

BABERGH DISTRICT COUNCIL and MIDSUFFOLK DISTRICT COUNCIL

From: Head of Corporate Organisation	Report Number: JAC27
To: Joint Audit and Standards Committee	Date of meeting: 30 June 2014

ANNUAL INTERNAL AUDIT REPORT 2013/14

1. Purpose of Report

- 1.1 To summarise the work undertaken by Internal Audit during the year and the resulting annual audit opinion.

2. Recommendations
2.1 That the Committee notes the outcomes of internal audit work in 2013/14 and the conclusion of the Corporate Manager – Internal Audit, that both Councils’ overall internal audit control arrangements provide an acceptable level of assurance, as detailed in Appendix A .
2.2 That the Committee notes that the Councils’ internal audit arrangements are effective and the opinion of the Corporate Manager – Internal Audit in this report can be relied upon as a key source of evidence in the Annual Governance Statement.
The Committee is able to resolve this matter.

3. Financial Implications

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

4. Risk Management

- 4.1 Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Internal controls within each Council may not be efficient and effective and as a result the Councils may not be identifying significant weaknesses that could impact on the achievement of their priorities and/or lead to fraud, financial loss or inefficiency.	Unlikely	Bad	Members receive and approve the internal audit plan and receive reports throughout the year. The audit plan is based on an assessment of risk for each audit or operational area. External Audit reviews and reports on the work of the Internal Audit section and the internal control arrangements.

5. Consultations

- 5.1 This report has been agreed with both Councils' Section 151 Officers.
- 5.2 Consultation with key officers is also carried out during the audit process and in the production of individual internal audit reports and follow up work.

6. Equality Analysis

- 6.1 There are no equalities implications arising from this report.

7. Shared Service / Partnership Implications

- 7.1 The Internal Audit Plan 2013/14 covering both Councils has been delivered by the Audit and Risk Management Services' team.
- 7.2 Audits of the functions provided by Customer Services Direct (CSD) have been undertaken jointly between Mid Suffolk/Babergh and Suffolk County Council (SCC) auditors. This arrangement ceases from April 2014/15 with the cessation of the CSD contract. From April 2014 these functions have been brought back in house.

8. Key Information

Background Information

- 8.1 Internal Audit is an independent, objective assurance and internal consultancy function designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.
- 8.2 The statutory basis for Internal Audit in local government is provided by the Accounts and Audit Regulations 2011, which requires a local authority to 'undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'. These 'proper practices' are those now contained within the new Public Sector Internal Audit Standards (PSIAS) which came into effect from 1 April 2013 (having replaced the CIPFA Code of Practice for Internal Audit in Local Government).
- 8.3 These new Standards are mandatory and underpin the internal audit arrangements within each Council. The Corporate Manager – Internal Audit considers that we already substantially comply with these Standards and will report on conformance with these Standards in future annual reports.

Reporting Arrangements

- 8.4 In accordance with the new Public Sector Internal Audit Standards (PSIAS) the Internal Audit Manager is required to provide an annual written report to those charged with governance, timed to support the Annual Governance Statement, which includes an opinion on the overall adequacy and effectiveness of the organisation's governance arrangements, including the internal control environment.

Performance against the 2013/14 Revised Audit Plan

- 8.5 The attached Annual Internal Audit Report 2013/14 (**Appendix A**) summarises the audit work carried out during the year, presenting an opinion based upon the work performed.
- 8.6 A range of reviews across each Council's operations were carried out during the year, ranging from main financial systems to corporate and governance reviews. Each was evaluated and where appropriate recommendations made to further improve the internal control environment, including good practice. Internal Audit follow up all high-risk recommendations to ensure that these are dealt with in a timely manner. It is management's responsibility to ensure that agreed recommendations are implemented.
- 8.7 A total of 23 audits were completed together with a value for money review of housing repairs. With the exception of three audits, all reports issued during the year have been assessed as either 'Effective' or High Standard'. The three exceptions were assessed as 'Ineffective' and will be followed up early 2014/15. Positive action has been agreed with management to address the issues identified.
- 8.8 The table below provides the audit opinions and their definitions:

Audit Opinions	
Opinion	Definition
High Standard	Evidence of consistent and effective control framework.
Effective	Controls and procedures operate effectively in most cases but show some non-compliance.
Ineffective	Controls in place are not being consistently applied – improvements are required.
Poor	General control framework is weak.

