NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 26 MAY 2010

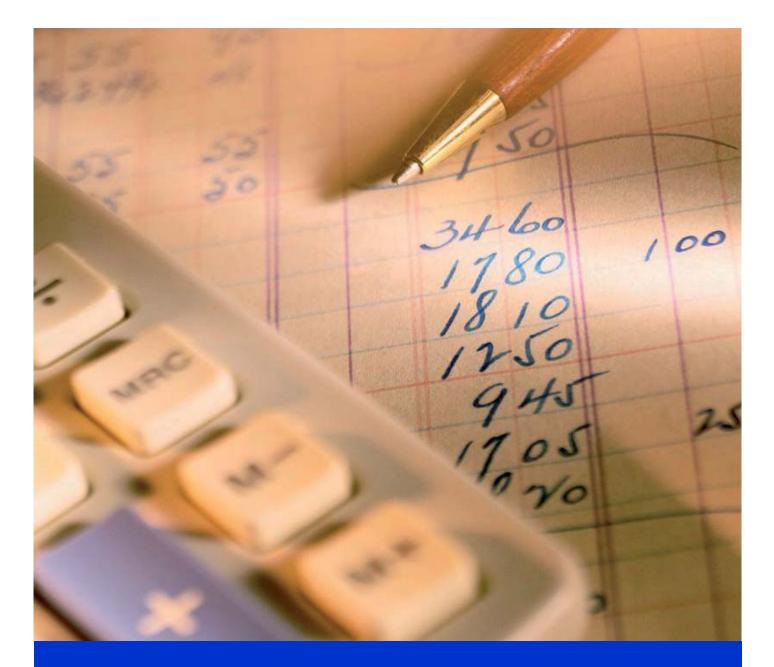|	
Title of report	**INTERNAL AUDIT ANNUAL REPORT 2009/10**
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Purpose of report	To provide Members with an annual report regarding the work of internal audit undertaken in 2009/10.
Strategic aims	Organisational Development
Implications: Financial/Staff Link to relevant CAT Risk Management Equalities Impact Assessment Human Rights Transformational Government	 None None The audit planning process is based on risk assessment N/A N/A No direct implications
Consultees	Corporate Leadership Team – 11 May 2010
Background papers	CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.
Recommendations	**THAT THE COMMITTEE NOTE THIS REPORT AND COMMENTS AS APPROPRIATE**

1.0   INTRODUCTION

1.1   The Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 requires that the Head of Internal Audit shall submit an annual report to the organisations Audit Committee in respect of its work to provide greater assurance at Member level.

2.0   INTERNAL AUDIT ANNUAL REPORT 2009/10

2.1   The annual report, which is attached as Appendix 1, highlights the work of the Internal Audit section during 2009/10. Also within the annual report there is an opinion on the 'internal control environment. Evidence from audits carried out during the year is used to reach this opinion. For 2009/10 the overall level of assurance within the Council's control environment is deemed **SUBSTANTIAL**.

INTERNAL AUDIT
ANNUAL REPORT
2009/10

1. **INTRODUCTION**

1.1 The Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 requires that the Head of Internal Audit shall submit an annual report to the organisations Audit Committee in respect of its work to provide greater assurance at Member level.

2. **TERMS OF REFERENCE**

2.1 Section 3 of Part 3 of the Constitution sets out the Terms of Reference of the Audit and Governance Committee, as set out below:

"To act as the Authority's Audit Committee, to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process. In particular:

- Consider the effectiveness of the Authority's risk management arrangements, the control environment, and anti fraud and corruption arrangements
- Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors
- Be satisfied that the Authority's assurance statements properly reflect the risk environment and any actions required to improve it
- Approve (but not direct) Internal Audit's strategy and plans and monitor performance
- Review summary Internal Audit reports and the main issues arising, and seek assurance that action has been taken where necessary
- **Receive the annual report of Internal Audit**
- Consider plans of External Audit and inspection agencies
- Monitoring of relevant reports and action plans
- Ensure there are effective relationships between Internal and External Audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted
- Approve the Council's statement of accounts, income and expenditure and balance sheet and receive the External Auditor's opinion and reports to members, and monitor management action in response to the issues raised by External Audit
- Audit – internal and external, and
- Related matters in relation to Legal and Democratic Services
- To deal with the Annual Audit and Inspection letter and in particular to:
  - consider matters raised in the annual governance report
  - agree, if necessary, to adjust the financial statements
  - approve the representation letter on behalf of the Council
  - agree any actions proposed in the annual governance report

- To have delegated authority to deal with all matters relating to the council's final accounts".

3.   PERFORMANCE AGAINST THE AUDIT PLAN

3.1   The 2009/10 audit plan was approved by the Corporate Governance Scrutiny Committee on 29 April 2009 and revisions to the plan on 29 September 2009, 20 January 2010 and 28 April 2010. Appendix A details a status report against the audit plan and is summarised in Table A below.

Table A: Performance against the Audit Plan

	Quarter 1 As at 05.07.2009		Quarter 2 As at 04.10.09		Quarter 3 As at 03.01.10		Quarter 4 As at 31.03.10	
	Main	Non-Main	Main	Non-Main	Main	Non-Main	Main	Non-Main
Planned Audits	1	6	2	10	6	11	12	16
Report Issued/Complete	1	4	1	6	5	9	12	15
In Progress	-	2	2	4	3	5	-	1
No Progress	-	-	-	-	1	1	-	-

3.2   The above table/Appendix A shows that reports have been issued for all twelve of the main financial systems audits. However, one of the non-main systems was still in progress as at 31 March 2010 due to other work commitments and waiting for evidence to be received from the department under review. The audit will be completed during Quarter 1 of 2010/11.

3.3   The Status Report (Appendix A) shows that there are no major variances between the revised planned time as agreed by Corporate Governance Scrutiny Committee on 28 April 2010 and the actual time recoded to each of the audit plan codes. Table B shows an analysis between the original planned chargeable, non chargeable and non available days and the actual time recorded. Chargeable days are those days spent conducting audits, non chargeable days includes areas such as audit management, administration, and attending meetings. Non available days are areas such as leave, sickness and training.

Table B: Analysis of Planned and Actual Time Recorded

	Original Planned Time	Actual Time Recorded	Variance
Non Available Days	189	275	+86
Non Chargeable Days	115	126	+11
Chargeable Days	479	380	-99
Total	**783**	**781**	**-2**

3.4   The above table shows that 99 less days than planned were spent on chargeable audits. The main reasons for this was due to more days than originally planned coded to sickness, admin, general audit management and updating the internal audit manual.

4.   LOCAL PERFORMANCE INDICATORS

4.1   Internal Audit has five key performance indicators. These are documented within the Legal and Democratic Services SMART Plan. The indicators are monitored on a monthly basis and performance is reported to the Head of Legal and Democratic Services.   Table C shows the performance against the Local Performance Indicators for 2009/10. The audit of the main systems (A/LD/01) has been achieved and the actual for the non-main systems (A/LD/02) was slightly below target due to one non-main system audit not completed by 31 March 2010. The review of the high risk National Indicators (A/LD/03) was completed in Quarter 1. No medium risk indicators (A/LD/04) were reviewed during Quarter 3 due to other work commitments. However, 10 were been selected for review during Quarter 4 and were completed by 31 March 2010.

4.2   The performance of the follow up of agreed recommendations (A/LD/05) is below the target of 80%. The indicator has not been achieved as resources have been concentrated on the completion of the main systems audits and therefore there was insufficient resources to complete the follow up testing within one month of the agreed implementation date.

