



Governance & Audit Committee – 15 July 2015

Welland Internal Audit Consortium – Annual Internal Audit Report & Opinion 2014/15

Purpose of report:

This report provides a copy of the Annual Report for 2014/15, which contains the annual opinion on the Council's control environment and the basis for this opinion for the Committee's attention.

Appendix A: Internal Audit Annual Report 2014/15

1.0 Background

1.1 The Public Sector Internal Audit Standards (the Standards) require the Head of Internal Audit to provide an annual Internal Audit report and opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment) that can be used by the organisation to inform its Annual Governance Statement.

2.0 Internal Audit Opinion

2.1 Based upon the work undertaken by Internal Audit during 2014/15, the Head of Internal Audit's overall opinion on the Council's control environment is that Sufficient Assurance can be given that there is generally a sound system of internal control, designed to meet the organisation's objectives, and that controls are generally operating effectively in practice. However, no systems of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

2.2 Appendix A to this report provides a copy of the Annual Report, which includes the Head of Internal Audit's opinion on the Council's control framework for 2014/15 and the basis for this opinion.

3.0 Internal Audit Performance

3.1 The report includes details of the delivery of the Internal Audit Plan for 2014/15 and achievement of the service's performance indicators. The team has delivered 100% of the assignments from the Internal Audit Plan for 2014/15. A summary of the key findings from each assignment is provided within the Annual Report.

3.2 Included within the report is an assessment of the Internal Audit service against the Public Sector Internal Audit Standards. This concludes that the Internal Audit Consortium operates in general conformance with the Standards.

4.0 Equality and Diversity Implications

4.1 There are no equality and diversity implications arising from the report.

5.0 Legal Implications

5.1 There are no legal implications arising from the report.

6.0 Risk Management

6.1 The Annual Internal Audit report forms part of the evidence that supports the Council's Annual Governance Statement and provides assurance over the adequacy and effectiveness of the Council's internal controls to manage the key risks and inform risk management arrangements.

7.0 Financial Implications

7.1 There are no financial implications arising from the report

8.0 Corporate Outcomes

8.1 Effective Management - The Annual Audit Plan is designed to provide Members with assurance as to the effective management of the Council's most significant risks.

9.0 Recommendations

9.1 (1) The committee receives and notes the Annual Internal Audit Report and Assurance Opinion for 2014/15.

(Reason – To demonstrate that the committee is discharging its responsibilities in conformance with the Public Sector Internal Audit Standards).

Legal	Power: It is a statutory requirement for Councils to have an Internal Audit function in accordance with the Local Government Act 1972.				
	Other considerations: Internal audit and the "Audit Committee" should also conform to the relevant professional guidance – the Public Sector Internal Audit Standards.				
Background Papers: None					
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Date: 15 th July 2015					
CFO		MO		CX	

(Committee Report Normal Rev. 22)



EAST NORTHAMPTONSHIRE COUNCIL

INTERNAL AUDIT ANNUAL REPORT

2014/15

Date: July 2015

1. Background

1.1 The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to provide an annual Internal Audit opinion and report that can be used by the organisation to inform its governance statement. The Standards specify that the report must contain:

- an Internal Audit opinion on the overall adequacy and effectiveness of the council's governance, risk and control framework (i.e. the control environment);
- a summary of the audit work from which the opinion is derived and any work by other assurance providers upon which reliance is placed; and
- a statement on the extent of conformance with the Standards including progress against the improvement plan resulting from any external assessments.

2. Head of Internal Audit Opinion 2014/15

2.1 This report provides a summary of the work carried out by the Internal Audit service during the financial year 2014/15 and the results of these assignments. Based upon the work undertaken by Internal Audit during the year, the Head of Internal Audit's overall opinion on the council's system of internal control is that:

Sufficient Assurance can be given that there is generally a sound system of internal control, designed to meet the organisation's objectives and that controls are generally operating effectively in practice. The level of assurance, therefore, remains at a consistent level from 2013/14.

Controls relating to those key financial systems which were reviewed during the year were concluded to be generally at a level of at least Sufficient Assurance.

Overall, there has also been an increase in the proportion of audits where Substantial Assurance was assigned and a reduction in the number of reports giving Limited Assurance opinions, compared with 2013/14.

The progress made by management in implementing the actions arising from 2014/15 audit reports has been generally satisfactory, with 62% of those actions due for implementation being completed as agreed and reasons supplied where revised dates have been set.

No systems of controls can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

The basis for this opinion is derived from an assessment of the range of individual opinions arising from assignments from the risk-based Internal Audit plan that have been undertaken throughout the year. This assessment has taken account of the

relative materiality of these areas and management’s progress in respect of addressing any control weaknesses. A summary of Audit Opinions is shown in Table 1:

Table 1 – Summary of Audit Opinions 2014/15:

Area	Substantial	Sufficient	Limited	No
Financial Systems	6	2	0	0
IT	0	1	0	0
Fraud Risks	0	1	0	0
Service Delivery	1	2	1	0
Governance	0	3	0	0
Total	7	9	1	0
Summary	41%	53%	6%	0%
with 13/14 Comparison	(38%)	(44%)	(18%)	(0%)

3. Review of Audit Coverage

3.1 Audit Opinion on Individual Audits

3.1.1 The Committee is reminded that the following assurance opinions can be assigned:

Table 2 – Assurance Categories:

Level of Assurance	Definition
Substantial	There is a robust framework of controls making it likely that service objectives will be delivered. Controls are applied continuously and consistently with only infrequent minor lapses.
Sufficient	The control framework includes key controls that promote the delivery of service objectives. Controls are applied but there are lapses and/or inconsistencies.
Limited	There is a risk that objectives will not be achieved due to the absence of key internal controls. There have been significant and extensive breakdowns in the application of key controls.
No	There is an absence of basic controls resulting in inability to deliver service objectives. The fundamental controls are not being operated or complied with.