- 8.9 In addition to undertaking audit reviews Internal Audit has had significant involvement in corporate work including advice and assistance. During 2013/14 this aspect of the section's work has included:
- Leading the corporate governance review as contained within the Annual Governance Statement (AGS);
 - Membership and contribution to the Statutory Officers Group – this is an officer group to monitor and review each Council's compliance arrangements and related procedures to ensure good practice so that the highest standards are maintained and to take actions as required by the Group.
 - Attendance at Management Board/Team meetings and JMIB to brief senior managers and Members in relation to the outcomes of work undertaken by the section where corporate issues are covered, e.g. Risk Management.
 - Membership of the Future Back Office Requirements (FBOR) working group – Internal Audit involvement in this group has consisted of performing an assurance review particularly over the implementation of the new financial management system and the HR/Payroll system; review of project documentation and data migration testing.

- Continuing to provide advice to service areas on internal controls (e.g. strengthening the 'Due Diligence' checks with regard to Right to Buy applications; and general advice on purchasing arrangements to ensure separation of duties exist).

Annual Audit Opinion 2013/14

- 8.10 Internal Audit, having taken into account other internal and external assurance processes of the Councils, has a obligation to provide independent, objective assurance from the work undertaken in respect of the effectiveness of the risk management, control and governance processes operating within each Council.
- 8.11 The system of control should help each Council to manage the risks which could affect the achievement of each Council's objectives rather than eliminate them completely. Internal Audit and the other assurance processes can therefore only provide within the Annual Governance Statement reasonable and not absolute assurance of adequacy and effectiveness.
- 8.12 Based upon an independent and objective assessment of the framework of risk management, governance processes and that the vast majority of controls were operating effectively, Internal Audit can provide reasonable assurance that the framework has operated adequately and effectively during the year. Details of areas where existing arrangements could usefully be improved are provided in **Appendix A**.
- 8.13 Looking forward, as both Councils continue through a period of financial pressure while developing its Strategic Plan – Delivery Programme, there will be a need to ensure that appropriate and efficient controls remain in place to maintain appropriate governance standards across both Councils.

Review of the Effectiveness of Internal Audit

- 8.14 The Accounts and Audit Regulations 2011 require a body to, at least once in each year conduct a review of the effectiveness of its internal audit and for the findings of the review to be considered by a committee of the body as a whole (Regulation 4).
- 8.15 The purpose of the review is to ensure that the opinion in the annual report on internal audit work may be relied upon as a key source of evidence in the Annual Governance Statement.

Annual Governance

- 8.16 During 2013/14, there has been normal management oversight over the internal audit function and it has been managed in line with the PSIAS, Accounts and Audit Regulations. The Corporate Manager – Internal Audit regularly reports to the Joint Audit and Standards Committee on the outcomes of the audits carried out and any risks that need highlighting.
- 8.17 Likewise, the external auditor also reports on their activities and the reliance they can place on internal audit. Within both external auditors' 2012/13 Annual Audit Letters, both report, as in previous years, that they can place reliance on the work performed by internal audit. This indicates continued assurance over the internal audit arrangements.

Compliance with the Public Sector Internal Audit Standards

- 8.18 With effect from 1 April 2013, the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 was superseded by the Public Sector Internal Audit Standards (PSIAS).
- 8.19 The PSIAS state that the “*chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity*”. The programme should be designed to enable an evaluation of the internal audit activity’s conformance with the PSIAS. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The quality assurance and improvement programme must include both internal and now, at least once every five years, external assessments.
- 8.20 For 2013/14, an internal assessment has been carried out by the Corporate Manager – Internal Audit.
- 8.21 The PSIAS checklist comprises around 350 questions under the key headings of
- Attribute Standards – those that apply to the organisation, which means the local authority and the individual auditors; and
 - Performance Standards – they describe the nature of the internal audit service and the criteria against which it can be measured.
- 8.22 The checklist will be reviewed annually internally and when the external review is undertaken than a further judgement on the acceptability of these areas of compliance will be made. At present a review against the checklist has demonstrated a high level of compliance with good practice.
- 8.23 Results can be expressed as compliant, partially compliant or not compliant. Due to the length of the PSIAS checklist it is proposed to focus on those areas where the audit service is partially compliant or not compliant and the actions, if any, to be taken. The results can be found in **Appendix B**.