Table C: Local Performance Indicators

	Qtr 1 As at 05.07.2009		Qtr 2 As at 04.10.2009		Qtr 3 As at 03.01.2010		Qtr 4 As at 31.03.10	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual
A/LD/01 Audit of Main fundamental systems to satisfaction of External Audit	8%	8%	17%	8%	50%	42%	100%	100%
A/LD/02 Audit of Non Main Fundamental Systems to satisfaction of External Audit	20%	12%	50%	27%	70%	56%	100%	94%
A/LD/03 Audit of high risk National Indicators to satisfaction of External Audit	100%	100%	-	-	-	-	-	-
A/LD/04 Audit of medium risk National Indicators to satisfaction of External Audit	-	-	5	5	5	0	5	10
A/LD/05 Follow up of agreed recommendations within one month of agreed implementation date	80%	n/a	80%	100%	80%	33%	80%	70%

5.   INTERNAL AUDIT RECOMMENDATIONS

5.1   A Reports and Recommendations Procedure was introduced from April 2009 to formalise the process of issuing Internal Audit reports, agreeing recommendations and implementation timescales and following-up of agreed recommendations to ensure recommendations have been implemented by the agreed date and testing to ensure the recommendation has been implemented satisfactorily. This procedure was introduced to raise the importance of the recommendations made. It is important that agreed Internal Audit recommendations are implemented as this helps to secure and strengthen the internal control environment. The Council may be exposed to a variety of risks if Internal Audit recommendations are not implemented within the timescales agreed by management.

5.2   Any recommendations that are disagreed by management, not implemented by the agreed date and/or not implemented to the satisfaction of Internal Audit are brought to the attention of the Corporate Leadership Team and this committee.

5.3   Internal Audit recommendations are categorised as Fundamental, Significant or Merits Attention. The definitions for each and the timescale for implementation are detailed in the table below.

Table D: Recommendation Categories

FUNDAMENTAL	Action is imperative to ensure that the objectives for the area under review are met.	**To be implemented within 6 months.**
SIGNIFICANT	Requires action to avoid exposure to significant risks in achieving the objectives for the area under review.	**To be implemented within 9 months.**
MERITS ATTENTION	Action advised to enhance control or improve operational efficiency.	**To be implemented within 12 months.**

5.4   Table E summarises the recommendations made for 2009/10 and details of implementation and follow up testing.

Table E: Summary of Recommendations

Recommendations Made:		
Fundamental	4	
Significant	32	
Merits Attention	42	
		78
Recommendations Agreed:		76
Recommendations Disagreed		2
Agreed Recommendations: Implemented by Agreed Date		56
Agreed Recommendations: Now Disagreed		1
Agreed Recommendations: Overdue		4
Agreed Recommendations: Due for Implementation – 2010/11		14
Agreed Recommendations: Due for Implementation – 2011/12		1
Follow-up Testing Completed		46
of which within one month of agreed date		32

Testing Required: Less than one month	10
Testing Satisfactory	45
Testing Unsatisfactory	1

5.5   Details of the four fundamental recommendations are detailed in Appendix B. Eight recommendations require bringing to the attention of this committee, details of the recommendations are documented in Appendix C. Four of which have been previously reported to Corporate Governance Scrutiny Committee on the 28 April 2010.

6.   OTHER WORK DURING 2009/10

6.1   During 2009/10 Internal Audit took an active role in:
- reviewing a number of the council's governance policies;
- involvement in planning the corporate governance training for officers;
- participation in the Audit Commission's National Fraud Initiative;
- organising training for our staff and staff of other Local Authorities with regard to Regulation of Investigatory Powers Act (RIPA);
- reviewing of the effectiveness of internal audit; and
- supporting the project teams in the implementation of Comensura (agency system) and the split of the IBS system to Capita and Civica

7.   REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

7.1   Each year Internal Audit is required to be assessed against the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom. A third self-assessment has now been completed and is attached as Appendix D. Table F provides a summary assessment against the Code. A revised action plan to ensure full compliance where possible with the code has been produced and is attached as Appendix E.

Table F: Summary of Overall Assessment of Internal Audit

No	Standard	Assessment	Action Plan Ref
1	Scope of Internal Audit	Partial	1 – 3
2	Independence	Achieved	4
3	Ethics of Internal Auditors	Achieved	-
4	Audit Committees	Achieved	-
5	Relationships	Achieved	4 & 5
6	Staffing, training and continuing professional development	Partial	6
7	Audit strategy and planning	Partial	7
8	Undertaking Audit work	Achieved	-
9	Due professional care	Achieved	-
10	Reporting	Partial	4 & 8
11	Performance, quality and effectiveness	Partial	4& 6

7.2 Since the first self-assessment in October 2008, Internal Audit has produced Terms of Reference, an Internal Audit Manual and an Audit Strategy for the service, updated the Anti-Fraud, Corruption and Malpractice Policy, Audit Briefing Sheet and the Annual Declaration to ensure compliance with the code. The Audit Services Manager is no longer a financial signatory which has improved the independence of the audit section and the section consulted with Service Managers when producing the quarterly work programme for 2010/11. All of these have raised the level of compliance with the CIPFA Code of Practice.

8.   OPINION OF THE OVERALL ADEQUACY AND EFFECTIVENESS OF THE ORGANISATION'S CONTROL ENVIRONMENT

8.1   Internal Audit reviews each of the twelve main financial systems each year to provide an assurance to the authority's S151 Officer. Members should note that not all systems are reviewed in full each year as some will receive a key control review only. The key controls are those controls that are fundamental in achieving the key objectives of the system. The work of Internal Audit underpins and complements the work of External Audit.

8.2   Audit conclusions are drawn from testing samples of transactions and not every transaction that occurs within each system each financial year. Appendix F provides an extract from each of the main systems internal audits reports of the conclusion and the level of assurance and summarised in Table G. Members should also note that the level of assurance given is the subjective opinion of the auditor and that in some systems the number of control weaknesses and consequent number of recommendations may be greater than in others, however the level of assurance will be dependent upon the significance of the risk arising from the control weakness.

Table G – Main Systems – Level of Assurance

System	Key Control or Full Review	Level of Assurance
Capital Accounting	Key Control	Substantial
Cash and Bank	Key Control	Substantial
Council Tax	Key Control	Substantial
Creditors	Key Control	Substantial
Housing Benefits	Key Control	Substantial
Housing Maintenance	Key Control	Substantial
Housing Rents	Key Control	Substantial
Main Accounting	Full	Substantial
Non Domestic Rates	Key Control	Substantial
Payroll	Full	Adequate
Sundry Debtors	Key Control	Adequate
Treasury Management	Key Control	Substantial

8.3 The overall level of assurance within the Council's control environment is deemed SUBSTANTIAL. It is pleasing to note that the overall level of assurance has remained at this level since last year following improvement from 'PARTIAL' in 2006/7 to 'ADEQUATE' in 2007/8 to 'SUBSTANTIAL' for 2008/9. The reasons for the increase in the level of assurance since 2006/07 include the implementation of internal audit recommendations, improvements in the access rights in a number of IT systems and the production of procedure notes.

9. FRAUDS AND INVESTIGATIONS

9.1 No major frauds or significant losses were identified during 2009/10 which is an indication that the council's systems of internal control are working in practice.

10. KEY ISSUES FOR 2010/11

10.1 The key issues for Internal Audit in 2010/11 are:
- participation in the CIPFA benchmarking club 2010;
- VFM Service Review;
- implementation of the CIPFA Code of Practice Action Plan to ensure full compliance;
- introduction of Customer Satisfaction Surveys; and
- the officer occupying the position of Internal Auditor will complete the final year of study for the Association of Accounting Technicians and if successful in the examinations, would mean all three members of the Audit team will hold a professional qualification.

