

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

From: Corporate Manager – Internal Audit	Report Number: JAC81
To: Joint Audit and Standards Committee	Date of meeting: 20 June 2016

ANNUAL INTERNAL AUDIT REPORT 2015/16

1. Purpose of Report

- 1.1 The purpose of this report is to inform Councillors of the work undertaken within Internal Audit during the Financial Year 2015/16 and provides Councillors with a review of the variety and scope of projects and corporate activities which are supported through the work of the team.

2. Recommendations

- 2.1 That the contents of this report, supported by Appendix A, be noted.

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. Legal Implications

- 4.1 There are no legal implications arising from this report.

5. Risk Management

- 5.1 The key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Internal controls within each Council may not be efficient and effective. As a result each Council may not identify any significant weakness that could impact on the achievement of their aims and/or lead to fraud, financial loss or inefficiency.	Unlikely	Bad	Councillors receive and approve the internal audit work programme and other reports on internal controls throughout the year. The work programme is based on an assessment of risk for each system or operational area. External Audit reviews the work of the Internal Audit section and the internal control arrangements.

6. Consultations

- 6.1 The Audit Plan 2015/16 was approved by the Joint Audit and Standards Committee on 16th March 2015 (Paper JAC48), having previously been endorsed by the S151 Officer and by the then Management Team.
- 6.2 The 2015/16 Interim Internal Audit Report was submitted to the Joint Audit and Standards Committee on 19th October 2015 (Paper JAC63).

7. Equality Analysis

- 7.1 There are no equality and diversity implications arising from this report.

8. Shared Service / Partnership Implications

- 8.1 The overall approach has been to develop a single shared model for internal audit delivery and management for both Councils.
- 8.2 The Internal Audit delivery builds on past joint working facilitating the integration of the service with the aim of reducing costs and increasing capacity and resilience. It enables both Councils to be in a position to improve service delivery through advocating, supporting and reviewing system processes and outcomes.

9. Links to Joint Strategic Plan

- 9.1 The delivery of a comprehensive internal audit service supports the Council objectives, in particular:

An enabled and efficient organisation – The right people are doing the right things, in the right way, at the right time, for the right reasons.

However, the internal audit coverage is designed to support all five of the Council's strategic themes.

10. Key Information

- 10.1 Requirement of Internal Audit - Public Sector Internal Audit Standards (PSIAS)

The PSIAS require the Corporate Manager – Internal Audit to report periodically to senior management and this Committee on Internal Audit's performance relative to its Audit Plan including significant risk exposures and control issues where relevant, fraud risks and governance issues.

As part of the preparation for the 2016/17 Audit Plan auditors engaged with senior management to identify their view of the coming year's risks linked to the Joint Strategic Plan and Delivery Programme, and to gather and map management assurance across the Councils' functions. (Details are contained in the 2016/17 Audit Plan (JAC 18th April 2016 Paper 76))

- 10.2 As the Councils' Delivery Programme develops and generally looks to re-shape and transform its services there has been a demand on Internal Audit's services to provide assurance, support and guidance on a diverse range of activities. The Corporate Manager – Internal Audit monitors requests, with a risk based approach, for the re-allocation of Internal Audit resources from the approved 2015/16 Audit Plan.

10.3 Audits conducted are split into two types, Fundamental and Risk Audit reviews.

Historically Fundamental reviews have been conducted in Finance during the latter quarter of the financial year to meet with External Audit testing requirements.

This year the Finance team prepared for earlier closure of the 2015/16 Accounts, which will become mandatory from 2017/18. Consequently, in conjunction with both External Audit and the Interim Corporate Manager – Financial Services, these audits were brought forward, and materially completed by January 2016.

10.4 Appendix A provides a summary of the work undertaken. This work contributes to the 2015/16 overall audit opinion on the Councils' control environment provided by the Corporate Manager – Internal Audit, as required by the Accounts and Audit (England) Regulations 2015.

10.5 It can be seen (Section 6.1 of the attached report) that, with Fundamental audits in 2014/15 all audit opinions were reported as 'Effective'. In 2015/16, five reports have improved to an overall opinion of 'High Standard'. To further strengthen our Audit opinion that the control environment has improved the volume of recommendations fell year on year. So too the significance of the control risk impact, there being proportionally more 'Medium Priority' recommended actions than last year.

