

## CAMBRIDGE CITY COUNCIL

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REPORT OF: Head of Internal Audit

TO: Civic Affairs Committee

29 June 2011

WARDS: All

### HEAD OF INTERNAL AUDIT: ANNUAL AUDIT OPINION 2010 / 2011

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#### 1 INTRODUCTION

- 1.1 Under the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006, the Head of Internal Audit (HIA) should provide a written report to those charged with governance. This is timed to support the Annual Governance Statement (AGS), which is also being presented to this committee for challenge by Members, before being signed off by the Leader of the Council and Chief Executive. The Head of Internal Audit is required, under the code, to give an opinion on the overall adequacy and effectiveness of the organisation's internal control environment and the risk management framework.

#### 2 RECOMMENDATIONS

- 2.1 Members of Civic Affairs Committee are asked to review, and provide challenge to, the opinion of the Head of Internal Audit.

#### 3 OVERALL OPINION

- 3.1 **The overall conclusion is that Cambridge City Council has a fundamentally sound governance framework from which those charged with governance can gain assurance.**
- 3.2 However, no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

#### 4 BACKGROUND

- 4.1 The Internal Audit service works within a framework of:
- General acceptance of control within the management culture;
  - Agreement of actions arising from Internal Audit reports; and
  - A high level of support from Senior Management and Members.

- 4.2 Audits are conducted in accordance with the principles contained in the Auditing Practices Board's auditing guideline '*Guidance for Internal Auditors*', CIPFA's '*Code of Practice for Internal Audit in Local Government in the United Kingdom 2006*' and with other relevant statutory obligations and regulations.
- 4.3 Given this context, and in the light of work undertaken in the year, the Head of Internal Audit is able to give full assurance on the adequacy and effectiveness of the organisation's internal controls in respect of the work undertaken. Further details are available in the attached report.
- 4.4 In preparing the overall opinion, the Head of Internal Audit has reviewed all audit activity carried out relating to 2010/2011. Each individual audit undertaken contains an assurance opinion on the adequacy and effectiveness of controls in place to mitigate the risks identified by managers. Where weaknesses in control are identified, an action plan is agreed with management and this is recorded in the Council's Risk Register. Progress is monitored with target dates for delivery of these agreed actions during the year.

## **5 SIGNIFICANT CONTROL WEAKNESSES**

- 5.1 Significant weaknesses identified during the year have fed into the AGS:
- Partnership arrangements;
  - Project management; and
  - Service continuity.
- 5.2 These have been discussed with the relevant senior managers and actions agreed.

## **6 CONSULTATIONS**

- 6.1 Managers and Heads of Service are consulted on all Internal Audit reports at draft stage to agree the management agreed action plan. Directors, the Leader of the Council, relevant Executive Councillor and the Council's External Auditors receive copies of the final versions of all Internal Audit reports. Copies of Executive Summaries are sent to the Chief Executive and the Council's Monitoring Officer.

## **7 IMPLICATIONS**

- (a) **Financial Implications:** None
- (b) **Staffing Implications:** None
- (c) **Equal Opportunities Implications:** None
- (d) **Environmental Implications:** None
- (e) **Community Safety:** None

## **BACKGROUND PAPERS:**

The following are the background papers that were used in the preparation of this report:

- Audit Plan for 2010 / 2011;
- Audit Reports issued during 2010 / 2011;
- Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 (CIPFA).

To inspect these documents contact Steve Crabtree on extension 8181.

The author and contact officer for queries on the report is Steve Crabtree on extension 8181.





**HEAD OF INTERNAL AUDIT  
ANNUAL AUDIT OPINION  
2010 / 2011**

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## **ANNUAL REPORT**

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2. The Authority for Internal Audit
3. The Scope of Internal Audit
4. Review of Internal Control
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  - Key Financial Systems
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  - Major Achievements During 2010 / 2011
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## **APPENDICES**

- A Assurance Levels and Agreed Actions 2010 / 2011
- B Performance Indicators 2010-2011

## 1. INTRODUCTION

1.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Civic Affairs Committee and the Director of Resources, Internal Audit acts as an assurance function providing an independent and objective opinion to the organisation on the entire control environment by evaluating the effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. Internal Audit is part of the Resources Directorate. This report is the culmination of the work during the course of the year and seeks to provide an opinion on the adequacy of the control environment and report the incidence of any significant control failings or weaknesses. The report also gives an overview of audit performance during the year.