INTERNAL AUDIT STATUS REPORT

Code	Description	Type	Original Planned Time	Revised Planned Time	Time Allocated as at 31/03/10	Variance	Status as at 31/03/10	Level of Assurance	Recs Made	Recs Agreed
A	**Main Systems**									
A101	Capital Accounting	Main	5.0	4.4	4.4	0.0	Final Report Issued	Substantial	1	1
A102	Cash and Bank	Main	10.0	7.1	7.1	0.0	Final Report Issued	Substantial	4	4
A103	Council Tax	Main	10.0	9.5	9.8	0.3	Draft Report Issued	Substantial	1	1
A104	Creditors	Main	10.0	9.7	9.7	0.0	Final Report Issued	Substantial	2	2
A105	Housing Benefits	Main	10.0	6.5	6.5	0.0	Final Report Issued	Substantial	-	-
A106	Housing Maintenance	Main	20.0	13.6	13.6	0.0	Final Report Issued	Substantial	2	2
A107	Housing Rents	Main	12.0	11.9	11.9	0.0	Final Report Issued	Substantial	-	-
A108	Main Accounting	Main	25.0	20.1	20.1	0.0	Draft Report Issued	Substantial	1	1
A109	Non Domestic Rates	Main	8.0	8.0	8.0	0.0	Final Report Issued	Substantial	-	-
A110	Payroll	Main	25.0	17.0	17.0	0.0	Final Report Issued	Adequate	1	1
A111	Sundry Debtors	Main	8.0	9.0	9.0	0.0	Final Report Issued	Adequate	3	3
A112	Treasury Management	Main	7.0	7.0	6.9	-0.1	Final Report Issued	Substantial	-	-
B	**Other Work Committed**									
B101	National Fraud Initiative	Non Main	10.0	9.6	9.6	0.0	Complete	-	-	-
B102	Follow up of Recommendations	Other	20.0	14.0	14.0	0.0	Complete	-	-	-
B103	Opening Debits	Non Main	6.0	6.0	5.9	-0.1	Complete	-	-	-
B104	Payroll Checks	Non Main	15.0	14.0	13.7	-0.3	Complete	-	-	-
B105	Treasury Management Recs	Non Main	6.0	10.0	10.0	0.0	Complete	-	-	-
B106	Housing Benefit Tenant Verification	Non Main	15.0	14.9	14.9	0.0	Final Report Issued	Substantial	0	-
B107a	Inventory Spot Checks	Non Main	2.0	0.0	0.0	0.0	Removed from Plan	-	-	-
B107b	Inventory Year End Certificates	Other	1.0	1.0	1.0	0.0	Complete	-	-	-
B108a	Petty Cash Spot Checks	Non Main	3.0	2.6	2.6	0.0	Complete	-	-	-
B108b	Petty Cash Year End Certificates	Other	1.0	1.0	1.0	0.0	Complete	-	-	-
B109	IT Back Up Controls	Non Main	2	2.1	2.1	0.0	Final Report Issued	Substantial	0	-
B110	Car Parking	Non Main	5.0	3.6	3.6	0.0	Final Report Issued	Substantial	3	3
B111	Benefits Enquiry Unit	Non Main	15.0	15.0	15.0	0.0	Final Report Issued	Substantial	10	10
C	**Areas Identified from Corporate Risk Register**									
C102	Risk Register – Annex 2	Non Main	2.0	0.0	0.0	0.0	Removed from Plan	-	-	-

Code	Description	Type	Original Planned Time	Revised Planned Time	Time Allocated as at 31/03/10	Variance	Status as at 31/03/10	Level of Assurance	Recs Made	Recs Agreed
C103	Business Continuity	Non Main	3.0	0.0	0.0	0.0	Removed from Plan	-	-	-
D	**Areas Identified by Internal Audit**									
D101	Hermitage Leisure Centre	Non Main	20.0	20.0	20.0	0.0	Final Report Issued	Adequate	15	15
D102	Hood Park Leisure Centre	Non Main	20.0	20.0	20.0	0.0	Final Report Issued	Adequate	9	9
D103	Waste Management	Non Main	12.0	12.0	6.7	-5.3	In Progress	-	-	-
D104	Disabled Facilities Grants	Non Main	10.0	4.7	4.8	0.1	Final Report Issued	Limited	17	15
D105	Development Control	Non Main	10.0	10.0	10.0	0.0	Final Report Issued	Adequate	7	7
D106	On/Off Street Enforcement	Non Main	10.0	0.0	0.0	0.0	Removed from Plan	-	-	-
D107	Improvement Grants	Non Main	10.0	0.0	0.0	0.0	Removed from Plan	-	-	-
D125	Commercial Lettings	-	0.0	0.8	0.8	0.0	-	-	-	-
F	**Contingencies**									
F101	Contracts	Other	10.0	7.3	7.3	0.0	-	-	-	-
F102	Fraud & Special Investigations	Other	20.0	2.0	2.0	0.0	-	-	-	-
F103	Consultancy	Other	5.0	7.0	6.9	-0.1	-	-	-	-
G	**Corporate Governance**									
G101	Audit of Annual Governance Statement	Non Main	3.0	3.2	3.2	0.0	Final Report Issued	Substantial	1	1
G102	Annual Review of System of Internal Audit	Other	2.0	4.0	3.6	-0.4	Complete	-	-	-
G103	Corporate Governance Framework	Other	7.0	8.5	8.5	0.0	-	-	-	-
G104	Audit of Risk Management Process	Other	5.0	0.0	0.0	0.0	Removed from Plan	-	-	-
G105	Performance Indicators – End of Year	Non Main	20.0	17.0	17.0	0.0	Final Report Issued	Adequate	1	1
G106	Quarterly Data Quality Checks	Non Main	6.0	6.0	6.0	0.0	Complete	-	-	-
H	**Policies & Procedures**									
H101	RIPA	Other	2.0	9.0	9.1	0.1	Complete	-	-	-
H102	Constitution	Other	2.0	0.1	0.1	0.0	-	-	-	-
H103	Anti-Fraud & Corruption	Other	2.0	2.1	2.1	0.0	Complete	-	-	-
H104	Whistleblowing Policy	Other	2.0	0.8	0.8	0.0	Complete	-	-	-
I	**Computer**									
I101	Post Implementation Review of E-Purchasing	Non Main	10.0	0.0	0.0	0.0	Removed from Plan	-	-	-

Code	Description	Type	Original Planned Time	Revised Planned Time	Time Allocated as at 31/03/10	Variance	Status as at 31/03/10	Level of Assurance	Recs Made	Recs Agreed
I107	Business Continuity Planning	Non Main	10.0	0.0	0.0	0.0	Removed from Plan	-	-	-
Z	**Other**									
Z101	Audit Planning	Other	5.0	9.2	9.2	0.0	-	-	-	-
Z102	External Audit Liaison	Other	5.0	3.7	3.7	0.0	-	-	-	-
Z103	Corporate Governance Scrutiny Committee	Other	5.0	20.0	21.1	1.1	-	-	-	-
NA	**Non-Available Days**									
NA01	Annual Leave	Other	80.0	78.5	78.5	0.0	-	-	-	-
NA02	Bank Holidays	Other	24.0	24.0	24.0	0.0	-	-	-	-
NA03	Extra Statutory Days	Other	3.0	3.0	3.0	0.0	-	-	-	-
NA04	Special Leave – Election Duties	Other	6.0	5.3	5.3	0.0	-	-	-	-
NA05	Sickness	Other	15.0	96.0	98.2	2.0	-	-	-	-
NA06	Medical Appointments	Other	3.0	5.7	5.7	0.0	-	-	-	-
NA07	Training	Other	15.0	16.0	16.0	0.0	-	-	-	-
NA08	AAT	Other	26.0	28.0	28.0	0.0	-	-	-	-
NA09	NVQ – BIT	Other	9.0	7.4	7.4	0.0	-	-	-	-
NA10	LRIP	Other	8.0	9.1	9.1	0.0	-	-	-	-
NC	**Non Chargeable Days**									
NC01	Admin	Other	30.0	41.0	41.2	0.2	-	-	-	-
NC02	General Audit Management	Other	15.0	23.0	22.8	-0.2	-	-	-	-
NC03	Audit Manual Review & Update	Other	1.0	6.9	6.6	-0.3	-	-	-	-
NC04	Audit Team Meetings	Other	15.0	4.7	4.7	0.0	-	-	-	-
NC05	Benchmarking	Other	3.0	6.3	6.3	0.0	-	-	-	-
NC06	Budget Setting/Monitoring	Other	2.0	0.8	0.8	0.0	-	-	-	-
NC07	Departmental Meetings	Other	6.0	11.0	11.9	0.9	-	-	-	-
NC08	General Staff Meetings	Other	9.0	5.1	5.1	0.0	-	-	-	-
NC09	LIAG	Other	2.0	1.3	1.3	0.0	-	-	-	-
NC10	Performance Management & Monitoring	Other	6.0	13.0	13.9	0.9	-	-	-	-
NC11	Risk Management Group	Other	6.0	0.8	0.8	0.0	-	-	-	-
NC12	SMART Plan	Other	5.0	4.0	4.0	0.0	-	-	-	-
NC13	Staff Appraisals/PADS	Other	5.0	1.5	1.5	0.0	-	-	-	-

Code	Description	Type	Original Planned Time	Revised Planned Time	Time Allocated as at 31/03/10	Variance	Status as at 31/03/10	Level of Assurance	Recs Made	Recs Agreed
NC14	Business Improvement Team Meetings	Other	10.0	1.9	1.9	0.0	-	-	-	-
NC15	Internal Audit Service Review	Other	0.0	3.5	3.3	-0.2	-	-	-	-
	Contingency	Other	10.0	0.2	0.0	-0.2	-	-	-	-
	Total		**783.0**	**783.0**	**781.6**	**-1.6**			**78**	**76**

	LEVEL	SYSTEM ADEQUACY	CONTROL APPLICATION
Positive Opinion	**Substantial Assurance**	Robust framework of controls ensures objectives are likely to be achieved.	Controls are applied continuously or with minor lapses.
Positive Opinion	**Adequate Assurance**	Sufficient framework of key controls for objectives to be achieved but, control framework could be stronger.	Controls are applied but with some lapses.
Negative Opinion	**Limited Assurance**	Risk of objectives not being achieved due to the absence of key internal controls.	Significant breakdown in the application of controls.