Quality Assurance and Improvement Programme

- 8.24 Currently, the quality assurance and improvement programme mainly consists of the following elements:
- Annual internal self-assessments are undertaken by completing checklists which measure the extent to which Internal Audit is complying with current applicable internal audit standards (i.e. the PSIAS as mentioned earlier);
 - A quality review process is undertaken for each individual audit, which is sufficiently robust and properly documented to ensure both sets of external auditors are able to place maximum reliance on Internal Audit’s work; and
 - Customer satisfaction questionnaires are issued with audit reports.

Results from Customer Satisfaction Questionnaires

- 8.25 For customer satisfaction there has been positive feedback reflected in the results from customer satisfaction questionnaires. A number of other positive comments were received from clients who commended the flexibility that the audit team had shown in supporting them in addressing emerging issues as well as in adapting audit plans to better address business risk.

Conclusion

- 8.26 The completion of the checklist referred to above provides evidence to this Committee that internal audit is effective and the opinion of the Corporate Manager – Internal Audit in this Annual Report can be relied upon as a key source of evidence in the production of the Annual Governance Statement.

Managing the Risk of Fraud and Corruption

- 8.27 Theft, fraud and corruption are an ever present threat to the resources available in the public sector. A separate report entitled, 'Managing the Risk of Fraud and Corruption – Annual Report 2013/14' was presented to this Committee on 3 March 2014 (Paper JAC20).
- 8.28 The report explained the current arrangements in place across both Councils to ensure there is a pro-active corporate approach to preventing fraud and corruption and to create a culture where fraud and corruption will not be tolerated. The report also provided details of proactive work undertaken by Internal Audit to deter, prevent and detect fraud and corruption.
- 8.29 The report also included the Corporate Counter Fraud Business Plan 2014/15, produced by the Counter Fraud Manager at Ipswich Borough Council, which was to reassure Members of the three Local Authorities (Babergh and Mid Suffolk District Councils and Ipswich Borough Council) that robust processes exist to identify and deal with any corrupt or fraudulent activity, along with benefit fraud performance data across both Councils.
- 8.30 In April 2014 Members of the Mid Suffolk Audit Committee received an update of key matters arising from the Audit Commission report "Protecting the Public Purse" published in November 2013 (Paper AC/07/14). This included a fraud briefing presentation for those councils that responded to its survey. Babergh Members will shortly receive a similar presentation.

9. Appendices

Title	Location
(A) Summary of Internal Audit Reports issued and in progress during 2013/14	Attached
(B) Conformance with the Public Sector Internal Audit Standards	Attached

10. Background Documents

10.1 None

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SUMMARY OF INTERNAL AUDIT REPORTS ISSUED & IN PROGRESS DURING 2013/14

1. AUDIT REPORTS ISSUED

1.1 The following section contains a brief summary of the contents of the internal audit reports issued during financial year 2013/14. Each summary provides the auditors opinion, associated risks and key findings arising from the reviews. A key to these opinions, with their definitions, can be found in paragraph 1.2.

AUDIT	PURPOSE OF AUDIT	RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
Main Financial Systems 2013/14				
<p>MSDC –</p> <p>Council Tax; National Non Domestic Rates; and Housing Benefits</p> <p>Note 1: Assurance over control adequacy has been provided by Ipswich Borough Council auditors as host authority for the SRP.</p>	<p>To provide assurance that the systems and processes in place for Housing Benefits, Council Tax and NNDR are operating effectively and efficiently under the Shared Revenues Partnership.</p>	<p><i>Council Tax</i></p> <p>Council Tax may not be collected for all relevant properties.</p> <p>Inadequate records maintained for arrears monitoring and recovery.</p> <p>Inappropriate recovery action.</p> <p><i>NNDR</i></p> <p>NNDR may not be collected for all relevant properties.</p> <p>Inadequate records maintained for arrears monitoring and recovery.</p> <p>Inappropriate recovery action.</p> <p><i>Housing Benefits</i></p> <p>Benefits may not be administered in line with legislation.</p> <p>Supporting evidence may not be obtained, resulting in potentially false claims.</p>	<p>Areas of good internal control</p> <p>The updated rating records in NRB are reconciled to the VO rating list to ensure that changes in rateable value are updated correctly.</p> <p>The use of cheques within Customer Services Direct is well controlled.</p> <p>Parameters are accurately entered into the NRB system and independently checked.</p> <p>Areas where improvement are required</p> <p>Controls have been suggested to further strengthen the billing run checks.</p> <p>Enhancement to the monthly reconciliation should be made to aid the reconciliation process.</p> <p>Controls over high benefit payments have been suggested to further strengthen the authorisation process.</p> <p>Enhancement to the benefit Quality Control checks should be made to strengthen the process.</p>	<p>Adequate – definition = Controls exist but there is some inconsistency in their application</p> <p>This opinion is equivalent to Babergh/Mid Suffolk’s ‘Effective’ audit opinion</p>