10.6 Based on the findings of the managed audits, the assurance mapping exercise and corporate reviews conducted throughout 2015/16, it is the opinion of the Corporate Manager – Internal Audit that each Council's control environment provides assurance that the risks facing the Councils are addressed and financial administrative systems are, on the whole, 'Effective'.

11. Appendices

Title	Location
a) Overview of Internal Audit Work 2015/16	Attached

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Appendix A

Overview of Internal Audit Work 2015/16

1. Introduction

The work completed by Internal Audit in delivery of the Audit Plan for the Financial Year 2015/16 is reported here to the Joint Audit and Standards Committee (JASC).

2 Audit Activity

Internal Audit had significant involvement within the period in a variety of different Council activities/issues, which included:

Section Reference:

- 3 Council Governance**
- 4 Risk Management**
- 5 Probity**
- 6 Audits conducted**
 - 6.1 Fundamental Audits (Core Financial Systems Audits)**
 - 6.2 Risk Audit Reviews**
- 7 Business support activities**
- 8 Complaints**

3 Council Governance

- 3.1 The Corporate Manager – Internal Audit has played a lead role in the Information Governance project across the Councils and has authored the Information Governance Policy. The aim of this Policy is to outline an information governance framework that ensures both Councils treat information as a valuable asset, maintain compliance with relevant UK and European Union legislation, for example the Data Protection Act 1998 and meet other governance requirements.
- 3.2 In addition the Corporate Manager-Internal Audit has produced an Information Governance risk log which captures the risks that the Councils are exposed to within the framework of law and best practice that regulates the manner in which information (including information relating to and identifying individuals) is managed, i.e. obtained, handled, used and disclosed.
- 3.3 Internal Audit has led on the production of the Annual Governance Statement (AGS) which is completed again as at the end of the financial year 2015/16 (presented to the Committee today) alongside an Assurance Mapping exercise across the Councils designed to identify gaps in good practice and aid the 2016/17 audit planning process. The outcome of the planning was reported to this Committee on 18th April 2016 (Paper JAC 76).

- 3.4 Assisting the Commissioning and Procurement Manager (from a governance view point) to complete the Procurement Policy and Procedures guide. The Policy and Procedures will be the basis upon which Internal Audit will undertake compliance testing later this calendar year (2016), once the framework has had the opportunity to bed in.
- 3.5 The Corporate Manager – Internal Audit is part of a Governance Working Group tasked with looking at ‘Business Planning’ across the Councils and ensuring that working practices and supporting governance arrangements are robust. As a result the Corporate Manager – Internal Audit drafted a governance ‘health check’ for discussion which provides staff with key pointers that should be addressed/considered to demonstrate good governance in the working environment.

4 Risk Management

- 4.1 Audit continues to maintain and facilitate development of the Significant Risk register with Councillors and Senior Management. As a living document Audit regularly review the content with management. This year the document has undergone a fundamental review to closely align with the Councils’ new Strategic Objectives. The present register was reported to the April meeting of the JASC. (18th April 2016 Paper JAC 79). The Risk Management Strategy and Register is to be presented to the Executive and Strategy Committees for approval in early June 2016.
- 4.2 During 2015/16 the Risk Management Strategy underwent an update and redesign. The Strategy has been enhanced to not only demonstrate why we should manage risk but how we manage it.

One main addition to the Strategy is the inclusion of the Councils’ risk appetite which outlines our approach to risk in the different areas of business. The appetites will on occasions be influenced by external changes and will be reviewed accordingly.

The Strategy was approved by Senior Leadership Team on 4th January 2016 and noted by Members of the Joint Audit and Standards Committee on 22nd January 2016. This review continues into 2016/17 with presentations to the Exec and Strategy Committee in early June.

- 4.3 Audit support Council management to refine the underlying business risk registers, and started work with the Corporate Legal Team to articulate their relevant risks and associated controls. Work has been completed on the Business Continuity risk profile, and subsequent support is planned in 2016 with the Corporate Manager, Financial Services to refresh their risk log.

For an understanding of the Fraud Risk Register please refer to the Risk of Fraud and Corruption annual report. (18th April 2016 Paper JAC77).

- 4.4 Audit provide guidance and challenge to the development programme across the Councils through risk workshops and continuing support to project leads, assisting the drafting of new project risk registers aligned to the Significant Business Risk register. Further support is planned to be provided through the new financial year and in ensuring a continuous and robust challenge to the project management resources.