Fundamental Recommendations

Report No	Report Name	Rec No	Recommendation	Agreed Implementation Date	Status
09/10-2	Hermitage Leisure Centre	9	The Centre Manager should change the combination to the safe on a regular basis and again when staff involved leave the establishment (para 3.3.2)	March 2010	It has been agreed due to the cost that the safe combination will only be changed when staff involved leave the establishment. No member of staff has left the authority yet who has access to the safe combination.
09/10-5	Capital Accounting	1	The Financial Planning Manager completes the review of the asset register as soon as possible in order that the changes in the way fixed assets are measured and recorded under IFRS can be implemented (para 3.3)	December 2009	Implemented – December 2009
09/10-10	Development Control	6	All refunds should be certified by an authorised officer (para 3.5.1)	December 2009	Implemented – December 2009
09/10-17	Sundry Debtors	1	The Fair Collection and Debt Policy should be agreed, published on the website and followed at the earliest opportunity	April 2010	In Progress

RECOMMENDATIONS

Disagreed – Recommendations

Report No	Report Name	Rec No	Recommendation	Category	Comments
09/10-18	Disabled Facilities Grants	4	As part of the wider evaluation of the provision of DFG's and Aids and Adaptations, the Council will need to ensure that staff responsibilities and job descriptions clearly refer to duties in this area (para 3.1.7).	Merits Attention	Generic job descriptions and associated formal authorisations are held by all EHO staff This allows EHO staff to work across the whole spectrum of Env Health. A competency matrix is in place and which addresses training needs.
09/10-18	Disabled Facilities Grants	9	Staff should ensure that the 'Latest Approval Date' on the Progress Sheet is completed in all cases to help ensure that grant decisions are made within time. Staff should ensure that all other relevant dates on the Progress Sheet are completed (para 3.3.7).	Merits Attention	Single case found. The deadline date (latest approved date) for statutory 6 months is cited on Progress Sheet. However Progress Sheet to be reformatted to give greater significance to the deadline.

Agreed Recommendations – Now Disgreed

Report No	Report Name	Rec No	Recommendation	Category	Agreed Implementation Date	Comments
09/10-2	Hermitage Leisure Centre	14	An analysis of the vending machine income against the costs associated with the vending machines should be conducted and monitored	Merits Attention	31-Dec-09	Internal Audit were informed of the implementation of the recommendation on the 08-Jan-10. Follow-up testing on the 19-Feb-10 revealed that the recommendation was no longer feasible to implement due to level of resources required.

Agreed Recommendations – Overdue

Report No	Report Name	Rec No	Recommendation	Category	Agreed Implementation Date	Comments
09/10-1	Housing Benefit Enquiry Unit	3	The design of a document to be added to the CD for staff induction regarding fraud awareness should be produced. (Para 3.2.3	Merits Attention	March 2010	In Progress – the officer responsible has commenced maternity leave and it is unclear on what progress has been made and who has taken over responsibility if not completed.
09/10-1	Housing Benefit Enquiry Unit	9	the risk assessment for fraud referrals should be re-designed and implemented for all referrals (Para 3.4.2)	Merits Attention	March 2010	In Progress - Awaiting details from other Local Authorities who are currently re-designing their processes.
09/10-1a	Housing Benefit Enquiry Unit	2	the two Visiting Officers and the Fraud Investigators working in the BEU should be CRB checked as required by Human Resources and the review of these checks should be determined by liaison with HR. (Para 3.2.2)	Significant	March 2010	In Progress - review of the Council's policy on the CRB checking of existing staff is being undertaken as part of the safeguarding children arrangements. This will involve a review of which roles should be CRB checked and a consideration of how often re-checks should be done. The outcome of that review will apply to all employees who are subject to CRB checking including the VO's and FI's. This is work in progress for 2010/11.
09/10-18	Disabled Facilities Grants	5	In line with best practice, as demonstrated by other district councils, more formal procedural documents regarding DFG processing should be compiled at NWLDC, and these should then be formally approved by relevant management (para 3.1.8).	Merits Attention	March 2010	In Progress - DFG Improvement Plan for DFG's in progress by Adams-Integra Consultancy. Outcome will include consolidation of all Leicsestershire Local Authorities procedures for DFG. Anticipate early May 2010

Unsatisfactory Follow-up Testing

Report No	Report Name	Rec No	Recommendation	Category	Agreed Implementation Date	Comments
09/10-12	Payroll	1	The Payroll Supervisor ensures that all sickness forms received are signed by an employee and authorising officer prior to entering onto payroll.	Merits Attention	31-Dec-09	Follow-up testing of a sample of 10 claims revealed 50% of the claims had not been signed by an authorised officer. Agreed to re-test in May-10.

CHECKLIST – COMPLIANCE WITH THE CIPFA CODE OF PRACTICE FOR INTERNAL AUDIT IN LOCAL GOVERNMENT

Pleas tick to indicate Y = YES, P = PARTIAL, N = NO. Where 'partial' or 'no', you should give reasons for any non-compliance, and any compensating measures in place or actions in progress to address this.

Ref	Adherence to the Standard	Y	P	N	Evidence	Action Required	Responsible Officer	Implementation Date
1	**Scope of Internal Audit**							
1.1	**Terms of Reference**							

1.1.1	Do terms of reference:
	(a) establish the responsibilities and objectives of Internal Audit?
	(b) establish the organisation independence of Internal Audit?
	(c) Establish the accountability, reporting lines and relationships between the Head of Internal Audit and:
	    (i) those charges with governance?
	    (ii) Those parties to whom the Head of Internal Audit may report?
	(d) recognise that Internal Audit's remit extends to the entire control environment of the organisation?
	(e) identify Internal Audit's contribution to the review of the effectiveness of the control environment?
	(f) require and enable the Head of Internal Audit to deliver an annual audit opinion?
	(g) define the role of Internal Audit in any fraud-related or consultancy work (see also 1.3.2)?
	(h) explain how Internal Audit's resource requirements will be assessed?
	(i) establish Internal Audit's right of access to all records, assets, personnel and premises, including those of partner organisations, and its authority to obtain such information and explanations as it consider necessary to fulfil its responsibilities?
		✓
		✓
		
		✓
		
		✓
		
		✓
		
		✓
		
		✓
		
		✓
		
		✓
					Terms of Reference have been approved by the Corporate Governance Scrutiny Committee – 25 June 2009			

