance Indicators**

- 2.1 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 key performance indicators is in line with recommended practice. A ***substantial assurance*** opinion was provided.

#### **Improvements made since the previous audit**

- 2.2 Performance indicators are increasingly being both collected and reported electronically, thus reducing the likelihood of calculation errors.

- 2.3 It is also not unusual to see collection spreadsheets being provided direct through government secure websites/databases and linked or recommended complementary collection systems, thus reducing the likelihood that incorrect data is recorded and reported.

**Key areas where improvements are required**

- 2.4 The main area where improvements could still be usefully made relates to procedural guidance to ensure there is consistency and transparency in the way that all indicators are collected and reported.

**3. Markets**

- 3.1 This was the first time, in recent years, that this area has been reviewed by Internal Audit. The purpose of the audit was to provide assurance as to the adequacy and effectiveness of the controls in operation within the markets service. A *substantial assurance* opinion was provided.

**Key areas where improvements are required**

- 3.2 Controls around insurance arrangements could be improved. Specifically, records should be maintained of the public liability insurance held by stallholders.
- 3.3 Proof of Right to Work in the UK should be requested for all stallholders.
- 3.4 Communication of charges to the stallholders could be clearer.
- 3.5 It would be useful for a data cleansing exercise to be completed to ensure records are current and up to date, and retained for only as long as is necessary.

**4. ICT Back Up Arrangements Follow Up**

- 4.1 A follow up review was undertaken on the action arising from the audit review originally issued in January 2010.
- 4.2 The action raised at this time (regarding security of back up tapes) has now in effect been superseded as a result of changes made possible by ICT operating as a shared service.

**5. Cash Handling – Car Parks Follow Up**

- 5.1 This was the first follow up review to an audit report issued in June 2011 relating to cash handling.
- 5.2 All previously recommended actions have been addressed, including ensuring that all appropriate staff have access to and have read the council's Financial Procedure Rules, and ensuring that paying in slips/records are checked periodically by an independent staff member to supporting information to ensure that all income has been banked.

**6. Cash Handling – Abbey Gardens Follow Up**

- 6.1 This follow up was undertaken on the actions arising from the Abbey Gardens Cash Handling Review completed in June 2011. This was the first follow up review of the progress of agreed actions.
- 6.2 Whilst progress has been made in tightening controls with a number of recommendations made in the previous reports having been addressed, there remains scope to further improve controls around having a separation of duties in place in all aspects of the income and banking process, and to ensure staff dealing with financial administration have access to the corporate and local procedures which have been developed for them to refer to.

**7. Government Data and Key Performance Indicators Follow Up**

- 7.1 This was a follow up review of the actions undertaken in respect of the 2010-11 review of National Indicators. Although these have ceased to be reported centrally, three of the four indicators are still internally collected, monitored and reported.
- 7.2 Progress has been made in tightening controls and addressing the original actions. It is anticipated that the remaining actions will be addressed via a waste data project which will look at resolving issues around data recording.

**8. E-commerce Follow Up**

- 8.1 This was the fourth follow up, with previous follow ups undertaken in March 2009, April 2010 and June 2011. The remaining action is the development of an ICT Strategy which remains 'on hold' pending a customer access review, a key part of the shared services programme with Forest Heath DC in respect of the future delivery of services across West Suffolk.

**9. Car Parks Follow Up**

- 9.1 A follow up review has been completed on the audit report which was originally issued in September 2007. This is the fourth follow up, with previous follow up audits being completed January 2009, May 2010 and June 2011.

- 9.2 The majority of agreed actions have been implemented, the remaining action relates to the drafting of procedural notes in respect of the Finance Service element of the reconciliation process within the General Ledger.

## **10. Parks Follow Up**

- 10.1 This was the fourth follow up review to audit reports issued in December 2007, July 2009 and May 2010 relating to cash handling issues at two council parks.
- 10.2 All previously recommended actions have now been addressed.