5 Probity

- 5.1 Babergh Cash Handling - This work was conducted in response to a management request for support regarding cash handling at Babergh, and the likely accessibility to, and possible requirements for, supporting software within Finance to provide appropriate banking capability.
- 5.2 Mid Suffolk Direct Debit Review - Following the rejection of the two initial MSDC Rent AUDDIS files in early April 2015 Internal Audit was asked by Finance Management to review the stages leading up to the event. The impact was restricted to Mid Suffolk Housing Tenants. Whilst the audit review identified shortfalls in the Councils change project governance, which were accepted by management, the Interim Corporate Manager – Financial Services subsequently negotiated compensatory payment from Lloyds Bank.
- 5.3 Full details of the anti-fraud and corruption work undertaken during the year was reported separately to this Committee in a report entitled 'Managing the Risk of Fraud and Corruption 2015/16. (18th April 2016 Paper JAC77).

6 Audits conducted

The audits conducted are split into two: Fundamental / Core Financial Systems Audit and Risk Audit reviews.

6.1 Fundamental Audits / Core Financial Systems Audits

- 6.1.1 The work is concerned with the documentation, evaluation and testing of the effectiveness of systems of internal control within each Councils' core financial systems, including compliance with their rules and policies.

As mentioned in Section 10 of the covering report these audits are traditionally undertaken during the end of the Financial Year. This year the Corporate Manager– Internal Audit responded to a request from the Interim Corporate Manager – Financial Services, and the fundamental audits were brought forward and materially completed by January 2016, rather than the customary 31st March.

- 6.1.2. Internal Audit reports provide three levels of assurance: the overall Audit opinion; the Audit opinion for each control (activity) area; and a recommendation to remediate each control that requires enhancement.

For 2014/15 all fundamental audit opinions were reported as 'Effective'. In 2015/16, five reviews report an improved overall opinion of High Standard. This is illustrated in the following table, where it can also be seen that the number of individual High Standard opinions on specific control areas has improved, supporting the overall opinions:

Total # Opinions		Payroll	Rent BDC	Rent MSDC	Income BDC	Income MSDC	Treasury	GL	SRP	Payables	Receivables	Fixed Assets	Total
High Standard		3	2	1	1	3	2	1	1	4	2		20
Effective	2014/15	2	3	3	2	1	4	2	2	0	4	*	23
Ineffective		3	1	2	2	1	0	2	1	2	1		15
		8	6	6	5	5	6	5	4	6	7	0	58
High Standard		7	2	3	4	6	3	1	3	1	4	4	38
Effective	2015/16		3	3	1		4	3	1	3	2	1	21
Ineffective			1		1			2			1		5
		7	6	6	6	6	7	6	4	4	7	5	64
Overall audit opinion		Payroll	Rent BDC	Rent MSDC	Income BDC	Income MSDC	Treasury	GL	SRP	Payables	Receivables	Fixed Assets	
	2014/15	Effective	Effective	Effective	Effective	Effective	Effective	Effective	Effective	Effective	Effective	Effective	*
	2015/16	High Standard	Effective	Effective	High Standard	High Standard	Effective	Effective	High Standard	Effective	Effective	Effective	High Standard

* External Audit annually verify the Fixed Asset valuations in the accounts. In 2014/15 Internal audit planned to review the migration of MSDC Fixed Assets from Oracle to Integra. This migration was delayed and Internal Audit were able to undertake this review in 2015/16.

6.1.3. The recommendations made for each audit have been discussed and accepted by Financial Services managers, and analysed by report subject in the table below. It should be noted that, with the exception of the General Ledger, there are fewer recommendations in each report year on year. The increase in the General Ledger can be attributed to the greater emphasis in this year's audit review to system administration and procedures, which were specifically not given such focus and emphasis in the transitional year 2014/15.

	14/15	15/16	%change
Number of recommendations for Finance Teams:			
Treasury Management	6	4	-33%
Payables	1	1	0%
Income Collection	5	2	-60%
Payroll	2	0	-100%
GL	4	8	100%
Receivables:	11	4	-64%
Housing Rent	4	1	-75%
SRP Recs	2	1	-50%
Capital Accounting	0	0	

Note: no Capital Accounting Audit was undertaken in 2014/15.