1.1.2	Does the Head of Internal Audit advise the				Terms of Reference para			

Ref	Adherence to the Standard	Y	P	N	Evidence	Action Required	Responsible Officer	Implementation Date
	organisation on the content and the need for subsequent review of the terms of reference?	✓			11.1			
1.1.3	Have the terms of reference been formally approved by the organisation?	✓			See 1.1.1			
1.1.4	Are terms of reference regularly reviewed?	✓				Review and update if necessary Terms of Reference	Audit Services Manager	June 2010
1.2	**Scope of Work**							
1.2.1	Are the organisation's assurance, risk management arrangements and monitoring mechanisms taken into account when determining Internal Audit's work and where effort should be concentrated?	✓			The audit planning process has been developed to ensure that the Audit Strategic Plan takes into account risk management arrangements and developments within corporate governance			
1.2.2	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?		✓	✓	Meeting held with Legal and Service Transformation to establish the Internal Audit arrangements for all significant partnerships on 18 Nov 2008. FPR's show Corporate Director as responsible.	Liaise with Service Transformation and Legal Services in relation to new and existing partnerships	Corporate Director / Audit Services Manager	On-going
1.3	**Other Work**							
1.3.1	Where Internal Audit undertakes consultancy and/or fraud and corruption work, does it have the skills, and resources to do this?		✓		The audit plan has contingency to allow for consultancy and fraud/corruption work.	Fraud & Corruption Training	Audit Services Manager	September 2010
1.3.2	Do the terms of reference define Internal Audit's role in: (a) fraud and corruption? (b) consultancy work?	✓ ✓			Terms of Reference para 8.1			
1.4	**Fraud Corruption**							
1.4.1	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?	✓			The authority's Anti-Fraud, Corruption Policy states that any suspected financial integrity or misuse of assets should be reported to Internal Audit.			
2	**Independence**							
2.1	**Principles of Independence**							
2.1.1	Is Internal Audit: (a) independent of the activities it audits?	✓						

Ref	Adherence to the Standard	Y	P	N	Evidence	Action Required	Responsible Officer	Implementation Date
	(b) free from any non-audit (operational) duties?	✓						
2.1.2	Where internal audit staff have been consulted during system, policy or procedure development, are they precluded from reviewing and making comments during routine or future audits?	✓			Audit Manual para 3.2			
2.2	**Organisational Independence**							
2.2.1	Does the status of Internal Audit allow it to demonstrate independence?	✓						
2.2.2.	Does the Head of Internal Audit have direct access to: (a) Officers? (b) Members?	✓ ✓						
2.2.3	Does the Head of Internal Audit report in his or her own name to Members and Officers?	✓			Under Financial Procedure Rule C.10 'The Audit Services Manager has access to, and the freedom to report in his/her name to all boards, members of officers, as he/she deems necessary.			
2.2.4	(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?	✓ ✓ ✓ ✓						
2.3	**Status of the Head of Internal Audit**							
2.3.1	Is the Head of Internal Audit managed by a member of the corporate management team?	✓			Internal Audit is managed by the Head of Legal and Democratic Services /Monitoring Officer who sits on the Corporate Leadership Team.			
2.4	**Independence of Internal Audit Contractors**							
2.4.1	Does the planning process recognise and tackle potential conflicts of interest where contractors also provide non-internal audit services?				N/A – contractors within Internal Audit do not provide non-internal audit services.	Review and update the audit manual to ensure compliance with the CIPFA Code of Practice and ensure all working	Audit Services Manager	March 2011

Ref	Adherence to the Standard	Y	P	N	Evidence	Action Required	Responsible Officer	Implementation Date
					areas are documented			
2.5	**Declaration of Interest**							
2.5.1	Do audit staff make formal declarations of interest?	✓			Internal Audit Staff are required annually to declare whether they have any business interests in companies that trade with the council or are related to anyone who receives work from the council. These are held by the Audit Services Manager.	-	-	-
2.5.2	Does the planning process take account of the declarations of interest registered by staff?	✓			Formal declarations are reviewed by the Audit Services Manager/Senior Auditor before allocating individual audits. Audit Manual – para 3.4			
3	**Ethics for Internal Auditors**							
3.1	**Purpose**							
3.1.1	Does the Head of Internal Audit regularly remind staff of their ethical responsibilities?	✓			Part of the annual declaration. Staff are reminded through involvement with the authority's Corporate Government Training and CIPFA – professional ethics.			
3.2	**Integrity**							
3.2.1	Has the internal audit team established an environment of trust and confidence?	✓						
3.2.2	Do Internal Auditors demonstrate integrity in all aspects of their work?	✓						
3.3	**Objectivity**							
3.3.1	Are internal auditors perceived as being objective and free from conflicts of interest?	✓						
3.3.2	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?	✓			Audit manual - sec 3.2			
3.3.3	Are staff rotated on regular/annually audited areas?		✓		Due to the small team, rotation of audited areas is limited. Also they can be advantages to the same person conducting an audit on a couple of consecutive occasions.			

Ref	Adherence to the Standard	Y	P	N	Evidence	Action Required	Responsible Officer	Implementation Date
3.4	**Competence**							
3.4.1	Does the Head of Internal Audit ensure that staff have sufficient knowledge of: (a) the organisation's aims, objectives, risks and governance arrangements? (b) the purpose, risks and issues of the service area? (c) the scope of each audit assignment? (d) relevant legislation and other regulatory arrangements that relate to the audit?	✓ ✓ ✓ ✓			Cascade of information from Corporate Leadership Team through Statutory Officers Group and 1-2-1's with the Head of Legal and Democratic Services. The Corporate and Service SMART Plans are available to all staff via the intranet. Corporate Governance workshops are conducted to ensure that staff are kept up to date. Research is conducted by the individual auditor before commencing an audit to ensure they have sufficient knowledge of the area.	-	-	-
3.5	**Confidentiality**							
3.5.1	Do internal audit staff understand their obligations in respect to confidentiality?	✓			Provided for in the Employee Code of Conduct and implicit in the role of Internal Audit. Included in the annual declaration.			
4	**Audit Committees**							
4.1	**Purpose of the Audit Committee**							
4.1.1	Does the organisation have an independent Audit Committee?		✓		Audit and Governance Committee			
4.2	**Internal Audit's Relationship with the Audit Committee**							
4.2.1	Is there an effective working relationship between the Audit Committee and Internal Audit?	✓			The Audit Services Manager meets with the Chair of the Audit and Governance Committee prior to each meeting and attends the meetings.			
4.2.2	Does the Committee approve the internal audit strategy and monitor progress?	✓			Corporate Governance Scrutiny Committee – 28/04/10			
4.2.3	Does the Committee approve the annual internal audit plan and monitor progress?	✓			Corporate Governance Scrutiny Committee – 28/04/10 and regular progress reports			
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	✓ ✓						

Ref	Adherence to the Standard	Y	P	N	Evidence	Action Required	Responsible Officer	Implementation Date
	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?				Attends mtgs			
	(f) present the annual internal audit report to the Committee?	✓						
4.2.5	Is there the opportunity for the Head of Internal Audit to meet privately with the Audit Committee?	✓						
5	**Relationships**							
5.1	**Principles of Good Relationships**							
5.1.1	Is there a protocol that defines the working relationship for Internal Audit with: (a) management? (b) other internal auditors? (c) external auditors? (d) other regulators and inspectors? (e) elected Members?		✓ ✓ ✓ ✓ ✓		Defined in the Employee Code of Conduct and Protocol on Member/Officer Relations	Review and update the audit manual to ensure compliance with the CIPFA Code of Practice and ensure all working areas are documented	Audit Services Manager	March 2011
5.2	**Relationships with Management**							
5.2.1	Does the Head of Internal Audit seek to maintain effective relationships between internal auditors and managers?	✓			Managers are consulted on the audit plan and on the scope of each audit in the form of an audit brief. A closure meeting is held at the end of each audit where appropriate.	-	-	-
5.2.2	Is the timing of audit work planned in conjunction with management?	✓			The 2010/11 work programme was produced in conjunction with Service Managers. Discussions are held with Service Managers to inform them of the commencement date of an audit.			
5.3	**Relationships with Other Internal Auditors**							
5.3.1	Do arrangements exist with other internal auditors that include joint working, access to working papers, respective files and confidentiality?		✓		The Audit Services Manager attends the Leicestershire Internal Audit Group on a quarterly basis. The group is made up of all the Heads of Internal Audits from the	Review the need for arrangements with other local auditors to include joint working, access to working papers, respective files and	Audit Services Manager	March 2011