3.1.2 Audit reports issued in 2014/15, other than those relating to consultancy support, resulted in the provision of one of the above audit opinions. All individual reports represented in this Annual Report are final reports, with the exception of the Shared Services and Partnership Arrangements report, and as such, the findings have been agreed with management, together with the accompanying action plans.

3.1.3 The draft report on Shared Services and Partnership Arrangements was issued in February 2015 and the findings are summarised in Appendix 1. Management responses have not yet been received. Internal Audit will finalise the report as soon as these responses are received and an action plan to address the issues is agreed.

3.2 Summary of Audit Work

3.2.1 Table 3 details the assurance levels resulting from all audits undertaken in 2014/15 and the date of the committee meeting at which a summary of the report was presented.

3.2.2 All assignments have been delivered in accordance with the agreed Audit Planning Records and provide assurance in relation to the areas included in the specified scope.

Table 3 – Summary of Audit Opinions 2014/15:

Audit Area	Audit Opinion	Committee Date
Financial		
Main Accounting	Sufficient	July 2015
Fixed Assets	Substantial	February 2015
Creditors	Substantial	March 2015
Debtors	Substantial	March 2015
Budgeting and Budgetary Control	Substantial	July 2015
Treasury Management	Substantial	July 2015
Medium Term Financial Planning	Substantial	February 2015
Payroll	Sufficient	February 2015
IT		
Internet and Website	Sufficient	December 2014
Fraud Risks		
Council Tax and NDR Fraud	Sufficient	July 2015

Audit Area	Audit Opinion	Committee Date
Service Delivery		
Fees and Charges	Limited	July 2015
Licensing Partnership - Follow Up Review	Sufficient	September 2014
Land Charges	Sufficient	December 2014
Individual Voter Registration	Substantial	July 2015
Governance		
Staffing Pay and Benefits	N/A Consultancy review	December 2014
Shared Services and Partnership Arrangements (Draft report)	Sufficient	July 2015
Corporate Fraud	N/A Consultancy review	February 2015
Projects and Transformation	N/A Consultancy review	N/A
New Risk Management System	Sufficient	July 2015
Member Empowerment Fund	Sufficient	July 2014

3.2.2 Outlined in Appendix 1 is a summary of each of the audits finalised during the year. The Committee should note that the majority of the key findings have previously been reported as part of the defined cycle of update reports provided to the Governance and Audit Committee.

3.3 Implementation of Internal Audit Recommendations

3.3.1 Internal Audit follow up on progress made against all recommendations arising from completed assignments to ensure that they have been fully and promptly implemented. The council's quarterly Performance Clinics provide a forum for obtaining updates from all service areas on implementation of actions from Internal Audit reports and the outcomes are used to update the Internal Audit records and reporting. Details of the implementation rate for audit recommendations made during 2014/15 are provided in Table 4.

Table 4 - Implementation of Audit Recommendations 2014/15:

	Category 'High' recommendation	Category 'Medium' recommendations	Category 'Low' recommendations	Total
Agreed and implemented	0	6	2	8 (20%)
Agreed and not yet due for implementation	6	13	9	28 (68%)
Agreed and due within last 3 months, but not implemented	1	0	2	3 (7%)
Agreed and due over 3 months ago, but not implemented	0	1	1	2 (5%)
TOTAL	7	20	14	41 (100%)

2.6.2 In addition to those recommendations agreed during this year, one recommendation also remains overdue from an audit report issued in 2013/14. A summary of all overdue recommendations is shown in Table 5:

Table 5 - Summary of Overdue Recommendations as at 31st March 2015

Audit Title	Audit year	High		Medium		Low	
		Over 3 months overdue	Under 3 months overdue	Over 3 months overdue	Under 3 months overdue	Over 3 months overdue	Under 3 months overdue
Land Charges	14/15			1			
IT Websites	14/15					1	
Data Management	13/14			1			
Totals		0	0	2	0	1	0

2.6.3 The level of implementation is reported to the Governance and Audit Committee throughout the year. The content of the Progress Reports is also being reviewed for 2015/16 to ensure that these provide members of the Committee with further details on the implementation of actions.

3. Internal Audit Contribution

3.1 It is important that Internal Audit demonstrates its value to the organisation. The service provides assurance to management and members via its programme of work and also offers support and advice to assist the council in new areas of work.

3.2 Delivery of 2014/15 Audit Plan

The Council commissioned 230 days from the Internal Audit Consortium to deliver the 2014/15 Audit Plan.

By 31st March 2015, the team had delivered **90%** of the assignments within the Audit Plan to at least draft report stage, against a target of at least 90%.