1.2 The purpose of this report is to meet the Head of Internal Audit (HoIA) annual reporting requirements set out in the CIPFA <sup>1</sup>Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The Code advises at Paragraph 10.4 that the report should:

- Include an opinion on the overall adequacy and effectiveness of the organisation's internal control environment and risk management framework;
- Disclose any qualifications to that opinion, together with the reasons for the qualification;
- Summarise the audit work undertaken to formulate that opinion, including reliance placed on work by other assurance bodies;
- Draw attention to any issues the Head of Internal Audit (or equivalent) judges particularly relevant to the preparation of the Annual Governance Statement;
- Compare the work actually undertaken with the work that was planned and summarise the performance of the Internal Audit function against its performance measures and criteria; and
- Comment on compliance with these standards and communicate the results of the Internal Audit quality assurance programme.

1.3 The Code of Practice also states at Paragraph 10.4.1 that:

*“The Head of Internal Audit should provide a written report to those charged with governance timed to support the Annual Governance Statement”.*

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<sup>1</sup> CIPFA – Chartered Institute of Public Finance and Accountancy

Therefore, in setting out how it meets the reporting requirements, this report also outlines how the Internal Audit function has supported the Authority in meeting the requirement of Regulation 4 of the Accounts and Audit Regulations 2011.

## 2. **THE AUTHORITY FOR INTERNAL AUDIT**

2.1 The requirement for Internal Audit is driven from a number of items of legislation, namely:

- Local Government Act 1972 Section 151; and
- Accounts and Audit Regulations 2011.

### 2.2 **Local Government Act 1972 Section 151**

*“Every Local Authority shall make arrangements for the proper administration of its financial affairs and shall secure that one of its officers has responsibility for the administration of those affairs”*

The Council’s Constitution formally nominates the Director of Resources as the authority’s Section 151 Officer who will rely on the work of the Internal Audit Service for assurance that the authority’s financial systems are operating satisfactorily.

### 2.3 **Accounts and Audit Regulations 2011 Section 4 – Responsibility for Financial Management**

*“The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes arrangements for the management of risk.*

*“The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control and shall include an Annual Governance Statement, prepared in accordance with proper practices with (a) any statement of accounts it is obliged to prepare in accordance with regulation 7, or any accounting statement it is obliged to prepare in accordance with regulation 12”.*



## 2.4 Accounts and Audit Regulations 2011 Section 6 – Internal Audit

*“The relevant body must 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. Any officer or member of the relevant body must, if the body requires (a) make available such documents and records as appear to that body to be necessary for the purposes of the audit; and (b) supply the body with such information and explanation as that body considers necessary for that purpose.*

*A large relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit. The findings of the review referred must be considered, as part of the consideration of the system of internal control referred to in regulation 4, by the committee or body referred to in that paragraph.*

2.5 This is supported by the Council's Financial Regulations, which reflects Internal Audit's statutory authority to review and investigate all areas of the Council's activities in order to ensure that the Council's interests are protected. The Terms of Reference for the Civic Affairs Committee adequately meets the requirements of the Accounts and Audit Regulations in relation to the Annual Governance Statement.

2.6 The review of Internal Audit referred to in paragraph 2.3 has been conducted and included within this report.

## 3. THE SCOPE OF INTERNAL AUDIT

3.1 *“Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisations objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources”.*

(Definition of Internal Audit: CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006).

3.2 The **control environment** comprises the systems of governance, risk management and internal control. The key elements of the control environment include:

- Establishing and monitoring the achievement of the organisations objectives;
- The facilitation of policy and decision making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the organisation, how leadership is given to the risk management process, and how staff are trained or equipped to manage the risk in a way appropriate to their authority and duties;
- Ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness;
- The financial management of the organisation and the reporting of financial management; and
- The performance management of the organisation and the reporting of performance management.