## **11. West Suffolk House Car Parking Arrangements Follow Up**

- 11.1 A follow up review has been completed on an audit report issued in October 2009. This is the third follow up, with the previous follow up audits being completed in June 2010 and September 2011.
- 11.2 Many of the agreed actions have now been implemented, a single action remains relating to a service level agreement which will be followed up at the start of the next financial year.

## **12. Grants (Paid) Follow Up**

- 12.1 This was the second follow up review of progress made towards completing agreed actions arising from the audit report originally issued in August 2010. The majority of the agreed actions have been implemented; the remaining action concerns procedures although this has been put 'on hold' in view that they need to be re-written as part of the work to be undertaken in respect of the shared services programme.

## **13. Treasury Management**

- 13.1 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**

- 13.2 Changes were made to the council's lending criteria in December 2011 and incorporated into the 2012/13 Treasury Management and Investment Strategy. The measures should hopefully have the effect of reducing the overall risk of the council's portfolio whilst at the same time supporting the achievement of the council's 1.5% target rate of return.
- 13.3 A joint procurement exercise took place with East Cambridgeshire and Forest Heath District Councils for the appointment of treasury management advisors

from 1<sup>st</sup> April 2012. Our existing treasury management advisors (Sector) were awarded the new 3 year contract with the council managing to secure a slightly higher level of service at a reduced rate.

**Key areas where improvements are required**

- 13.4 On occasions, there can be difficulties obtaining the necessary number of signatories to authorise an investment transaction. However, this should improve as a result of amending the authorised signatory list to include two new signatories.
- 13.5 Controls around investments could be improved. Whilst investment authorisers have been made aware of what they need to check and where to locate the required document they are not always performing the necessary checks. Such checks will ensure investment proposals are appropriate and within agreed council policy.
- 13.6 Whilst procedures and practices exist it would be useful if they were subject to periodic review to ensure they remain current and up to date, and for all staff involved in the treasury management process to be aware of these documents.

**14. Cash Handling – Bury Festival**

- 14.1 This was the first time, in recent years, that cash handling arrangements at the Bury Festival have been reviewed by Internal Audit. The purpose of this audit was to review the effectiveness of controls over cash collection, retention, and banking systems to ensure that all income due or held by the council is identified, collected, receipted and banked properly and promptly. A **limited assurance** opinion was provided.

**Key areas where improvements are required**

- 14.2 Staff awareness of the council's Financial Procedure Rules, Contract Procedures Rules and Employees Code could be improved.
- 14.3 Controls around income collection need to be strengthened, specifically, those relating to the safe custody of monies, creating clear management trails, performing regular reconciliations and having a separation of duties in place to ensure no one individual can control a process from start to finish.

**15. Heritage Assets**

- 15.1 This was the first time, in recent years, that this area has been reviewed by Internal Audit. The purpose of the audit was to assess effectiveness in the safeguarding and accounting of the council's heritage assets (those examined were the Civic Regalia and the collections held at Moyse's Hall and West Stow) and in making them accessible to the public. A **substantial assurance** opinion was provided.

**Key areas where improvements are required**

- 15.2 Suggestions have been made in respect of improving inventory arrangements.
- 15.3 It would be useful for procedures to be drafted for the process of looking after the Civic Regalia collection.
- 15.4 Consideration should be given to security marking high value key items.
- 15.5 The insurance value for the majority of the heritage assets is based on valuations of the assets made in 1999; it is highly likely that in some cases the value of items may have changed.

**16. Information Governance**

- 16.1 The importance of good information governance was highlighted in 2012 in a joint letter sent to local authorities from the Department of Communities and Local Government and the Information Commissioner, in which it set out expectations in respect of the secure handling of sensitive personal information. This audit was therefore undertaken to determine the Council's arrangements in place for information governance. A **substantial assurance** opinion was given.

**Key areas where improvements are required**

- 16.2 Training arrangements around information governance should be reviewed to ensure these are adequate.
- 16.3 Consideration should be given to developing an information sharing protocol and template for staff to use when sharing information outside of the authority. A central register of information that is shared with other organisations should also be developed on a proportionate basis in accordance with the council's needs.
- 16.4 The culture of security could usefully be further improved.