The team delivered a total of **203** days to East Northamptonshire Council during 2014/15. This involved delivery of the current year Audit Plan, client liaison, support, reporting and training for the Governance and Audit Committee and the completion of assignments from the 2013/14 Audit Plan. Management requested that Internal Audit delay commencing work on two of the audit assignments from the Plan until late March 2015 and April 2015, to enable the audits to deliver the maximum value to the council. As such, this reduced the number of days and percentage completion at the end of March 2015. Both assignments have since been delivered.

3.3 Internal Audit Contribution in Wider Areas

Key additional areas of Internal Audit contribution to the council in 2014/15 are set out in Table 6:

Table 6 – Internal Audit Contribution

Area of Activity	Benefit to the Council
Maintaining good working relationships with External Audit so that Internal Audit work can be relied upon for the purposes of assisting them in forming their opinion on the Annual Accounts.	Reduce audit burden, saving costs.
Assistance with development of Counter Fraud Strategy and sharing of best practice.	To assist the council is developing a robust Counter Fraud Strategy and embed detective and preventative controls.

Area of Activity	Benefit to the Council
Provision of training to members of the Governance & Audit Committee.	The Governance & Audit Committee is more effective in its role as an assurance provider.

4. Performance Indicators

4.1 Internal Audit maintains several key performance indicators (KPIs) to enable ongoing monitoring by the Welland Internal Audit Board and committees. Outturns against these indicators in relation to work delivered for East Northamptonshire Council are provided in Table 7:

Table 7 – Internal Audit KPIs 2014/15

Indicator description	Target	Actual
Delivery of the agreed annual Internal Audit Plan – Audit Days	230	203
Delivery of the agreed annual Internal Audit Plan to at least draft report stage by 31 st March 2015	90%	90%
Customer Feedback – rating on a scale of 1 to 4 (average) Where: 1 = Poor, 2 = Satisfactory, 3 = Good and 4 = Outstanding	3.6	3.6

5. Professional Standards

5.1 The Public Sector Internal Audit Standards (PSIAS) were adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA) from April 2013. The standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector.

5.2 The objectives of the PSIAS are to:

- Define the nature of internal auditing within the UK public sector;
- Set basic principles for carrying out internal audit in the UK public sector;
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and

- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

5.3 A detailed self-assessment against the PSIAS has been completed by the Head of Internal Audit, a copy of which is provided in Appendix 2. The outcome of the assessment was that the Internal Audit service is operating in general **compliance** with the Standards.

The Head of Internal Audit is keen to drive ongoing, continuous development to ensure the value of the service is maximised. One specific area for further development has been identified from the assessment, in relation to reviewing and strengthening the content of the Progress Reports presented to Audit Committees to ensure these fully inform members of the key findings of assignments and the performance of the Council services in implementing the agreed actions arising from the finalised reports.

Appendix 1: Summary of Internal Audit Work Undertaken for 2014/15

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
Financial Systems			
Main Accounting	Sufficient	Appropriateness of user access rights to the General Ledger system and compliance with policies and procedures in place to ensure the accuracy of the financial statements.	<p>The audit opinion reflected areas of compliance with good practice including monthly bank reconciliations, restrictions on access, monitoring and clearing of suspense accounts and prescribed procedures for entering journals.</p> <p>Some segregation of duties and independent checks were not being fully exercised due to limited resources. It was recommended that criteria should be set in order to identify high risk journals and improve the quality of the manual journal monitoring checks.</p> <p>Although there were no documented procedures for the processing of journals, access to do so was restricted to appropriately authorised and trained individuals within the finance team.</p>
Fixed Assets	Substantial	Review of procedures in place to ensure that additions and/or disposals are identified and recorded in a timely manner and accurate, complete and timely records of Fixed Assets are maintained.	Testing confirmed that there were appropriate procedures in place to identify and record both asset additions and disposals. Procedures surrounding valuation of assets were also identified as sound.
Creditors	Substantial	Review of controls in place to prevent non-compliance with policies and procedures, inappropriate access, or failure of IT systems, misappropriation and/or loss of Council monies, unauthorised or inappropriate ordering of goods and services and poor financial and management Information.	<p>Evidence was provided that a separation of duties was being enforced for key controls including the request and authorisation of orders and the production and authorisation of payment runs. Review also determined that appropriate training and guidance had been provided to those responsible for processing purchase orders and invoices.</p> <p>It was highlighted that the team were achieving, and indeed exceeding, their performance targets for the payment of invoices within payment terms at the time of testing.</p>