Ref	Adherence to the Standard	Y	P	N	Evidence	Action Required	Responsible Officer	Implementation Date
					councils in Leicestershire. The group acts a forum to discuss best practice and consider implications within new legislation and other developments.	confidentiality		
5.4	**Relationships with External Auditors**							
5.4.1	Is it possible for Internal Audit and External Audit to rely on each other's work?	✓			Good working relationships established with external audit including joint meetings to co-ordinate Internal and External Audit Plans to ensure there is minimal duplication of work. Audit Manual para 4.2			
5.4.2	Are there regular meetings between the Head of Internal Audit and the External Audit Manager?	✓			Regular liaison and dialogue takes places as either party requires.			
5.4.3	Are the internal and external audit plans co-ordinated?	✓			See 5.4.1			
5.5	**Relationships with Other Regulators and Inspectors**							
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?	✓			Since joining the authority in January 2008, the Corporate Director has sought to establish links with the IDeA and the Audit Commission. AC now the only external inspection agency. See 5.4.1			
5.6	**Relationships with Elected Members**							
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?	✓			Defined in the Member/Officer Relations T of R sec 6			
5.6.2	Does the Head of Internal Audit maintain good working relationships with Members?	✓			The Audit Services Manager, S151 Officer and Monitoring Officer provide Members with advice when requested. ASM meets regularly with the Chairman of the Audit Cttee and attends the meetings.			
6	**Staffing, Training and Continuing Professional Development**							
6.1	**Staffing Internal Audit**							

Ref	Adherence to the Standard	Y	P	N	Evidence	Action Required	Responsible Officer	Implementation Date
6.1.1	Is Internal Audit appropriately staffed (numbers, grades, qualifications, personal attributes and experience) to achieve its objectives and comply with these standards?	✓			The Internal Audit Team consists of three members of staff. The Audit Services Manager and the Senior Auditor are qualified accountants and participate in Continuing Professional Development (CPD). See Audit Manual sec 5			
6.1.2	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?		✓		Subject to budgetary constraints			
6.1.3	Is the Head of Internal Audit professionally qualified and experienced?	✓			CIPFA qualified and undertakes CPD.			
6.1.4	Does the Head of Internal Audit have wide experience of internal audit and management?	✓			The Audit Services Manager has over 20 years experience of working within Internal Audit and the last 10 years have been at management level.			
6.1.5	(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?	✓ ✓			Job descriptions and personal specifications are revised when there is a vacancy.			
6.2	**Training and Continuing Professional Development**							
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? (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?	✓ ✓ ✓	✓		Job Descriptions and Personal Specifications define the required skills and competencies for each level of auditor. Performance Related Pay work group targets assess the audit team against pre-determined targets. Regular performance and development appraisals (PADS) are in place.	Review each member of staff against the CIPFA guidance on Internal Auditor Competence	Audit Services Manager	March 2011

Ref	Adherence to the Standard	Y	P	N	Evidence	Action Required	Responsible Officer	Implementation Date
6.2.2	Do individual auditors maintain a record of their professional training and development activities?	✓			Each auditor maintains a record of their professional training and development activities as part of their CPD requirements.			
7	**Audit Strategy and Planning**							
7.1	**Audit Strategy**							
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?	✓ ✓			Approved by CGSG 28/04/10			
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 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?	✓ ✓ ✓ ✓ ✓			Para 8 Para 2			
7.1.3	Has the strategy been approved by the Audit Committee?	✓			CGSC 28/04/10			
7.2	**Audit Planning**							
7.2.1	Is there a risk-based plan that is informed by the organisation's risk management, performance management and other assurance processes?		✓		Internal Audit has a 5-year Strategic Audit Plan.	Ensure that the Internal Audit Annual Plan for 2011/12 is risk based.	Audit Services Manager	March 2011
7.2.2	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?	✓			Effective risk management process in place at the authority			
7.2.3	Are stakeholders consulted on the audit plan?	✓			Consultation took place with Directors and Head of Service during the development of the 5 year strategic plan.			
7.2.4	Does the plan demonstrate a clear understanding of the organisation's functions?	✓			The 5-year plan covers the majority of the council's functions.			

Ref	Adherence to the Standard	Y	P	N	Evidence	Action Required	Responsible Officer	Implementation Date
7.2.5	Does the plan: (a) cover a fixed period of no longer than one year? (b) outline the assignments to be carried out? (c) prioritise assignments? (d) estimate the resources required? (e) differentiate between assurance and other work? (f) allow a degree of flexibility?	✓ ✓ ✓ ✓ ✓ ✓			The Internal Audit Plan is a 5-year plan split into individual years. The plan outlines the assignments to be carried out in each of the 5 years with an estimate of the number of days required. The Main Systems audits are the priority for Internal Audit. The differention of assurance and other work is held in a separate file (EXCEL – NC -05). A contingency is included within the audit plan.			
7.2.6	If there is an imbalance between the resources available and resources needed to deliver the plan, is the Audit Committee informed of proposed solutions?	✓			Available resources are assessed first and then allocated on a risk management basis. Plan approved by CGSC in Apr 10.			
7.2.7	Has the plan been approved by the audit committee?	✓			5 year strategic plan approved by the CGSC in Apr 09			
7.2.8	If significant matters arise that jeopardise the delivery of the plan, are these addressed and reported to the Audit Committee?	✓			Progress reports to Audit and Governance Committee			
8	**Undertaking Audit Work**							
8.1	**Planning**							
8.1.1	(a) Is a brief prepared for each audit? (b) Is the brief discussed and agreed with the relevant managers?	✓ ✓			A pre-audit meeting is held with the Service Managers to discuss the scope of the audit assignment. A standard Audit Assignment Brief is produced which the Service Manager signs up to.			
8.1.2	Does the brief set out: (a) objectives? (b) scope? (c) timing? (d) resources? (e) reporting requirements?	✓ ✓ ✓ ✓ ✓						
8.2	**Approach**							

Ref	Adherence to the Standard	Y	P	N	Evidence	Action Required	Responsible Officer	Implementation Date
8.2.1	Is a risk-based audit approach used?	✓			Each system is audited against its principal risks and the adequacy of the key controls in place designed to mitigate such risks.			
8.2.2	Does the audit approach show when management should be informed of interim findings where key (serious) issues have arisen?	✓			Feedback is provided throughout the audit and significant issues would be discussed at an appropriate level when they arise. Audit Manual 7.2			
8.2.3	Does the audit approach include a quality review process for each audit?	✓			Audit files are reviewed by either the Audit Services Manager or the Senior Auditor. Audit Manual - Para 8.2	`		
8.3	**Recording Audit Assignments**							
8.3.1	Has the Head of Internal Audit defined a standard for audit documentation and working papers?	✓			Standard formats are used for Audit Reports, working papers and files. Audit Manual – Appendix			
8.3.2	Do quality reviews ensure that the defined standard is followed consistently for all audit work?	✓			There is a defined standard for all audit files.			
8.3.3	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?	✓ ✓ ✓			Work is undertaken against pre-determined tests and results are recorded against these tests.			
8.3.4	Is there a defined policy for the retention of all audit documentation, both paper and electronic?	✓			All audit files are kept for two years after the end of the financial year in which the audit took place. Audit Manual -para 8.2			
8.3.5	Do all retention and access policies conform to appropriate legislation, i.e. Data Protection Act, Freedom of Information Act, etc. and any organisational requirements?	✓						

Ref	Adherence to the Standard	Y	P	N	Evidence	Action Required	Responsible Officer	Implementation Date
8.3.6	Is there an access policy for audit files and records?	✓			All files are stored in locked cupboards with access limited to Audit Staff. Only External Audit have access to files outside of the section and other access is granted at the discretion of the Audit Services Manager. Only audit staff can access electronic files and confidential files are password protected. AM – para 7.7			
9	**Due Professional Care**							
9.1	**Responsibilities of the Individual Auditor**							
9.1.1	Are there documents that set out the requirements on all audit staff in terms of: (a) being fair and not allowing prejudice or bias to override objectivity? (b) declaring interests that could be perceived to be conflicting or could potentially lead to conflict? (c) receiving and giving gifts and hospitality from employees, clients, suppliers or third parties? (d) using all reasonable care in obtaining sufficient, relevant and reliable evidence on which to base conclusions? (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? (f) having sufficient knowledge to identify indicators that fraud or corruption may have been committed? (g) disclosing all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice? (h) disclosing any non-compliance with these standards? (i) not using information they gain in the course of their duties for personal use?	✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓			The responsibilities and requirements are enshrined within: CIPFA Professional Standards, CIPFA Code of Practice for Internal Audit, Employee Code of Conduct and Member/Officer Protocol			
9.2	**Responsibilities of the Head of Internal Audit**							