6.1.4. To further strengthen our opinion that the control environment has improved the volume of recommendations fell year on year. So too the significance on the control risk impact, there being proportionally more Medium Priority recommended actions than last year (see table below):

	Number:			Proportion:	
	14/15	15/16	%Change	14/15	15/16
Total recommendations	53	29	-45%		
No. Medium (Priority 2)	20	19	-5%	38%	66%
No. High (Priority 1)	33	10	-70%	62%	34%
No High accepted	100%	100%			

6.1.5. During the first quarter of the financial year the Audit Team rewrote the Internal Audit fundamental systems documentation. This was required as now both Councils operations are shared within Finance, and the migration to one External Auditor presented an opportunity to review the internal controls across the finance function's fundamental systems. A further benefit to this work was the opportunity to share these matrices with finance colleagues who are undertaking procedural and control reviews to refine and refresh roles across their team.

6.2 Risk Audits

6.2.1 This planned audit work is determined by a number of considerations including: Management concerns; perceived risk and controls environment; strategic importance; and past experience.

6.2.2 Delivery programme:

The 2015/16 audit plan included provision for audit to support and advise on changes and developments planned and proposed for the year, which included:

Open Housing migration; Information Governance; Community Infrastructure Levy (CIL); HRA New Build; Integrated planning 'Josie'; and the Leisure Centre contract review.

6.2.3 Initial audit work was undertaken on the above initiatives, but changes to business priorities and imperatives meant that some projects did not require audit resources this year and time was employed on other council developments and support to management initiatives. These changes in plan were managed by the Corporate Manager–Internal Audit to ensure that the delivery of audit objectives in line with the Strategic Objectives continues as one of the functions key priorities.

6.2.4 The Corporate Manager–Internal Audit continues to be involved in developing appropriate processes, procedures and governance arrangements for the administration of the CIL funds to enable sustainable growth.

6.2.5 Audit undertook a brief and initial review of the Governance of the Open Housing migration project, which included audit support to local management, to forge improved project engagement and communication. The project continues into 2016/17 and therefore audit work is not yet complete.

6.2.6 The scope of the Leisure review grew from the initial proposals and a broader discovery phase was introduced during 2015/16. The potential engagement of Audit with the project was therefore delayed until later phases in 2016/17.

6.2.7 The Integrated planning project has continued to evolve, with Internal Audit undertaking some initial dialogue regarding project governance and management oversight. Detailed audit review, of controls surrounding the new procedures and processes, has been incorporated into the 2016/17 Audit Plan.

6.2.8 A procurement audit was undertaken with the objective to review the Councils' contract activities to assure compliance with its procurement requirements and ensure accountability for goods and services provided. A draft report has been issued with a number of recommendations arising from this review. These are presently under discussion with the proposed action owners prior to the report being finalised. The outcome will be reported to this Committee as part of the mid-year report by the Corporate Manager–Internal Audit.

7 Business support activities:

7.1 Disabled Facilities Grant - a declaration, required for each of Babergh and Mid Suffolk, regarding the use of Disabled Facilities Grant's has previously been completed by the S151 Officer. This year's return had to be signed by the Chief Executive or the Chief Internal Auditor and submitted to the Department for Communities and Local Government. An audit review of applications for appropriateness and compliance was made prior to the approval of the return and 'signed off' by the Corporate Manager – Internal Audit.

7.2 Audit retain a close working relationship with Finance staff, and have provided support and advice on proposed system and control developments, enhancements and changes including: evolution of the reconciliation and reporting processes, finance system development planning, and interface refinements.

The Interim Corporate Manager – Financial Services requested audit system flow charts and control matrices, as well as a summary of the outcomes from the Audits conducted in the Finance area during 2014/15. This provided further analysis of internal audit recommendations to support the Finance Staff in undertaking change and evolving more robust procedures. The incoming Corporate Manager – Financial Services asked for this report presentation to continue into 2015/16 as part of the close and continuous working partnership between the two teams.

7.3 Finance – Budgetary Control – at the end of the 2015/16 Financial Year Internal Audit supported the Corporate Manager – Financial Services in compiling a survey of Councils' budget holder's opinions of, and requirements for, a budgetary control process. Internal Audit then constructed the survey on 'Survey Monkey' and provided access to budget holders. The responses were then collated and analysed by Audit with a draft report issued to Finance on 3rd May 2016. At the time of this paper the Corporate Manager – Financial Services is considering further development for budgetary engagement in conjunction with her team and the operational potential of the budgetary control module in Integra. Internal Audit has planned to meet with Senior Finance Staff in June 2016 to progress this further.