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
Debtors	Substantial	To provide assurance that the Council's invoicing, debt recovery and income processing systems and procedures are adequately controlled and its Debt Recovery Policy is fit for purpose.	<p>Well established procedures were confirmed as in place and operating effectively to enable the debtors function to operate in a timely and efficient way. Appropriate training and guidance material was made available to those responsible for processing invoices and carrying out key debtor processes.</p> <p>Review confirmed that an appropriate level of segregation of duties was being enforced by a combination of key controls such as the application of IT system user access levels and through a well-established invoice requisition and approval process. Sample testing conducted in order to verify the accuracy and legitimacy of invoices and credit notes confirmed compliance with prescribed procedures. The audit also found that appropriate system reconciliations were taking place to ensure the accuracy of financial information.</p>
Budgeting and Budgetary Control	Substantial	To establish whether effective governance and budgetary control arrangements are in place to ensure probity and sound financial management, including defined responsibilities and training and an effective budget monitoring process.	<p>Confirmed that an up to date list of budget managers was maintained and a sample of ten budget managers confirmed that they were aware of their budget monitoring responsibilities and these responsibilities were detailed within their job descriptions. An appropriate structure was in place for budget reporting and the structure / timescales for budget reporting were detailed within a budget monitoring timetable.</p> <p>The majority of budget holders contacted confirmed that they had appropriate support and guidance available to them and confirmed that they checked the accuracy of both salary and non-salary payments on a monthly basis. The Finance team confirmed that returns were received for the majority of budgets in accordance with the timetables.</p> <p>An appropriate structure was operating to ensure that material variances were reported accordingly. A budget monitoring report was presented to the Finance Sub-Committee to provide an overview of the Council's financial position, highlighting any significant under or overspending and the impact of this on the projected year end position. This informs Members of high-level variations over £10k, which could significantly impact upon the overall financial position.</p>

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
Treasury Management	Substantial	Review of key controls including compliance with statutory and regulatory requirements and best practice guidance; accurate, complete and timely transactions and record keeping; achieving appropriate financial returns on investments or lowest appropriate costs of borrowing and Treasury Management records.	<p>The Council's Treasury Management Strategy was reviewed and confirmed as adequate in detail and compliant with the CIPFA Treasury Management Code of Practice. The Strategy is subject to annual Member review along with a list of approved counterparties that the Council can invest in if required. Members also receive half yearly Treasury Management Activity reports. The Council uses a Treasury Management Advisor and the Accountant responsible for the Treasury Management function is sufficiently qualified and taking part in ongoing training and development.</p> <p>Procedures are in place to deal with both loans and investments at the Council. Decisions are made based on detailed analysis of the Council's cash flow and there is appropriate separation of duties between the officers proposing, setting up and authorising a transaction. Electronic and paper records of each transaction are maintained in line with the Council's Document Retention Policy.</p>
Medium Term Financial Planning (MTFP)	Substantial	Review of the basis for the development of the MTFP, the governance of the MTFP and arrangements in place to address long term budget and resourcing issues.	<p>Review identified that the Council had implemented a refreshed approach to MTFP in 2014. This included a full review of income and expenditure assumptions, and enabled the Council to set out how its medium term funding gap would be addressed. There was extensive engagement with members throughout the process. The audit confirmed that the Council had made use of external and peer reviews, and integrated its financial planning with business planning. There had been an embedded approach to member review and scrutiny of financial matters, and engagement has improved through the MTFP refresh in 2014. The audit also confirmed that the Council had implemented appropriate mechanisms for forecasting its business rates, although medium term forecasting of Council Tax income remains a developmental area.</p> <p>The audit identified an opportunity for the Council to perform sensitivity analysis on the risks identified within the MTFP, and to specify the measures which will be adopted to mitigate those risks.</p>

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
Payroll	Sufficient	To evaluate the processes and procedures relating to payroll with a view to delivering reasonable assurance as to the adequacy of the design of the internal control. Including: policies and procedures, access to the payroll system, starters, leavers, employee payment deductions, payroll payments, changes to employee standing data, exception reporting, transfer of pension data, payroll control account reconciliations and payments to PAYE and NI to HMRC.	<p>Review concluded that controls over the administration of the Council's payroll were generally satisfactory and operating effectively. Internal Audit found no errors in relation to adding and removing employees from the payroll and selected samples of payments to employees, pension contributions and HMRC were confirmed as accurate and timely. Sound policies and procedures were available to staff to ensure the payroll processes were conducted appropriately and consistently.</p> <p>Some issues were raised in relation to enforcing the segregation of duties within the system access rights and obtaining an audit trail from the system of all changes to data. Actions were agreed by management to address these findings.</p> <p>The Council was aware that payroll reconciliations between the general ledger and payroll system needed to be conducted; however at the time of the audit, this control had not been designed or implemented.</p>
IT			
Internet and Website	Sufficient	To provide assurance that the Council has put in place controls to ensure that the use of the Internet is controlled and monitored, that only authorised websites (and all required websites) are set up and their content is controlled and kept up to date and that the use of e-mail is controlled and monitored.	<p>Review confirmed that a clear directive policy was in place, informing users of their roles and responsibilities, and employees were all required to sign and accept their duty to comply with the policy before ICT system access was granted.</p> <p>It was recommended that the use of generic user accounts be reviewed and the audit trail and individual accountability for maintaining the Council's intranet site be strengthened.</p> <p>Whilst procedures were not in place to regularly monitor appropriate usage of the Internet, the controls operating to prevent inappropriate access to websites were confirmed as robust, thereby reducing the risk of misuse taking place. As such, it was acknowledged that the costs involved in implementing further monitoring controls to detect misuse may outweigh the benefits to the organisation.</p>