Ref	Adherence to the Standard	Y	P	N	Evidence	Action Required	Responsible Officer	Implementation Date
9.2.1	Has the Head of Internal Audit established a monitoring and review programme to ensure that due professional care is achieved and maintained?	✓			Review of Audit files by Audit Services Manager/Senior Auditor. Audit Manual para 7.2. File review held on individual files.			
9.2.2	Are there systems in place for individual auditors to disclose any suspicions of fraud, corruption or improper conduct?	✓			In general, such suspicions would be discussed directly with the Audit Services Manager. However, the Auditor has the option via the confidential reporting system (Whistleblowing Policy) operated by the council.			
10	**Reporting**							
10.1	**Principles of Reporting**							
10.1.1	Is an opinion on the control environment and risk exposure given in each audit report?	✓			An assurance opinion is given based on the findings of the audit review and the recommendations are prioritised in terms of risk. Audit Manual App 6			
10.1.2	Has the Head of Internal Audit determined the way in which Internal Audit will report?	✓			Standard templates are used for audit reports which are sometimes adapted to suit the specific purpose or nature of the review. Audit Manual para 8.4 & Appendix			
10.1.3	Had the Head of Internal Audit set out the standards for internal audit reporting?	✓			See 10.1.2			
10.1.4	Are there laid-down timescales for reports to be issued?	✓			In practice, the aim is to issue the draft report within 10 days of completing the audit fieldwork. AM para 8.3			
10.2	**Reporting on Audit Work**							

Ref	Adherence to the Standard	Y	P	N	Evidence	Action Required	Responsible Officer	Implementation Date
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?	✓ ✓ ✓	✓ ✓ ✓		Not all documented as such. Standard format for Audit report and recommendation sheets. Scope & Purpose are covered at the audit briefing meeting with the Service Manager Audit Manual - para 9.1 Closure meetings are held to discuss the report. Internal Audit have standard timescales for implementation of recommendations. See Audit Manual.	Review and update the audit manual to ensure compliance with the CIPFA Code of Practice and ensure all working areas are documented	Audit Services Manager	March 2011
10.2.2	Does the audit reporting process include discussion and agreement of reports?	✓			Reports are issued in draft to enable Service Managers and Heads of Services on opportunity to agree/disagree with the Internal Audit Report. Closure meetings are held to discuss the report.			
10.2.3	Has the Head of Internal Audit determined a process for prioritising recommendations according to risk?	✓			Internal Audit have a standard timescales and definitions for the implementation of recommendations. See Audit Manual			
10.2.4	Are areas of disagreement recorded appropriately?	✓			Areas of disagreement are recorded on the 'Summary of Recommendation' sheet and closure sheet and are kept within the audit file.			
10.2.5	Are those weaknesses giving rise to significant risk that are not agreed drawn to the attention to senior management?	✓			All reports, once finalised, are copied to the relevant director, S151 Officer and Monitoring Officer. Procedure included in AM.			
10.2.6	Is the circulation of each audit report determined when preparing the audit brief?	✓			See 10.2.5 & Audit Assignment Brief			

Ref	Adherence to the Standard	Y	P	N	Evidence	Action Required	Responsible Officer	Implementation Date
10.2.7	(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?	✓ ✓			See 10.2.5			
10.2.8	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?	✓ ✓			Regular reports to Audit and Governance Committee Audit reports include that recommendations may affect risk registers			
10.3	**Follow-up Audits and Reporting**							
10.3.1	Has the Head of Internal Audit defined the need for and the forum of any follow-up action?	✓			Reports and recommendation procedure. Regular reports to Audit and Governance Committee			
10.3.2	Has the Head of Internal Audit established appropriate escalation procedures for internal audit recommendations not implemented by the agreed date?	✓			At each audit review, previous recommendations are reviewed and any recommendations that have been failed to be implemented by the agreed date are reported. Regular reports to Audit and Governance Committee			
10.3.3	Where appropriate, is a revised opinion given following a follow-up audit and reported to management?		✓		Revised opinion at next audit review			
10.3.4	Are the findings of audits and follow-ups used to inform the planning of future audit work?		✓		See 10.3.2			
10.4	**Annual Reporting and Presentation of Audit Opinion**							
10.4.1	Does the Head of Internal Audit provide an annual report to support the Statement on Internal Control (now Annual Governance Statement)	✓			Latest report 09/10 - 6			

Ref	Adherence to the Standard	Y	P	N	Evidence	Action Required	Responsible Officer	Implementation Date
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 as 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 Statement on Internal Control? (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?	✓ ✓ ✓ ✓ ✓		 ✓	The Audit Services Manager's report provides an overall level of assurance for the authority's key financial systems. The conclusions and number of recommendations for the key financial systems are documented in the report. The performance against the audit plan is also reported. CGSC 25/6/09	To include in the annual report the results of the internal audit quality assurance programme	Audit Services Manager	May 2011
10.4.3	Has the Head of Internal Audit made provision for interim reporting to the organisation during the year?	✓			Regular reports to Audit and Governance Committee			
11	**Performance, Quality and Effectiveness**							
11.1	**Principles of Performance, Quality and Effectiveness**							
11.1.1	Is there an audit manual?	✓			Held electronically – Standard Audit Files NC - 03			
11.1.2	Does the audit manual provide guidance on: (a) carrying out day-to-day audit work? (b) complying with the Code?	 ✓ ✓			 Sec 7 Sec 2			
11.1.3	Is the audit manual reviewed regularly and updated to reflect changes in working practices and standards?	✓			Sec 1.2			
11.1.4	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?	 ✓ ✓			Performance and development appraisals (PADS) have taken place. The section has been reviewed against the CIPFA Code of Practice to assess the internal audit service as a whole			
11.2	**Quality Assurance of Audit Work**							

Ref	Adherence to the Standard	Y	P	N	Evidence	Action Required	Responsible Officer	Implementation Date
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?		✓			Review each member of staff against the CIPFA guidance on Internal Auditor Competence	Audit Services Manager	March 2011
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?	✓			The Audit Services Manager/Senior Auditor will review the audit brief and at the end of the audit will review the file and audit report. Progress on the audit will be monitored through informal discussions on a weekly basis. Audit Planning and Monitoring sheet included in AM – App 3			
11.2.3	Does the supervisory process cover: (a) monitoring progress? (b) assessing quality of audit work? (c) coaching staff?	✓ ✓	✓			Review and update the audit manual to ensure compliance with the CIPFA Code of Practice and ensure all working areas are documented	Audit Services Manager	March 2011
11.3	**Performance and Effectiveness of the Internal Audit Service**							
11.3.1	Does the Head of Internal Audit have a performance management and quality assurance programme in place?		✓		A set of performance targets are produced annually as part of the Services' SMART Plan and monitored by TEN software. Monthly progress meetings are held between the ASM, Senior Auditor and the Head of Legal and Democratic Services and Members. All audit staff record their time against an audit code within the Audit Plan Time Recording System. Progress against the audit plan is monitored within the section. Third review of the section against the CIPFA Code of Practice. PADS in place.	Review and update the audit manual to ensure compliance with the CIPFA Code of Practice and ensure all working areas are documented	Audit Services Manager	March 2011

Ref	Adherence to the Standard	Y	P	N	Evidence	Action Required	Responsible Officer	Implementation Date
11.3.2	Does the performance management and quality assurance framework include as a minimum: (a) a comprehensive set of targets to measure performance: (i) which are developed in consultation with appropriate parties? (ii) Which are included in Service Level Agreements, where appropriate? (iii) Against which the Head of Internal Audit measures, monitors and reports appropriately on progress? (b) user feedback obtained for each individual audit and periodically for the whole service? (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? (d) Internal quality reviews to be undertaken periodically to ensure compliance with this Code and the audit manual? (e) an action plan to implement improvements?	✔	✔ ✔ ✔	✔	See 11.3.1	Review and update the audit manual to ensure compliance with the CIPFA Code of Practice and ensure all working areas are documented	Audit Services Manager	March 2011
11.3.3	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?		✔		Year on year comparison of the section's local indicators is undertaken by the Audit Services Manager as part of the SMART planning process.	Review and update the audit manual to ensure compliance with the CIPFA Code of Practice and ensure all working areas are documented	Audit Services Manager	March 2011
11.3.4	Do the results of the performance management and quality assurance programme evidence that the internal audit service is: (a) meetings its aims and objectives? (b) compliant with the Code? (c) meeting internal quality standards? (d) effective, efficient, continuously improving? (e) adding value and assisting the organisation in achieving its objectives?		✔ ✔ ✔ ✔ ✔			Review and update the audit manual to ensure compliance with the CIPFA Code of Practice and ensure all working areas are documented	Audit Services Manager	March 2011
11.3.5	Does the Head of Internal Audit report on the results of the performance management and quality assurance programme in the annual audit report?		✔			Review and update the audit manual to ensure compliance with the CIPFA Code of Practice and ensure all working areas are documented	Audit Services Manager	March 2011