7.4 Business Continuity – Internal Audit has worked with business managers to develop and evolve both the Councils and individual departmental business continuity plans. The Plans are "corporate" documents which give guidance to senior managers tasked with leading recovery activities and prioritising resources in the event of an incident.

(In May a draft of the revised Councils' Business Continuity plan was posted on the intranet to act as an interim guide until it receives formal approval).

Work has been completed on Business Continuity's initial 'Threat Analysis' (e.g. Loss of Building, Loss of IT etc.). Both 'Threat Action Cards' and the identification of 'Tactical Management Team' members (relevant to each Threat Action Card) are materially (98%) complete.

Other aspects of the Councils' Business Continuity framework such as Service Descriptions, Potential Consequences of Loss, Minimum Service Level Required, Impact Rating & Recovery Time Objective documents are completed.

There have been Business Continuity communications to update and inform staff, such as an article in Working Together highlighting 'what to do' in an event.

A business continuity exercise is currently being developed by the Business Continuity Working Group with a view to it taking place in early autumn 2016.

There have been incidents this year (IT and telephony outages) which have also been the subject of post event reviews to determine lessons learnt by all main stakeholders.

8 Complaints

Internal Audit has, at the request of management, provided an independent review into two planning applications which resulted in presenting improvements in processes and communications.

9 Resources

The Internal Audit team has remained constant during the period which has enabled consolidation and development of the skills mix, aims and objectives required to deliver the Councils' Plans, reflected in the 2015/16 Audit Plan.

10 Professional Practice

10.1 Membership of audit bodies

It is important to keep abreast of best professional practice. Internal Audit has strong links with audit colleagues both within Suffolk and nationally and are members of the Suffolk Working Audit Partnership (SWAPs) and the Midland Audit Group.

10.2 Auditee Satisfaction

At the end of each fundamental audit the auditee is offered the opportunity to provide feedback on the work conducted and the manner and skills of the auditor, as well as the opportunity to feedback on the benefits gained by the auditee. These surveys are sent out with the Final Report, with the response going to the Corporate Manager – Internal Audit, rather than the Auditor. The auditee can of course speak directly to the Corporate Manager – Internal Audit.

Of the 9 Fundamental Audits conducted 8 Auditees responded with satisfaction surveys, details are reported in the Annex. Of these responses 7 were rated 'Excellent' and 1 'Good' by the Auditee.

10.3 Internal Audit Key Performance Indicators

Eight Audit key performance indicators are used to monitor audit efficiency and are shown in the Annex.

Of these, 7 are Green, whilst one is Amber.

The number of planned activities undertaken from the 2015/16 audit plan fell below the target 90%. This was due in part to changes not being undertaken by the Councils, and through additional requests being made for Audit resources that the Corporate Manager – Internal Audit deemed to be of greater significance to the Councils' control environment than the original audit work planned.

The work not undertaken in the 2015/16 plan has been re-evaluated in conjunction with the Control Assurance review for inclusion in the 2016/17 plan, as appropriate.

11 Conclusions

The Corporate Manager – Internal Audit considers that there are no additional audit related issues that currently need to be brought to the attention of this Committee.