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
Fraud Risks			
Council Tax and NDR Fraud	Sufficient	<p>To provide assurance that effective and proportionate controls have been established to mitigate the Council's exposure to Council Tax and NDR fraud; and that those controls are being operated as specified.</p>	<p>Based upon the review, it was concluded that, at the time of testing, the Council had sufficient capacity to carry out its counter fraud work, and to investigate fraud allegations. It was demonstrated that, at the time of reporting, there was no backlog of fraud investigation work at the Council. Since the launch of the Single Fraud Investigation Service, the level of in house investigation work had been lower than expected; it was too early, however, to predict the long term caseload. Resource requirements were to continue to be reviewed by management on an ongoing basis.</p> <p>A number of controls were confirmed as in place to ensure that Council Tax and NDR reductions awarded were in line with published criteria and with dates set for reviews of ongoing entitlement. Sample testing confirmed that these controls were being consistently applied. The Council did not, however, have a proactive inspection regime in place, to identify potential concealment of property, alterations, change of use, or provision of false information.</p> <p>Controls were operating to ensure that Council Tax and NDR refunds were verified for accuracy, and authorised prior to processing. The verification process included a review of each account to identify large overpayments, and consideration of the potential risk of money laundering.</p>
Corporate Fraud Policy	N/A Consultancy	<p>To undertake a review of the Council's counter fraud arrangements against the CIPFA Code of Practice and advise on how these may be improved, as required.</p> <p>Internal Audit assisted with the Council's Counter Fraud Policy by providing advice and best practice guidance and examples.</p>	<p>Internal Audit identified effective controls, areas for improvement and provided advice on the development of a Counter Fraud Strategy.</p> <p>As a result, a draft strategy was produced by the Monitoring Officer and presented to the Governance and Audit Committee for approval. Further actions were also agreed to strengthen the Council's corporate counter fraud arrangements.</p>

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
Service Delivery			
Fees and Charges	Limited	To provide assurance that statutory fees and charges are set at the correct level and that costs associated with service delivery are estimated and, if required, resources are adjusted accordingly. Also that fees and charges set on a discretionary basis are set in line with any guidance, are set on a cost recovery basis, volume of service demand is considered in budget calculations and any resources are adjusted accordingly.	<p>Testing confirmed that all of the statutory fees were compliant with legislative guidance, with the exception of one which was promptly addressed by management.</p> <p>The review highlighted a lack of understanding about the responsibility for, and the procedures for, setting discretionary fees and charges which had resulted in inconsistency in methodologies applied and inaccuracies in the draft fees and charges book. Service managers were not aware of any guidance available to support the review of fees and charges and the guidance which was available required updating.</p> <p>A number of high priority actions were agreed by management and implementation of these is the subject to regular review via the Council's Performance Clinics. Updates on implementation of actions will be included in progress reports to the Committee.</p>
Licensing Partnership - Follow Up Review	Sufficient	To provide assurance over the required improvements to the Licensing Partnership, following a Limited Assurance audit report in 2013/14, to help ensure delivery at the required standard in the future.	<p>Testing confirmed that all recommendations that could have been implemented by the date of audit had been completed. Review of reconciliation procedures and data reconciled to date confirmed that significant improvements had been made to the process. The use of standardised reconciliation template documents had been introduced and there were clear procedure notes which would enable another Officer to complete the task if required. The process for gathering and manipulating the data for the reconciliations had been well organised and appropriate monitoring checks had been implemented to facilitate the accuracy of data. The assurance opinion was increased from Limited Assurance to Sufficient Assurance on this basis.</p> <p>At the time of audit testing, the Quarter 1 2014/15 reconciliation was not complete; therefore, it was not possible to fully test compliance with the process. As such, Internal Audit could not provide assurance over compliance at that time.</p>

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
Land Charges	Sufficient	Review of arrangements to update fees and charges, the adequacy of resources in place to deliver required service level and appropriateness of procedures in place to identify and react to required changes.	<p>It was evident that the performance and efficiency of the team had improved in recent months, particularly in relation to turnaround times, and no issues were identified with the accuracy or timeliness of the applications completed.</p> <p>Of particular significance was the finding that the Council had not reviewed fees and charges on an annual basis or published associated documents. The Council is required to provide a breakdown of the basis for these charges and to openly demonstrate that income received does not exceed the costs involved.</p> <p>Some issues were also identified in relation to data quality on the Planning system which had resulted in some incorrect data feeding into the Land Charges system and inefficiencies. The need to carry out data cleansing on the Total Land Charges system and to update the Land Charges Register were highlighted.</p>
Individual Voter Registration	Substantial	To review the resources and procedures in place to complete Individual Voter Registration to form an opinion on their adequacy. To also review the controls in place to ensure data security to determine their effectiveness.	<p>Testing confirmed that officers had made best use of guidance and training available and that new procedures had been adopted in a timely manner. Joint working with officers in IT, communications and the Customer Contact Centre to implement the new procedures had ensured effective communication of requirements to Council residents.</p> <p>Adequate arrangements were confirmed as in place to secure data held electronically; however testing did highlight that security of paper documentation could be further improved.</p>
Governance			
Staffing – Pay and Benefits	N/A Consultancy	<p>The review covered five areas of staff pay and benefits, namely salary levels, hours in a standard working week, annual leave entitlement, performance related bonuses and flexible benefits.</p> <p>Requests for information in these</p>	<p>A summary of findings and copies of the full results were provided to management for further consideration and analysis.</p> <p>The review concluded, based upon the high level analysis, that the salary scales offered by East Northamptonshire were largely consistent with those paid by other District Councils. In relation to Annual Leave, although the Council's Policy on entitlement was based on length of service and the minimum and maximum entitlements were broadly in line with responses received – the Council could</p>