Ref	Adherence to the Standard	Y	P	N	Evidence	Action Required	Responsible Officer	Implementation Date
11.3.6	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?			✓		Review and update the audit manual to ensure compliance with the CIPFA Code of Practice and ensure all working areas are documented	Audit Services Manager	March 2011

ACTION PLAN TO ENSURE COMPLIANCE WITH THE CIPFA CODE OF PRACTICE

Action Ref No	Action	Cross Ref to Checklist	Responsible Officer	Implementation Date
1	Review and update if necessary the Audit Terms of Reference	1.1.4	Audit Services Manager	June 2010
2	Liaise with Service Transformation and Legal Services in relation to new and existing partnerships	1.2.2	Corporate Director Audit Services Manager	Ongoing
3	Fraud and Corruption Training	1.3.1	Audit Services Manager	Sept 2010
4	Review and update the audit manual to ensure compliance with the CIPFA Code of Practice and ensure all working areas are documented	2.4.1 5.1.1 10.2.1 11.2.1 11.2.3 11.3.1-6	Audit Services Manager	March 2011
5	Review the need for arrangements with other local auditors to include joint working, access to working papers, respective files and confidentiality	5.3.1	Audit Services Manager	March 2011
6	Review each member of staff against the CIPFA Guidance on Internal Auditor Competence	6.2.1 11.2.1	Audit Services Manager	March 2011
7	Ensure that the Internal Audit Plan 2011/12 is risk based informed by the organisation's risk management, performance management and other assurances processes	7.2.1	Audit Services Manager	March 2011
8	To include with the Head of Internal Audit's annual report: - communicate the results of the internal audit quality assurance programme	10.4.2	Audit Services Manager	May 2011

Main Systems Audit Report – Extract of Conclusions

Capital Accounting - Report No 09/10-5

4.1   Overall the systems of control within the capital accounting / assets system appear to be operating effectively.

4.2   The Asset Register is dated in some aspects but the Financial Planning Manager is in the process of updating this in order to comply with International Financial Reporting Standards (IFRS).

        Level of Assurance: Substantial

Cash and Bank – Report No 09/10-19

4.1   The audit has concluded that there are sound systems in place for the receipt of payments. Since the closure of the cash office new systems and measures have been found to be satisfactory and the level of assurance awarded is substantial to reflect this.

        Level of Assurance: Substantial

Council Tax – Report No 09/10-22

4.1   Appropriate key controls are in place and working properly to ensure the integrity of the Council Tax system.

        Level of Assurance: Substantial

Creditors – Report No 09/10-11

4.1   From the testing carried out the creditors system appears to be   running effectively. The main issues arising from the audit relate to the   security of the safe and strong rooms keys.

        Level of Assurance: Substantial

Housing Benefits – Report No 09/10–13

4.1   This audit has been limited and has only involved the testing of the key controls however, all testing carried out has proved satisfactory and there has been no cause for concern or areas of weakness highlighted.

4.2   The Benefits Assessment Officers appear competent in obtaining the required information from claimants prior to processing their claims. Claims are processed efficiently and any delays were found to be due to the claimants in the late submission of supporting documentation requested by the assessment officers.

4.3 Case files were found to be satisfactory, containing application forms or data from the Jobcentreplus office in order to process the application. Certified copies of supporting documentation and proof of identity were on file. All documentation was stamped upon receipt of the Benefits Department.

4.4 Overall, from the testing carried out the Benefits Section was found to be operating efficiently and effectively therefore the level of assurance awarded is substantial.

Level of Assurance: Substantial

Housing Maintenance – Report No 09/10-9

4.1 There has been improvement in the internal control environment which, with the associated benefit of accurate and timely management information, should facilitate the continuing improvement in the cost effectiveness of the service.

4.2 Whilst target times for 2 of the 3 work categories were not achieved for quarter 1, these were only slightly below those targets.

4.3 It is pleasing to report that the level of compliance with procedures on rechargeable works has significantly improved since the last audit.

Level of Assurance: Substantial

Housing Rents – Report No 09/10-21

4.1 The Housing Rents Department continue to run effectively. This audit highlighted the need for an updated set of procedure manuals to be produced for the offices which has already been scheduled for 2010/11.

4.2 The targets that are set for the collection of rent have had to be re-profiled mid-way through the year for the past two years but this was due to factors such as a rent increase and the recession.

4.3 The successful change to the Capita system has been completed and access permissions found to be satisfactory.

Level of Assurance: Substantial

Main Accounting - Report No 09/10-15

4.1 The review of the FMS system controls has identified that these are working well overall. However, as in previous reviews of the system it is not possible to test the detailed access controls to the system. However, access to the FMS is restricted to 'read only'.

Level of Assurance: Substantial

<u>Non Domestic Rates – Report No 09/10-16</u>

4.1   Overall the management controls within the NDR system are operating effectively to prevent the main risks identified within the system from occurring. The main weaknesses within the system is the lack of resources to follow up defaulted special arrangements and the Cashiers User Groups having access to create, update and delete Special Arrangements.

        Level of Assurance: Substantial

<u>Payroll – Report No 09/10-12</u>

4.1   The running of Payroll has improved during the course of the year following the implementation of the previous recommendations made during the 2008/9 audit. Data tested was accurately input onto the system and paper work was correctly authorised and marked when entered.

4.2   Following entry, the paper work is filed securely in properly marked files and stored satisfactorily which allows documents required to be easily located.

4.3   The Payroll supervisor seeks proper authority prior to updating records and is continuously informing staff of these requirements including the cut-off dates for claims for overtime, travelling, training fees etc. The Payroll Supervisor and the Exchequer Services Manager are well experienced members of staff. There are mechanisms in place should errors occur, such as exception reports and thorough cross checks and these have proved useful in the past in presenting errors which have immediately been amended.

4.4   During the audit the only recommendation has been regarding the authorisation of sickness forms received from line Managers. There were two cases where the document was only signed by 1 member of staff and not the two required. This is a minor finding and does not reflect normal practice which overall has been found to be robust with positive improvements however, the level of assurance awarded remains 'Adequate' due to the inability of being able to test access controls of the SELIMA system at present.

        Level of Assurance: Adequate

<u>Sundry Debtors – Report No 09/10-17</u>

4.1   Procedure notes for the debtors system have now been produced following the previous audit. The policy on fair debt recovery is still not in place and recovery action is not being logged at all times.

4.2   Generally it seems that functions are carried out but not always in accordance to procedures for example, debt recovery is carried out but not always within specified timescales such as a first reminder letter at 14 days. Reconciliations and performance reporting, downloads and imports are all conducted in a timely manor, the issues raised during this audit are focused around the collection of debts and the updating of the debtors' system.

4.3   The debtors system is extremely manual and labour intensive. The system is unable to comply with separation of duties as access to raise invoices also permits access to create credits which gives cause for concern. The system user access controls will be tested as part of the full audit of the Financial Management System.

Level of Assurance: Adequate

Treasury Management Report No 09/10-20

4.1   The main weakness identified within the areas reviewed relate to the Fidelity Insurance Guarantee policy and the failure to inform the insurance company of the change of designated officers and the lack of high level insurance cover for the Senior Accountant. These weaknesses have now been addressed. The remaining management controls with the treasury management system are adequate and are operating effectively to prevent the main risk within the system from occurring.

Level of Assurance: Substantial

OUR VISION
North West Leicestershire will be a place where people and
businesses feel they belong and are proud to call home