ANNEX

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
Main Financial Systems 2015/16				
General Ledger	Security and Coding Structure; Operational framework; Feeder Systems; Journal and other transactions; Control accounts and reconciliations; and Year End Procedures.	<p>The system is not utilised to its full potential reducing efficiency and increasing errors.</p> <p>Misposting may go unnoticed.</p> <p>Data is corrupted or fraud obscured as direct input to the GL may be unauthorised.</p>	<p>Finance management reappraise and articulate the use of the Integra system operational model in the context of 2016/17 plan and the Councils' Focussed Management Review.</p> <p>The Assistant Finance Officer (Reconciliation) has taken responsibility for the majority of reconciliations in Finance and has established a sequence of pre and post Month End close reconciliations that are now conducted.</p> <p>The approval for journals is activated only at Year End where all Journals are entered in suspense and approved by either Senior Financial Services Officer. The evidence from testing of reconciliation differences would indicate that better control over journal posting could benefit the operation of the system.</p>	Effective
Housing Rents	Rent Calculation; Income Collection; Arrears Management; Adjustments; Starting and Ending Tenancies; and Security.	<p>Rents may not be collected for all relevant properties.</p> <p>Rent accounts not updated for increases and changes impacting appropriate recovery action.</p>	<p>All tenant accounts are managed effectively with some flexibility as all efforts are made to ensure tenants can remain in their homes, as far as policy and National Social Housing Pre Action document allows.</p> <p>The reasons for all adjustments are evidenced with a full history on each tenant's file. Furthermore, any write-offs are authorised by a Senior officer or Corporate Manager in writing.</p>	Effective
Income Collection	Security; Income Collection; Banking; Finance; Petty Cash; and Follow up of The cash receipting and handling audit.	<p>Loss or misappropriation of income.</p> <p>Incomplete transaction trail.</p> <p>Incorrect banking occurs and remains undetected.</p>	<p>There are currently no Petty Cash Guidance Notes in existence.</p> <p>Procedure Notes for the handling of cash in Customer Services, Planning, Rents, Licensing and Homelessness are currently being worked on with Finance staff assisting.</p>	High Standard

ANNEX

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
Payables	Data Integrity and System Security; Requisitions; Invoice Payment; and Procurement Cards.	<p>The Council pays for goods and services that have not been received.</p> <p>Fraudulent or duplicate payments could be made.</p>	<p>Sudbury Town Council staff were not aware of BDC Money Laundering requirements.</p> <p>Goods received are checked against original order.</p> <p>Invoices received are checked for accuracy.</p> <p>There is no evidence to show exactly what changes have been made to existing suppliers.</p> <p>There is no authorised signatory list to establish if it is appropriate for an individual to have a procurement card. (This was raised in last year's audit it was agreed that guidance was provided in the Procurement manual. However there is currently no formal documentation to establish what delegated authority has been assigned by Service Managers to members of staff.)</p>	Effective
Payroll	Starters; Leavers; Payments; Deductions; Variations; Security; and Pensions.	<p>The content of the Councils' payroll is incorrect.</p> <p>The Councils may pay their staff incorrectly.</p> <p>Access and changes to standing data are inappropriate.</p>	<p>Significant improvements have been introduced since last year. Budget managers are more proactively monitoring their staff budgets and are contacted by HR at regular times to confirm accuracy.</p> <p>The new HR system is now well embedded and member of staff are able to end their sick leave, access personal data and input claims easily and efficiently.</p>	High Standard
Receivables	Raising Invoices; Raising Credit Notes; Adjustments; Security; Monitoring; Receipt of Income; and Debt Recovery & Write Off.	<p>Councils' income is incomplete and shortfalls go undetected.</p> <p>Fraud arises from a lack of a separation of duties across the system.</p>	<p>The controls in managing cash (albeit limited) have been strengthened by division of duties which are evidenced.</p> <p>Customer debts are now being chased and the updated Debt Recovery and Write off policy is being finalised by the newly appointed Corporate Manager Finance</p>	Effective

ANNEX

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
			<p>No limits are set up within the system due to Integra 2 not being implemented yet. It is anticipated to be rolled out July/Aug 2016.</p> <p>A member of staff can request and process a credit note, possibly undetected by another member of staff, as there are no reviews of adjustments by a second party.</p>	
Shared Revenue Partnership feeder system & Finance reconciliations	Council Tax, NNDR Housing Benefit Overpayments: Direct Debits, Cash receipts, Banking receipts and Nominal ledger postings from feeder systems.	<p>Systems are not updated and customer details not aligned.</p> <p>Loss or misappropriation of income.</p>	At the time of the audit changes to the methodology for Housing Benefit Overpayment (HBO) reconciliations were currently a work in progress and not yet completed.	High Standard
Shared Revenue Partnership internal processes	This audit is completed each year on our behalf by Ipswich Borough Council Internal Audit Team. At this time the work has not been concluded. The outcome will be reported to the Committee in the next Audit report.			In prior years this has been *Adequate
Treasury Management	Policy, strategy, procedures and behaviours. Cash management, transaction processing, CHAPS and BACS processing, and reconciliation and oversight.	<p>Performance may be poor and go undetected, and inappropriate arrangements may be used.</p> <p>Discrepancy in loan terms may go undetected.</p> <p>Fraudulent activities may be carried out and go undetected if there is not a sufficient division of duties.</p>	<p>The Assistant Financial Services Officer who acts as the principal treasury assistant continues to conduct the treasury reconciliations and report production.</p> <p>At the time of audit the S151 report has only been produced once this Financial Year, on 23rd October, for September YTD. The S151 report was subject to other audit reports in 14/15 when Finance undertook to immediately implement more robustly and make refinements to the report.</p> <p>There is no evidence of repayment amounts being checked to supporting documentation by an independent person. Including checking the bank account.</p>	Effective
Capital Accounting	To assess the implementation of the new Fixed Asset module	Information transferred between	Capital Assets are well managed and reported in a	High Standard