**17. Contracts**

- 17.1 This is an annual audit review that is undertaken to determine whether approved procedures have been followed when procuring supplies, works and services over £50k. In addition, tender exercises under £50k were also reviewed to provide assurance that all tenders have been treated equally and fairly. A **substantial assurance** opinion was given.

**Improvements made since the previous audit**

- 17.2 With a focus on openness to enable greater transparency of how public money is spent, the council adopted an e-tendering process in 2011 with the intention

that this would manage the procurement and contract management activities from inviting bids to evaluation and contract awarding.

- 17.3 The authority also publishes quotation and tender opportunities above £10,000 on the central government Contracts Finder website.
- 17.4 Formal tender appraisal procedures are in place. Guidance is provided by the Procurement Manager and tailored for each tender.

### **Key areas where improvements are required**

- 17.5 Whilst the e-tendering system is embedded and encouraged for lower value contracts it should be promoted for those contracts above £50k.
- 17.6 Contract Procedure Rules are in place and easily accessible by staff, members and the public. However, it would be useful if they were updated to reflect the move to e-tendering.
- 17.7 Responsibilities are delegated to staff (buyers) which may result in Procurement and Legal colleagues not always being aware of contract and procurement activity.
- 17.8 Staff should be reminded to record all contracts on the contracts register, this promotes transparency and fairness as well as assisting with future procurement decisions.

## **18. Fees and Charges**

- 18.1 With the reductions in central government funding, the fees and charges generated from services are a vital strategic element of local government finance to enable the authority to provide a satisfactory level of service to the citizens of St Edmundsbury. With this in mind the audit focused on three areas: comparison of fees and charges made by both West Suffolk councils with other local authorities, internet charges and payment, and a review of approach made by both St Edmundsbury and Forest Heath in respect of fees and charges. A ***substantial assurance*** opinion was provided.

### **Improvements made since the previous audit**

- 18.2 A review of parking fees was included within the audit, however, the authority has been proactive in reviewing car parking charges and payment methods, with proposals presented by Overview & Scrutiny Committee to Cabinet to include variations in pricing, increased payment methods and three or four yearly reviews commencing in 2015. Proposals also include the promotion of space for low emission vehicles, permits for Nowton Park and West Stowe and promotion of free parking at Olding Road.



### Key areas where improvements are required

- 18.3 The business process reengineering project should see a greater use of on-line and automatic payment facilities, thus reducing the cost of administering the service and providing a more streamline process.
- 18.4 The Council has a Fees & Charges policy in place, providing clear guidance on many of the considerations to be made when reviewing fees and charges. Suggestions have been made within the audit report regarding a joint policy being created for both councils.
- 18.5 A review of the charges levied by the council identified that some charges are lower than other authorities while some other charges are higher. Further consideration could be given in these areas regarding whether current charges appear about right and whether fees and charges set by St Edmundsbury and Forest Heath should be further aligned.

### 19. Accounts Payable (Accounts Payable)

- 19.1 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 the previous audit

- 19.2 A Finance Apprentice joined the Payments Team during the summer of 2012 which has provided greater resilience to the Team.

### Key areas where improvements are required

- 19.3 It would be useful for staff within services to be reminded of:
- the importance of complying with Procurement Regulations to ensure that a sufficient number of quotes from suppliers are obtained and that correct procedures are followed where contract exemptions are granted;
  - the need to review and investigate outstanding purchase orders, particularly those outstanding for a significant amount of time; and
  - that as far as possible orders need to be raised prior to an invoice being received, therefore allowing commitments to be accurately reflected against budget headings.
- 19.4 Monitoring of creditor performance (i.e. those issues detailed in paragraph 19.3) is made more difficult currently as the suite of monthly reports that are dispatched to buyers, Heads of Service and Finance have not been created nor distributed during the financial year 2012/13.