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
		<p>areas were made to organisations within a fifty mile radius of the Council including Local Authorities, Police Authorities and NHS Trusts and Services to undertake a benchmarking exercise.</p>	<p>consider introducing a leave system based on salary scale/grade in line with the majority of organisations who responded.</p> <p>It was confirmed that the Council's policy to not pay Performance Related Bonuses was in line with majority of responses received.</p>
<p>Shared Services and Partnership Arrangements (Draft)</p>	<p>Sufficient</p>	<p>To provide assurance that the material risks associated with the management of shared services and partnership arrangements have been suitably mitigated, including robust governance and performance management arrangements, and measures to monitor and assess value for money.</p>	<p>Appropriate governance structures were in place in all cases although there was scope to strengthen existing arrangements. The adoption of a shared services and partnership policy and strategy, for example, would assist in providing a clear corporate framework and political steer for the management and development of existing and future partnerships.</p> <p>Some form of performance management was seen in most cases but the standard varied across the Council and the routine use of key performance indicators (KPIs) and service standards could have been further developed in many cases.</p> <p>Evidence was available to demonstrate that accounting and cost sharing arrangements had been clearly specified and effectively managed. It was highlighted, however, that there were limited arrangements in place to monitor and review the value for money delivered by the services.</p> <p>Internal Audit will finalise the report once an action plan to address the findings is agreed by management.</p>
<p>Risk Management System</p>	<p>Sufficient</p>	<p>To provide assurance that the Council's risk register has been designed in a way which enables risks to be effectively managed.</p>	<p>The audit confirmed that the Council had made good progress towards implementing the risk management strategy, by completing a full review and update of the corporate and service risk register. Every risk had been assessed and scored in line with the Council's risk management strategy, with the exception of financial impact scoring whereby the scoring methodology on the system was not consistent with the values approved in the strategy document. This was to be addressed by management.</p>

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
			<p>Causes, effects, current controls and owners had been recorded for all risks. A draft corporate and service risk register had been produced and all identified risks were recorded on the Performance Plus system.</p> <p>Internal Audit reviewed the risk register and raised some areas for consideration including potential duplications, the scoring applied to certain risks and further risks which had not been included. This independent challenge was intended to highlight areas for discussion by management to ensure the scoring is robust and justified.</p> <p>Although options were being considered, management had not finalised arrangements to ensure that risk owners would be held accountable for implementing the actions required to effectively mitigate recorded risks.</p>
Transformation Programme	N/A Consultancy	To undertake a brief review of the high level arrangements in place to deliver the transformation programme and provide advice and assistance on these arrangements where possible.	Ongoing consultancy support into 2015/16.
Member Empowerment Fund	Sufficient	<p>Review of Member Empowerment Fund Policy and associated Procedures to ensure these are fit for purpose and consistently applied.</p> <p>Review of funds awarded to ensure these are appropriate, effective and in line with policy and procedures.</p>	<p>Testing confirmed that awards of funding were being made in line with policy and were subject to appropriate endorsements, checks and authorisation prior to payment. A high standard of record keeping was in place to provide a clear audit trail.</p> <p>Review identified some scope for improving the Member Empowerment Fund Policy and associated guidance in terms of clarity and consistency. Information made available to the public could also be improved in terms of clarity to effectively demonstrate that funding had been awarded in line with policy only.</p>

Appendix 2: Self-Assessment against the Public Sector Internal Audit Standards (PSIAS)

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
1000 – Purpose, Authority & Responsibility	1010	Recognition of the Definition of Internal Auditing, the Code of Ethics and the Standards in the Internal Audit Charter	✓			The Internal Audit Charter reflects the mandatory nature of the relevant Standards.
1100 – Independence and Objectivity	1100	Organisational Independence	✓			Head of Internal Audit reports directly to the Audit Committees and has unfettered access to the Chief Executives, Chairs of the Audit Committee and Section 151 Officers.
	1111	Direct Interaction with the Board	✓			Head of Internal Audit reports directly to the Audit Committees.
	1120	Individual Objectivity	✓			All members of the Internal Audit team are required to complete a Declaration of Interest form at the start of the financial year and any conflicts of interest are avoided in work allocations.
	1130	Impairment to Independence or Objectivity	✓			Approval sought from Audit Committees before undertaking any significant consulting services not already included in Audit Plans.
1200 – Proficiency and Professional Care	1210	Proficiency	✓			Head of Internal Audit is CCAB qualified and all Audit Managers hold professional qualifications and are suitably experienced for the role. Auditor is completing Institute of Internal Audit qualification.
	1220	Due Professional Care	✓			Experienced Audit staff exercise due professional care when planning and undertaking assignments. Scope of assignment is clarified within detailed audit planning record and the limitations to the scope and assurance provided are documented within audit planning records, audit reports and progress reports. All audit planning records are approved by the Head of Internal Audit before work commences.
	1230	Continuing Professional Development	✓			Staff attendance at training and development opportunities. All Audit Managers must satisfy professional body CPD requirements.
1300 – Quality Assurance & Improvement Programme	1310	Requirements of the Quality Assurance and Improvement Programme	✓			External assessment completed in 2013 and annual internal self-assessment conducted by Head of Internal Audit, which is included in the Annual Report.
	1311	Internal Assessments	✓			Ongoing monitoring of performance at monthly individual supervision meetings, team meetings and post audit completion discussions.