AUDIT	PURPOSE OF AUDIT	RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
<p>BDC –</p> <p>Council Tax; National Non Domestic Rates; and Housing Benefits</p> <p>See Note 1 above</p>	<p>To provide assurance that the systems and processes in place for Housing Benefits, Council Tax and NNDR are operating effectively and efficiently under the Shared Revenues Partnership.</p>	<p>Benefit overpayments may not be collected.</p> <p><i>Council Tax</i></p> <p>Council Tax may not be collected for all relevant properties.</p> <p>Inadequate records maintained for arrears monitoring and recovery.</p> <p>Inappropriate recovery action.</p> <p><i>NNDR</i></p> <p>NNDR may not be collected for all relevant properties.</p> <p>Inadequate records maintained for arrears monitoring and recovery.</p> <p>Inappropriate recovery action.</p> <p><i>Housing Benefits</i></p> <p>Benefits may not be administered in line with legislation.</p> <p>Supporting evidence may not be obtained, resulting in potentially false claims.</p> <p>Benefit overpayments may not be collected.</p>	<p>Areas of good internal control</p> <p>Amendments to standing billing data is restricted to appropriate staff.</p> <p>Council Tax refunds have been approved and authorised for repayment.</p> <p>Benefit is only paid where valid claims exit. The segregation controls between assessment and payment are strong.</p> <p>Areas where improvement are required</p> <p>Controls have been suggested to further strengthen the billing run checks.</p> <p>Enhancement to the monthly reconciliation should be made to aid the reconciliation process.</p>	<p>Adequate – definition = Controls exist but there is some inconsistency in their application</p> <p>This opinion is equivalent to Babergh/Mid Suffolk’s ‘Effective’ audit opinion</p>
<p>MSDC & BDC - Payroll/HR</p>	<p>To provide assurance that only bona fide, authorised and accurate payments are made in a timely manner; to ensure that all payroll transactions are accurately reflected in the accounting system.</p>	<p>The Council may pay its staff incorrectly.</p>	<p>MSDC</p> <p>Areas of good internal control</p>	<p>Effective</p>

AUDIT	PURPOSE OF AUDIT	RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
		Financial losses arising from fraud or error, inefficient processing or inappropriate activity.	<p>The overall payroll controls in place with regard to starters, leavers, amendments, verification, reconciliations and system updates are effective.</p> <p>Areas where improvements are required</p> <p>HMRC should always be informed of leaver dates as part of the Real Time Information process.</p> <p>BDC</p> <p>Areas good internal control:</p> <p>The overall payroll controls in place with regard to starters, leavers, amendments, verification, reconciliations and system updates are effective.</p> <p>Areas where improvements are required</p> <p>Any covering e-mails sent along with instructions for increments should be retained as evidence of approval.</p>	Effective
<p>BDC & MSDC HR / Payroll Data Migration</p> <p>Move below payroll/hr</p>	Ensure that data is migrated securely, accurately and fully from the CSD system to the new HR/Payroll system.	Non-effective data migration could result in sensitive data being at risk of security breach. This could result in bad reputation, fines and legal action being taken against the Councils.	<p>MSDC and BDC</p> <p>Conclusion</p> <p>Sample testing on the integrity of the data uploaded to iTrent, including standing data was found to be satisfactory.</p> <p>Further sample testing on the two parallel iTrent pay runs were carried out alongside the live pay runs made by CSD in February and March 2014 before going live with iTrent in April 2014. All variances tested during these runs were rectified following investigation and were evidence supported.</p>	High Standard