## 20. Risk Management

20.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) states that 'risk management should be a continuous and developing process which runs throughout the organisation' and with this in mind, the audit review focused on current practices and the corporate risk register, as well as risk management arrangements around the council's shared services agenda. Progress against agreed actions from previous audit assignments was also considered. A **substantial assurance** opinion was provided.

### Improvements made since the previous audit

20.2 The existing risk management framework provides sound structural documentation and mechanisms for identification, capture and reporting operating at a given level of performance in the council.

### Key areas where improvements are required

20.3 It would be useful for a full review of the risk management and risk governance process to be undertaken within the council to reflect the requirements of the new operating environment. (Initial work in this respect has now been undertaken).

## 21. Main Accounting System (General Ledger)

21.1 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 **limited assurance** opinion was achieved.

### Key areas where improvements are required

21.2 A number of findings were raised with recommendations made following the audit review in respect of journal management, bank reconciliations, holding accounts and feeder systems. Also, recommendations raised in the previous audit review, and earlier reports have not been fully addressed and have become the subject of External Audit comment (previously reported to Performance and Audit Scrutiny Committee). Our audit confirmed these earlier findings. However, it should also be noted that we understand at the time of drafting this committee report (mid April) that significant progress has been made in addressing these issues and Internal Audit have accordingly scheduled in early work at the end of April 2013 to review and assess this progress.

## 22. Payroll

- 22.1 This audit reviewed the key controls for payroll processing, including starters and leavers, amendments, verification, reconciliation and system updates. A **substantial assurance** opinion has been given.

### Improvements made since the previous audit

- 22.2 Two of the three actions arising from the previous audit report have been implemented. The remaining action is in progress and there is a resourced plan with realistic timescales for its completion.

### Key areas where improvements are required

- 22.3 Minor improvements were suggested to improve current controls.

## 23. Accounts Receivable (Debtors)

- 23.1 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

- 23.2 A Finance Apprentice joined the Debtors Team during the summer of 2012 which has provided greater resilience to the Team. This additional resource has allowed the Recovery Officer to focus her attention on the recovery of outstanding sundry debt and ensuring unallocated income remains up to date.

### Key areas where improvements are required

- 23.3 Efforts continue to be made to address sundry debts with high collection rates achieved. However, the time taken to recover some debts can be lengthy especially those involving legal proceedings / payment plans.
- 23.4 The length of time taken to write off irrecoverable sundry debts could be usefully improved upon.

## 24. Council Tax

- 24.1 The council is one of four local authorities which work together as the Anglia Revenues Partnership (ARP) to provide a shared revenues and benefits service to the residents of Breckland District Council, East Cambridgeshire District Council, Forest Heath District Council and St Edmundsbury Borough Council.
- 24.2 The West Suffolk Internal Audit Team undertook the audit on behalf of the four local authorities, the audit focus was to establish if procedures for key controls were adequately followed to reduce the risk of incorrect council tax processing

resulting in loss of revenues for the authorities from failure to correctly issue bills. An opinion of **substantial assurance** was given.

**Improvements made since the previous audit**

- 24.3 Since the last audit, St Edmundsbury Borough Council is now fully integrated within the ARP operation.
- 24.4 A review of the actions arising from the previous audit identified that these are all in progress, or have been retested and recommendations included as part of this year's audit.

**Key areas where improvements are required**

- 24.5 There is scope for reconciliations to be further improved, specifically, those relating to refund and daily reconciliations.
- 24.6 The ownership of credit balance reviewing needs to be established to ensure that those responsible receive the correct training and guidance to enable a full review to take place.
- 24.7 Accounts in credit should be reviewed promptly when identified to ensure refunds are issued in a timely manner.

**25. Non Domestic Rates (NDR)**

- 25.1 Similar to the council tax audit review, this year's review of NDR was undertaken by the West Suffolk Internal Audit Team on behalf of the four authorities working together as ARP.
- 25.2 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 NDR does not adversely affect the council's cash flow. An opinion of **substantial assurance** was given.