(Source: Statement of Internal Control in Local Government – Meeting the Requirement of the Accounts and Audit Regulations 2003 (CIPFA 2004)

3.3 **Controls** ensure that the processing procedures operate in an orderly and efficient manner, statutory and management requirements are complied with, assets are safeguarded, completeness and accuracy of records are secured and identifies and corrects when something has gone wrong.

(Definition of Controls: CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006).

3.4 In order to ensure the ongoing effectiveness and accountability of the service, an annual report is provided to Members, which details Internal Audit activity in the previous financial year.

4. **REVIEW OF INTERNAL CONTROL**

4.1 **Opinion 2010 / 2011**

The Code of Practice for Internal Audit in Local Government in the UK 2006 states that the HoIA must provide a written report to those charged with governance timed to support the Statement on Internal Control (now the Annual Governance Statement). This report must include an opinion on the overall adequacy and effectiveness of the organisation’s control environment, presenting a summary of how that opinion is derived including reliance placed on work by other assurance bodies.

The internal control environment is fundamentally well established and continuing to operate well in practice even though 2010 / 2011 has been a challenging year for the organisation. There have been instances where the control environment was not strong enough or complied with sufficiently to prevent significant risks to the organisation. The area of most concern in the year has been in relation to Property Services Contract Management and Internal Audit has been working closely with management in this area to improve key controls.

The overall conclusion is that Cambridge City Council has a **fundamentally sound governance framework** from which those charged with Governance can gain assurance. Internal Audit has made a number of recommendations to further improve the systems of control where improvements are urgently needed. Audit coverage during the year has provided sufficient evidence to conclude that the key financial control systems are sound.

*However, no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.*

|                                  |   |   |
|----------------------------------|---|---|
| The Assurance - Internal Control | ⇒ | Our overall opinion is that internal controls within financial systems operating throughout the year are <b>fundamentally sound</b> |
|----------------------------------|---|---|

## 4.2 How Internal Control is Reviewed

Internal Audit continues to embrace the risk assessment approach to audit. During the course of the year the risks of the Authority has been continually challenged and used to form the basis of Internal Audit's operational plan for the coming year. The review process draws on key indicators of risks to the organisation and attempts to ensure that suitable audit time and resources are devoted to review the more significant areas. The audit plan contains a contingency provision that is utilised during the year in response to unforeseen work demands that arise. This risk based approach to audit planning results in a detailed range of audits that are undertaken during the course of the year to support the overall opinion on the control environment. Examples include:

- Corporate governance reviews, including a review of key assurance frameworks and the Annual Governance Statement;
- Risk based reviews of fundamental financial systems that could have a material impact on the accounts, and other departmental systems;
- Fraud strategy work, responsive fraud and irregularity investigations;
- Contract, procurement, performance and project audits;
- Audits of Council establishments.

There are three elements to each internal audit review. Firstly, the control environment is reviewed by identifying the objectives of the system and then assessing the controls in place mitigating the risk of those objectives not being achieved. Completion of this work enables internal audit to establish an opinion on the control environment. However, controls are not always complied with which in itself will increase risk, so the second part of an audit is to ascertain the extent to which the controls are being complied with in practice. This element of the review enables internal audit to form a view on the extent to which the control environment, designed to mitigate risk, is being complied with. Finally, where there are significant control environment weaknesses or where the controls are not being complied with and only limited assurance can be given, internal audit undertakes further substantive testing to ascertain the impact of these control weaknesses. To improve consistency in audit reporting, the following definitions of audit assurance are used for all systems and governance audits completed.