ANNEX

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
	(FAM) within the Integra Finance System.	<p>systems is not completed correctly.</p> <p>Capital accounting policies do not comply with CIPFA guidance.</p>	<p>timely manner.</p> <p>Current procedures are in the process of being updated to reflect both Councils using Integra FAM.</p> <p>Asset 4000 and Integra FAM are managed effectively. The transition to Integra FAM for both Councils' is now imminent, following testing for BDC in a trial environment.</p>	

Effective: Systems described offer most necessary controls. Audit tests showed controls examined operating effectively, with some improvements required.

***IBC Adequate** – Controls exist but there is some inconsistency in their application. This means that a few of the risks in the audit may need attention.

High standard: Systems described offer all necessary controls. Audit tests showed controls examined operating very effectively and where appropriate, in line with best practice.

Internal Audit Key Performance Indicators:

% of the audit plan achieved.	90%	89% **
% audit recommendations accepted by management	90%	100%
% high priority recommendations implemented	100%	100%
% of individual audit system reviews completed within target days or prior approved extension by Corporate Manger, Internal Audit.	100%	100%
Number of days between the issue of Internal audit briefs and commencement of audit fieldwork	10 working days*	
Number of days between the completion of audit fieldwork and issue of draft report.	10 working days	100%
Av number days between completion of fieldwork and quality review (not a KPI)	2 working days	
Number of days between the issue of the draft and final report.	15 working days	100%
The % of internal audits completed to the satisfaction of the auditee.	80%	89%

* Testing should start 10 days after issue of Audit Brief. It was agreed with the Interim Corporate Manager, Finance that all the briefs with an accompanying timetable would be issued prior to the start of the audit programme. The audits were delivered within the timescale agreed with the Interim Corporate Manager, Finance.

** Plan incompleteness due to changes in service priorities.

	Brief issued	Risk matrix issued	Flow chart	Testing start *	Testing complete	Draft report issued	Quality review complete	Exit Meeting / Draft report response	Final report issued	Satisfaction returned
Housing Benefits & Local Taxation (covering Council Tax & NDR)	29-Jul	29-Jul	29-Jul	06-Oct	17-Nov	17-Nov	19-Nov	10-Dec	14-Dec	17-Dec
Housing Rents	29-Jul	29-Jul	29-Jul	11-Jan	29-Feb	04-Mar	29-Feb	21-Mar	04-Apr	08-Apr
Receivables / Debtors	29-Jul	29-Jul	29-Jul	15-Dec	15-Jan	01-Feb	15-Jan	01-Mar	03-Mar	07-Mar
Payroll/HR	29-Jul	29-Jul	29-Jul	06-Oct	26-Oct	05-Nov	30-Oct	22-Dec	22-Dec	None
Income Collection / Cash & Bank	05-Oct	05-Oct	04-Aug	03-Dec	04-Feb	04-Feb	11-Feb	05-Feb	04-Mar	04-Mar
Payables / Creditors	21-Aug	21-Aug	21-Aug	01-Oct	25-Nov	25-Nov	23-Nov	12-Dec	21-Dec	01-Feb
Treasury Management	29-Jul	29-Jul	29-Jul	23-Sep	05-Nov	19-Nov	10-Nov	21-Jan	21-Jan	22-Jan
General Ledger	29-Jul	29-Jul	29-Jul	27-Oct	12-Jan	06-Jan	12-Jan	05-Feb	16-Feb	24-Feb
Capital Accounting	25-Aug	21-Aug	21-Aug	12-Nov	26-Jan	09-Feb	27-Jan	04-Feb	04-Feb	18-Feb

Analysis of Customer Satisfaction Responses:

	Cap A/C	G/L	Rents	Income collection	Payables	Relevables	SRP recs	Treasury
Before the Audit								
Were you given adequate notification of the audit?	YES	change in auditee	YES	YES	YES	YES	YES	YES
Were you informed of the audit objectives?	YES	change in auditee	YES	YES	YES	YES	YES	YES
Were you able to discuss with the auditor the risks you felt should be addressed?	YES	change in auditee	YES	YES	YES	YES	YES	YES
Carrying out the Audit								
Did you feel that an environment of trust and confidence was achieved?	YES	change in auditee	YES	YES	YES	YES	YES	YES
Was the audit carried out in an efficient and timely manner?	YES	change in auditee	YES	YES	YES	YES	YES	YES
If not were you kept informed of the progress towards final report?		change in auditee		none	YES			
Did the auditors work in a professional and helpful manner, with appropriate integrity?	YES	change in auditee	YES	YES	YES	YES	YES	YES
Reporting the Audit								
Were you given the opportunity to discuss the findings with the auditor throughout the audit as well as at draft report stage?	YES	YES	YES	YES	YES	YES	YES	YES
Were the findings adequately supported by evidence?	YES	YES	YES	YES	YES	YES	YES	YES
Were the recommendations in the final report practical?	YES	YES	YES	none	YES	YES	YES	YES
Was the report issued in a timely manner following testing?	YES	YES	YES	YES	YES	YES	YES	YES
Will the audit improve internal controls? (comments please)	The audit confirms that application of existing controls is effective.	Yes the action points to follow up will improve internal controls	The audit will help improve those areas requiring attention and help maintain current level of internal controls.	Although we achieved a High Standard any audit recommendations which we have been asked to implement has always made improvements to our processes.	Yes definitely. Further controls to the amendment of supplier details, statistics being published in S151 Report, purchase card issue approval and production of card receipts are all wholly valid improvements.	Yes the audit will improve controls for adjustments made on debtor accounts and the evidence behind these to show that authority has been given. This will also be the case for credit notes.	The audit has reiterated the requirement for controls already identified to be put in place, and those already being carried out to be maintained.	Yes – separation of roles and duties
Will the audit enable you to improve your service internally and/or to our customers? If so how? (comments please)		Improve internal controls and exploration of further development of the financial management system	The audit helps improve our service as it is refined each year.	High Standard achieved, which demonstrates that all procedures are being adhered to and followed.	With the additional recording of checks in respect of supplier amendments we can be confident that payments will reach the correct recipient. With inclusion of statistics in the S151 report we will meet our statutory duty.	Aged Debt report identifies duplicate payments and the recommendations made will ensure that these are addressed on a weekly basis and that duplicate payments can be returned in a timely fashion.	Again tight controls already identified and aspired to are being worked towards to improve the correct allocation of funds in a timely manner. This should lead to reduction in customer reminders produced as funds can be more quickly identified and transferred to the correct Local Taxation accounts.	Improve internal controls
What did we do well? What could we do better? (comments please)	Good advance notice of meetings with the auditor and what was to be discussed. This allowed time for preparation of the information required.	Action plan very useful for me to use to follow up with the team	Asking plenty of questions, which I am happy to respond to so no stone is left unturned during the audit. If any short falls are discovered it only helps improve the service and reduces risk.	XX is always professional, emails dates of audit, will always email and ask when it is convenient to discuss. XX always gives clear and understandable requests and is very thorough checking all of our processes, which is a support for our team knowing we are getting it right	Communication channels open between Audit and Finance, all visits scheduled and agreed. Process map and wish list provided by the auditor at early stage and evidence was sought by working closely with the Administrator, taking pressure off of the team. The auditor had a full understanding of testing.	With all of the information that the Auditor collects, and the summarising of this in the report it can sometimes be a little difficult to ascertain what the Auditor is referring to on a first read, and sometimes clarity has to be sought.	Communication open throughout and all visits to the Team pre-scheduled and agreed. Helpful that auditors run the required evidence reports taking pressure off of the team, and achieves better transparency. The starting point of many audits lean too heavily on matrixes that have been used before and that the Auditor may sometimes not have complete understanding of of the test area.	Regular contact & explanation of reference of audit and follow up
Overall, how would rate the audit?	Excellent	Excellent	Excellent	Excellent	Excellent	Good	Excellent	Excellent

Draft Circulation:

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