AUDIT	PURPOSE OF AUDIT	RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
		<p>Rent accounts not updated for increases and changes.</p> <p>Inadequate records retained for rent arrears monitoring and recovery.</p> <p>Inappropriate recovery action.</p> <p>Void period calculations may not be correct.</p>	<p>Sound controls were present covering the administration and management of housing rents.</p> <p>Areas where improvements are required</p> <p>Former Tenant Debt must be followed up.</p> <p>Management response - The focus has been very much on current arrears whilst the HRA team has been under resourced and posting of rents has been adversely affected by ICT problems. Now that the team is at full strength there will be a concerted effort to chase former tenant debts and write off those that are unrecoverable. The Corporate Manager, HRA will consider whether short term support is required from elsewhere in the organisation to assist with this task.</p> <p>BDC</p> <p>Areas of good internal control</p> <p>Sound controls exist with regard to billing, arrears collection and processing new and ceased tenancies.</p> <p>Areas where improvements are required</p> <p>Termination forms must always be completed at the end of a tenancy. Tenancy end dates should correspond with the system and 4 weeks' notice should always be given.</p> <p>All debt write-offs should have supporting documentation.</p> <p>The 'Authority to write off bad debts' delegation list should be brought up to date.</p>	<p>Effective</p>

AUDIT	PURPOSE OF AUDIT	RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
			<p>The Delegated Authority List including write-offs should be up-dated to reflect organisational changes.</p> <p>Management response - This will be addressed as part of implementing the new financial management system where a clear work flow of named officers who have delegation will be reviewed and clarified to all.</p>	
MSDC & BDC – Payables/Creditors	To provide assurance that creditor payments are valid, authorised, accurate and timely and in respect of goods and services ordered and received by the organisation (including transactions through P2P).	<p>The Council may be paying for goods and services that have not been received.</p> <p>The Council may be paying for goods and services that may not have been legitimately ordered.</p> <p>Fraudulent or duplicate payments could be made.</p>	<p>MSDC</p> <p>Areas of good internal control</p> <p>Creditor payments were found to be valid and properly authorised in respect of goods and services ordered and received.</p> <p>Areas where improvements are required</p> <p>Nothing significant raised</p> <p>BDC</p> <p>Areas of good internal control</p> <p>Creditor payments were found to be valid and properly authorised in respect of goods and services ordered and received.</p> <p>Areas where improvements are required</p> <p>Requisitions and Purchase Orders should always be raised prior to the receipt of the invoice.</p>	<p>High Standard</p> <p>Effective</p>
MSDC & BDC – Treasury Management	This audit review covered controls relating to the management of the Council’s investments with approved financial institutions.	Non compliance with the Council’s Treasury Management Policy.	<p>MSDC</p> <p>Areas of good internal control</p>	High Standard

AUDIT	PURPOSE OF AUDIT	RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
		<p>Unauthorised transactions made.</p> <p>Poor investment returns and/or loss of funds due to poor investment decisions.</p> <p>Maintaining inadequate documentation.</p>	<p>Investments had all been made with approved organisations.</p> <p>Procedures for making investments and their return are robust.</p> <p>Records of investments made and their return were accurate.</p> <p>Areas where improvements are required</p> <p>Leavers should be deactivated from the online banking system as soon as possible after leaving.</p> <p>BDC</p> <p>Areas of good internal control</p> <p>Investments are made in accordance with the investment strategy and the counterparty limit within the approved organisation list.</p> <p>All investments are approved by authorised members of staff.</p> <p>The Broker confirmation report is agreed back to the approved investment register, including the principal amount, period, interest rate and interest amount and this check is recorded in the investment register.</p> <p>Areas where improvements are required</p> <p>Reconciliations must be undertaken between the investment register and Agresso and signed off by a senior member of staff.</p>	<p>Effective</p>