**Improvements made since the previous audit**

- 25.3 Similar to council tax, St Edmundsbury Borough Council is now fully integrated within the ARP operation.
- 25.4 A review of the actions arising from the previous audit identified that a small number remain in progress, all remaining actions have been implemented or superseded as part of this year's audit.

### Key areas where improvements are required

- 25.5 There is scope for reconciliations to be further improved - they should be undertaken in a timely manner with any outstanding differences investigated promptly.

### 26. Housing and Council Tax Benefits Review

- 26.1 Similar to council tax and NDR the West Suffolk Internal Audit Team undertook the audit on behalf of the four local authorities. The audit focus was to establish if procedures for key controls were adequately followed to reduce the risk of incorrect housing benefit assessments and transaction processing, leading to inaccurate payments. The audit also included reviewing compliance with appropriate legislation and data quality within the system. The system achieved a **substantial assurance** opinion for the period under audit.

### Improvements made since the previous audit

- 26.2 Similar to council tax and NDR, St Edmundsbury Borough Council is now fully integrated within the ARP operation
- 26.3 A review of the actions arising from the previous audit identified that these are all in progress, or have been retested and recommendations included within this year's audit.

### Key areas where improvements are required

- 26.4 As with council tax and NDR, reconciliations is an area that can be improved upon. Reconciliations should be completed accurately, in a timely manner with an audit trail held to support the reconciliations.

### 27. Capital Accounting

- 27.1 The purpose of the audit this year was focused on a review of the process documentation, additions, disposals, the valuation report and regular management information on capital activity. A **full assurance** opinion was provided.
- 27.2 The audit review of capital accounting has taken place at the very start of the 2012/13 year end process. It is the intention of the Finance Team to train additional staff through this capital accounting close process as a part of the move to shared services. The majority of the key control activities will be undertaken after the financial year end, and review can be expected to be incorporated in the External Audit review of the accounts.

**Key areas where improvements are required**

- 27.3 Two actions remained outstanding from the previous year's audit relating to procedural documentation and property valuations. As these actions are expected to form part of the council's general change agenda for 2013/14 neither were raised in this year's audit review.
- 27.4 No significant audit issues were raised as part of this year's review, thereby resulting in the full assurance opinion referred to above.

**28. ICT – Mobile Computing and Social Media**

- 28.1 This was the first time that these areas have been reviewed by Internal Audit.
- 28.2 Mobile computing controls were examined to ensure the secure use of the council's mobile computing devices and to protect them and the data they may contain from unauthorised access or disclosure. The audit opinion given was ***substantial assurance***.
- 28.3 Social media controls were reviewed to ensure that the council's reputation is protected and that social media (i.e. facebook / twitter / youtube) use is both effective and safe. A ***substantial assurance*** was given.

**Key areas where improvements are required**

- 28.4 In the spirit of continuous improvement a number of enhancements could be made for improving the mobile computing in use by all staff members who require a mobile device.
- 28.5 Frequency of changing social media account passwords and the monitoring of accounts could usefully be improved upon.
- 28.6 It would be beneficial if the council's Social Media Policy and Guidance was reviewed and rewritten as a joint West Suffolk policy.

**29. Safeguarding Children Follow Up**

- 29.1 This was the second follow up review carried out on the safeguarding children review which was originally issued in October 2009. One action remained outstanding relating to the Partnership Strategy which will now be addressed through any Partnerships follow up audit work.

**30. Review of Human Resources (HR) Arrangements Follow Up**

- 30.1 A follow up review has been completed on an audit report issued in February 2011. This is the second follow up, with the previous follow up audit being completed March 2012.

30.2 Progress has been made in further tightening controls, although some areas remain outstanding including procedures and arrangements for notifying ICT of staff leavers. These actions have been delayed because of the developments with shared services but will be considered following the HR and Organisational Development Restructure and when work has been completed combining the ICT systems.

**31. West Suffolk House General Building Security Follow Up**

31.1 This was the third follow up review to an audit report originally issued in September 2009. The review concluded that the security culture could usefully still be further improved.

<b>Meaning of words used: -</b>	
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.