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						Customer Satisfaction Questionnaires (CSQs) requested from clients for each assignment and responses summarised for Audit Committees. Head of Internal Audit meets with senior management on regular basis and seeks feedback on value of the Internal Audit service and areas for development.
	1312	External Assessments	✓			External assessment conducted in 2013 by independent, professional company to assess against compliance with PSIAS.
	1320	Reporting on Quality Assurance and Improvement Programme	✓			The outcome of the external assessment and progress against the resulting improvement plan were reported to the Welland Board (where all Welland S151 officers are members) and to Audit Committees. All actions from the improvement plan were signed off by the Welland Board. Annual self-assessment against PSIAS included within Head of Internal Audit's Annual Report – to be presented to the Welland Board and Audit Committees.
	1321	Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'	✓			Based upon completion of improvement plan and ongoing assessment and quality assurance processes, results support compliance with Standards and Code of Ethics.
	1322	Disclosure of Non-conformance	✓			Instances of non-conformance were reported to the Board and Committees following the external assessment. Progress against the improvement plan to address all areas of non-conformance was reported to Committees and management until all actions were signed off.
2000 – Managing the Internal Audit Activity	2010	Planning	✓			Process for development of risk based audit plans was presented to each Audit Committee for approval. Plans were developed with input from senior management and Committee members. Audit planning process is documented in Internal Audit Charter.
	2020	Communication and Approval	✓			Any changes to the approved Audit Plans during the financial year are communicated to the Audit Committee and subject to agreed approval mechanisms in accordance with the delegated decision making

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						arrangements.
	2030	Resource Management	✓			Resources reviewed on an ongoing basis to ensure these are appropriate, sufficient and effectively deployed. Team includes four professionally qualified, experienced Audit Mangers. Any concerns on adverse impact on provision of the audit opinion would be raised by the Head of Internal Audit in Annual Report.
	2040	Policies and Procedures	✓			Audit manual, charter and practice notes revised as part of improvement plan to ensure compliance with Standards.
	2050	Coordination	✓			Other sources of assurance are considered and reviewed as part of the Audit Planning process to avoid any duplication with other assurance providers.
	2060	Reporting to Senior Management and the Board	✓			<p>The Head of Internal Audit attends meetings with senior management and Audit Committees on a regular basis. Progress reports are presented at every Audit Committee meeting and details of assurance levels are provided with focus upon those of Limited Assurance opinions.</p> <p>The content of the progress reports has been agreed with the existing committees but is subject to constant review to ensure this meets the needs of members and supports effective decision making. The content of the progress reports is to be reviewed at the start of 2015/16 with proposals for amendments presented to the Welland Board and discussed with Audit Committees.</p> <p>* Area for further development – Action 1</p>
2100 – Nature of Work	2110	Governance	✓			<p>Audit team provides independent advice on drafting of governance related policies and attends governance groups, where applicable. Audit findings on risks and controls are presented to the Audit Committee and senior management with recommendations on areas for improvement.</p> <p>As appropriate, the Internal Audit team contributes to the development of the Annual Governance Statement.</p>

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						IT Governance reviews included in rolling IT Audit plan.
	2120	Risk Management	✓			<p>Internal Audit refer to the organisation's risk registers during Annual Planning exercises and provide training to committee members on risk management and the 'three lines of defence' to support effective review.</p> <p>Risks relating to the organisation's governance, operations and information systems, as well as fraud risks, form part of individual audit assignments, as stated in the audit planning records and audit reports.</p> <p>The Internal Audit plans for 2015/16 include review of risk management systems and procedures at two of the five Councils within the consortium. For those remaining Councils, as stated in the PSIAS 'Internal Audit gather the information to support this assessment during multiple engagements. The results of these engagements, when viewed together, provide an understanding of the organisation's risk management processes and their effectiveness'. As such, the outcome of the various risk based assignments within the Audit Plans provide an understanding of the effectiveness of the Council's risk management procedures which can be raised with senior management and the Committee.</p> <p>Auditors are alert to other significant risks when undertaking any consulting engagements and give advice and make recommendations but it is the responsibility of management to implement these actions.</p>
	2130	Control	✓			In accordance with the risk based approach to Internal Audit assignments, the adequacy and effectiveness of controls are evaluated and reported upon on each audit assignment. The audit report template clearly provides an assurance rating for both design and compliance for each control.
2200 – Engagement Planning	2201	Planning Considerations	✓			An audit planning record is issued and subject to formal approval for all audits. This outlines the scope, objectives, timescales, resource