AUDIT	PURPOSE OF AUDIT	RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
			<p>There must always be evidence of secondary authorisation on the CHAPs transfer.</p>	
<p>MSDC & BDC – General Ledger</p>	<p>To provide assurance that all financial transactions of the organisation are recorded, including ensuring their completeness and integrity with the aim of providing the data from which management accounts, final accounts and statutory returns can be prepared.</p>	<p>Budgets may be set up incorrectly and provide inaccurate or misleading information.</p> <p>General ledger balances may be incorrect due to inaccurate transfer of data from the feeder systems.</p> <p>Error or irregular use of journals may occur.</p> <p>Year-end accounts may be incorrect.</p>	<p>MSDC</p> <p>Areas of good internal control</p> <p>Appropriate coding structures exist to provide consistent financial information.</p> <p>All transactions tested in the main financial system were found to be accurate and appropriate.</p> <p>Areas where improvements are required</p> <p>All reconciliations should be retained, including a record of any investigations undertaken.</p> <p>BDC</p> <p>Areas of good internal control</p> <p>The ability to input journals to the general ledger are restricted to authorised officers. Agresso controls ensure that journals are complete.</p> <p>Transactions posted from the feeder systems are checked, validated and were found to be complete and accurate.</p> <p>Areas where improvements are required</p> <p>Control accounts must be reconciled fully on a regular basis.</p>	<p>Effective</p> <p>Effective</p>

AUDIT	PURPOSE OF AUDIT	RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
Implementation of the new Financial Management System – Governance arrangements	To ensure that the governance arrangements applied over the letting and project management of the contract were robust.	A Financial Management System is purchased which is not supported and does not meet the business needs of the organisation.	<p>Areas of good control</p> <ul style="list-style-type: none"> • The tendering, selection and approval processes have followed the Council's Procurement and Contract Procedure Rules; • Due diligence checks were performed and evidenced before the vendor was appointed; • The design principles, key outcomes/deliverables and functional requirements in terms of business need are clearly set out in the contract documentation; • Project management principles have been applied and are evidenced. • Clear and regular engagement with stakeholders and users is evidenced; 	High Standard
Corporate Audits 2013/14				
BDC & MSDC Social Media	Ensure that a formal policy exists, there are specific roles for managing content and dealing with customers, performance and activity is monitored, best practice is shared and used for improvement, staff are trained, the IT environment and software are isolated from corruption through external attack e.g. social media.	<p>The Councils may incur fines for breach of regulatory or legislative frameworks.</p> <p>Misuse or abuse of social media could occur.</p> <p>The Councils may obtain a bad reputation.</p>	<p>Areas of good internal control</p> <p>Social media and web services are hosted externally and is therefore subjected to the Council's existing IT control environment and protocols, which are deemed effective.</p> <p>Areas where improvements are required</p> <p>A policy must be produced and adopted.</p>	Effective

AUDIT	PURPOSE OF AUDIT	RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
			<p>Corporate Managers must be made aware of the requirements to manage social media activity.</p> <p>An appropriate diagnostic tool could be adopted and applied to support users of social media in the management of site activity and client user profiles.</p> <p>Consideration should be given to the nature and scope of education and training to be given to officers and members.</p> <p>Since the initial discussion of findings with Council officers a number of initiatives are being undertaken within Corporate Communications which have strengthened and enhanced the use of social media across the Councils. These initiatives include a Social Media Protocol, a regular user review, training responses and Do's and Don'ts and communications training for staff. The audit opinion has been reassessed as Effective.</p>	
Departmental Systems Reviews 2013/14				
Housing Repairs	The objective of the audit was to evaluate activities associated with the Council's Housing Repairs to support a proposed Value for Money review to be undertaken across the two Councils. This would result in a report, based on both quantitative and qualitative comparisons between the two Councils, and with any external benchmarking available over three year's activity.	Inefficient and costly working practices.	<p>The key findings from the review</p> <ul style="list-style-type: none"> • The Ridge figures for 2010/11 were verified to primary financial, salary and housing stock records and this methodology adopted for subsequent years. • The nominal cost coding structure is widely different between authorities making comparisons difficult. 	VfM study