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						<p>allocations, access requirements and limitations to scope for the assignment. This is reviewed and approved by the Head of Internal Audit before issuing to the client.</p> <p>Any consultancy engagement is also subject to documented, agreed scope, objectives and respective responsibilities of the auditor and the client.</p>
	2210	Engagement Objectives	✓			Audit planning records are agreed for each engagement following preliminary discussions on risks with the audit clients and with input and review from Head of Internal Audit. Value for money considerations are included in the scope as appropriate.
	2220	Engagement Scope	✓			Detailed audit planning records are provided for all assignments establish the objectives, resources and access to systems, records, personnel and premises, as appropriate.
	2230	Engagement Resource Allocation	✓			Audit planning records state the number of audit days allocated to the assignment and the Audit Manager should agree a scope which is achievable within the resource available. The Head of Internal Audit reviews and approves all audit planning records before issuing to clients to ensure scope is appropriate and consistent with resource allocation.
2300 – Performing the Engagement	2310	Identifying Information	✓			Audit Managers ensure that sufficient, reliable and relevant information is used for audit assignments. File reviews conducted by Head of Internal Audit to confirm quality of evidence and basis for conclusions.
	2320	Analysis and Evaluation	✓			<p>File reviews conducted by Head of Internal Audit to confirm quality of evidence and basis for conclusions.</p> <p>Clearance meetings held with clients to discuss findings and basis for conclusions and provide opportunity to confirm accuracy of findings.</p>
	2330	Documenting Information	✓			Retention of evidence to support conclusions and engagement results is saved on the audit software and network folders, where access is limited to Audit staff. Any hard copy evidence is scanned onto the network and software and destroyed via confidential waste.

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						Practice note states 'Rutland County Council is the Consortium's employing body and the Consortium operates in line with the Council's Document Retention Policy'.
	2340	Engagement Supervision	✓			<p>Monthly supervision meetings held with each member of Audit team to discuss progress made with each assignment, any issues encountered, workload and priorities for the month ahead.</p> <p>All audit reports are reviewed by the Head of Internal Audit and evidence is retained on file. All working papers are reviewed by the Head of Internal Audit (unless completed by an Auditor and fully reviewed by Audit Manager). Evidence of the review is held on the audit software with full audit trail.</p>
2400 – Communicating Results	2410	Criteria for Communicating	✓			Internal Audit reports state the objectives, scope, conclusions, recommendations and agreed action plans.
	2420	Quality of Communications	✓			Head of Internal Audit review of reports ensures these are accurate, objective, clear, concise, constructive, complete and timely.
	2421	Errors and Omissions	✓			No incidents recalled of any significant errors or omissions in reports. Any such incidents would be suitably escalated for resolution.
	2430	Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'	✓			Based upon completion of the improvement plan arising from the external assessment and the internal self-assessment, results support this statement.
	2431	Engagement Disclosure of Non-conformance	✓			Not applicable.
	2440	Disseminating Results	✓			<p>The final reports issued on all assignments are provided to all individuals named on the circulation list, approved at the commencement of the audit. Any circulation to parties in addition to those listed on the audit planning record will be agreed with the Head of Internal Audit and senior management.</p> <p>Copies of all finalised audit reports are available to Committee members by requesting from the Head of Internal Audit or Section 151</p>

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						<p>Officer. Copies are provided to the Chair of the Audit Committee where agreed with the specific committee.</p> <p>The progress reports presented at each committee meeting include the outcome of each assignment, in relation to the assurance rating. In order to provide members of the committee with sufficient detail in relation to the findings, the content of the progress report is currently under review by the Head of Internal Audit and will consistently include a summary of each assignment completed during the period for each member of the consortium.</p> <p>* Area for further development – Action 1</p>
	2450	Overall Opinions	✓			<p>The Head of Internal Audit provides an annual Internal Audit opinion which can be used to inform the Council's governance statement. This report includes an opinion, a summary of work that supports that opinion and a statement on conformance with PSIAS.</p>
	2500	Monitoring Progress	✓			<p>There is an established process in place at each of the councils within the Consortium for the follow-up of progress made by management in implementing the agreed actions arising from audit reports.</p> <p>Internal Audit monitor and report to the Committee on the progress made. The Head of Internal Audit is currently reviewing the level of detail provided to Audit Committees on the implementation of actions to ensure these can be suitably reviewed and challenged, as necessary.</p> <p>* Area for further development – Action 1</p>
	2600	Communicating the Acceptance of Risks	✓			<p>Where an identified risk is accepted by management this is reflected in the audit report. Where the risk is subsequently accepted because the agreed action is no longer feasible this would be discussed with senior management and details and context would be reported to the Committee.</p> <p>If the Head of Internal Audit had concerns about the level of risk accepted by management this would be reported to the Committee.</p>

Conclusion

Based upon the self-assessment completed by the Head of Internal Audit on 23rd April 2015, the Welland Internal Audit Consortium is compliant with the Public Sector Internal Audit Standards (PSIAS).

One action for further development has been highlighted as follows:

Action	Details	Owner	Timescale
1	<p>Whilst the current Progress Reports presented to the Councils' Audit Committees include details of delivery of the Audit Plan and Assurance Opinions assigned to completed assignments, there is scope to further review and develop the content of these reports. In particular:</p> <ul style="list-style-type: none">• To ensure all progress reports include a summary of the key findings of audits completed during the period.• Any limited assurance opinions are suitably highlighted to the Committee's attention, with assurances over actions underway to address the issues raised.• Members should be provided with more details on the implementation of actions arising from audit reports including the nature of the actions, priority levels and timescales. This should enable Members to exercise their role in challenging any failure in implementing actions to address high risks to the Council. Focus should be upon actions assessed as High or Medium priority. <p>The format and content of the Progress Report will be reviewed and strengthened to ensure Members are provided with all information required to effectively exercise their roles and responsibilities.</p>	Head of Internal Audit	To present proposed format to Welland Board for approval by June 2015.