AUDIT	PURPOSE OF AUDIT	RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
			<ul style="list-style-type: none"> • The MSDC external contractors average direct cost per job is lower than the responsive. • There is little indication of a difference in performance efficiency over the 3 years. <p>The data has derived from a variety of sources gathered over time and across Councils. Changes in the data collection methods and possible changes in methodology and categorisation has meant that some questions be asked about complete reliance on these comparatives. Whilst best endeavours have been made several assumptions and allocations have been made during the compilation of these figures which may bring into question the quality of the information and conclusions subsequently provided. Conclusions drawn from these figures should only be seen as indicative of areas of further management investigation and focus, rather than being relied upon for management decision purposes.</p>	
MSDC - Dangerous Trees (Follow Up)	This follow up audit has been undertaken to assess the actions taken to address those control weaknesses identified in the 2012/13 audit. The report received an audit opinion of 'Ineffective' for Mid Suffolk and Thornham Walks.	Risks with poorly maintained trees: <ul style="list-style-type: none"> • Physical obstruction to both vehicles and pedestrians • Root damage to roads and properties Claims against the Council	MSDC Implementation of previous recommendations Issues around the tree inspection data have now been resolved by the implementation of new software, used by both Councils. Appropriate measures are now in place at Thornham Walks to meet the Council's obligations until the Management Agreement ends in May 2015. The audit opinion has now been re-assessed as 'Effective'.	Effective

AUDIT	PURPOSE OF AUDIT	RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
			<p>Areas where improvement is required</p> <p>Implementation of a Joint Tree Management/Dangerous Trees Policy has been deferred until April 2014. This is mainly due to the recent staff restructure. The revised implementation date has been agreed by Internal Audit.</p>	

1.2 Internal Audit reaches an overall audit opinion as part of the reporting process. When determining the opinion the following is taken into account:-

1. The risk assessment,
2. The controls over the system, and
3. The results of the testing of the controls over the system.

The audit opinion is broadly classified into one of the following four categories:

High Standard	Evidence of consistent and effective control framework
Effective	Controls and procedures operate effectively in most cases but show some non-compliance
Ineffective	Controls in place are not being consistently applied – improvements are required
Poor	General control framework is weak

Appendix B

Conformance with the Public Sector Internal Audit Standards (PSIAS)

As a result of the self-assessment against the PSIAS checklist and internal reviews, the following comments and actions focus on those areas where it is considered that the audit service is partially compliant or not compliant.

Standard	Comments/Action Required
Does the Joint Audit and Standards Committee approve the internal audit budget and resource plan?	Budget approval is not the responsibility of the Joint Audit and Standards Committee, although details of the resource position in terms of audit days available are reported to the Committee.
Does the Joint Audit and Standards Committee approve decisions relating to the appointment and removal of the Corporate Manager- Internal Audit?	The responsibility for the appointment of the Corporate Manager –Internal Audit is that of the Head of Corporate Organisation supported by both s151 Officers who are responsible for maintaining an adequate internal audit function.
Does the Chief Executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the Corporate Manager – Internal Audit?	The Corporate Manager – Internal Audit's performance appraisal is carried out by the Head of Corporate Organisation (line manager). There is no intention at present for the Chief Executive to be involved.
Is feedback sought from the Chair of the Audit Committee for the Corporate Manager – Internal Audit's performance appraisal?	It would be considered unusual for the Joint Audit and Standards Committee to carry out such a role, although this could perhaps be the case depending on the form of audit provision (e.g. supplied by a partnership or via a contractor).
Has the Corporate Manager – Internal Audit developed a Quality Assurance Improvement Programme (QAIP) that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated?	The Corporate Manager – Internal Audit has produced a QAIP in accordance with the PSIAS, which is subject to an annual review. To ensure full compliance, (subject to the external assessment) the Corporate Manager – Internal Audit has produced a set of performance targets for 2014/15, which will be reported to the Joint Audit and Standards Committee at year end.
Does ongoing performance monitoring include comprehensive targets?	Performance targets for the team have been set for 2014/15. Individual performance targets due to be set for 2014/15 to reflect the strategic plan and delivery programme.
Does the QAIP include an external assessment?	The PSIAS requires an external assessment to be completed once within a five year period. The Corporate Manager – Internal Audit will evaluate the best approach and agree the scope with the s151 Officers, the Joint Audit and Standards Committee and the assessor. This will be arranged once the most efficient and effective approach is identified.
Has the Corporate Manager – Internal Audit established policies and procedures to guide staff in performing their duties in a manner that conforms to the PSIAS?	The Corporate Manager – Internal Audit had inducted team members to ensure they understand and are familiar with the transition to PSIAS. Policies and procedures will be reviewed and updated over the next 12 months.
Has the Corporate Manager – Internal Audit carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?	The Corporate Manager – Internal Audit to develop a more formalised approach.