| <b>AUDIT ASSURANCE</b> |  |
|------------------------|--|
| <b>Assurance</b>       | <b>Definitions</b>   |
| Full                   | The system is designed to meet objectives/controls are consistently applied that protect the Authority from foreseeable risks.   |
| Significant            | The system is generally sound but there are some weaknesses of the design of control and / or the inconsistent application of controls. Opportunities exist to mitigate further against potential risks.   |
| Limited                | There are weaknesses in the design of controls and / or consistency of application, which can put the system objectives at risk. Therefore, there is a need to introduce additional controls and improve compliance with existing ones to reduce the risk exposure for the Authority.          |
| No                     | Controls are weak and / or there is consistent non-compliance, which can result in the failure of the system. Failure to improve controls will expose the Authority to significant risk, which could lead to major financial loss, embarrassment or failure to achieve key service objectives. |

| <b>RECOMMENDATIONS MADE TO IMPROVE ASSURANCE LEVELS</b> |   |                                 |
|---|---|---------------------------------|
| <b>Status</b>   | <b>Definitions</b>  | <b>Implementation</b>           |
| High  | Fundamental control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency.                | As a matter of priority         |
| Medium  | Significant control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority. | At the first opportunity        |
| Low   | Control weakness, which, if corrected, will enhance control procedures that are already relatively robust.                          | As soon as reasonably practical |

From 2011 / 2012, an additional category of “Critical” is to be introduced. This is for any control weakness which jeopardises the complete operation of the service.

5. **BASIS OF HEAD OF INTERNAL ANNUAL OPINION**

5.1 **Background**

The opinion is derived from work carried out by Internal Audit during the year as part of the agreed Internal Audit Plan for 2010 / 2011, including an assessment of the Council’s corporate governance and risk management processes. The Internal Audit Plan was developed to primarily provide management with independent assurance on the adequacy and effectiveness of the systems of internal control. We have conducted our audits both in accordance with the mandatory standards and good practice within the Code of Practice and additionally from our own internal quality assurance systems. This programme of work is outlined in **Appendix A**. Our opinion is limited to the work carried out by Internal Audit based upon the strategic Internal Audit Plan. Where possible we have considered the work of other assurance providers, such as External Audit.

5.2 The audit work that was completed for the year to 31 March 2011 is listed in **Appendix A**, which lists all the audits and their results in terms of the audit assurance levels provided and the number of agreed actions. The level of assurance achieved on the systems audited is detailed below. This shows that 59% of the systems audited achieved an assurance level of significant or higher, compared to 65% last year.

| AUDIT ASSURANCE  |           |           |              |              |
|------------------|-----------|-----------|--------------|--------------|
| Assurance Levels | Issued    |           | %            |              |
|                  | 2010/11   | 2009/10   | 2010/11      | 2009/10      |
| Full             | 5         | 3         | 18           | 7.5          |
| Significant      | 11        | 23        | 41           | 57.5         |
| Limited          | 10        | 14        | 37           | 35           |
| No               | 1         | 0         | 4            | 0            |
|                  | <b>27</b> | <b>40</b> | <b>100.0</b> | <b>100.0</b> |

| AGREED ACTIONS |            |            |
|----------------|------------|------------|
|                | Numbers    |            |
|                | 2010/11    | 2009/10    |
| Low            | 22         | 35         |
| Medium         | 73         | 132        |
| High           | 65         | 60         |
|                | <b>160</b> | <b>227</b> |

5.3 A complete list of the audits and assurance against them can be found in **Appendix A**. Actions were agreed with management and we will continue to monitor during 2011 / 2012 to confirm that they have been effectively implemented. While the number of reports has reduced, this does not include a series of audits which were issued as “memos” where an assurance rating was not provided. In addition, the approach to follow up audits has changed which was agreed at Civic Affairs Committee.

#### 5.4 **Corporate Governance and the Annual Governance Statement**

In June 2007 CIPFA, in conjunction with the Society of Local Authority Chief Executives (SOLACE), published Delivering Good Governance in Local Government: Framework. The Department for Communities and Local Government has determined that this guidance represents proper practice. Consequently, the Civic Affairs Committee should seek assurance that this guidance has been followed to compile the Annual Governance Statement (AGS). To help the Committee gain that assurance and to give some independent assurance that the AGS is free from material misstatement Internal Audit undertakes reviews of the key corporate governance systems.

Using the proper practice guidance issued by CIPFA as the basis, Internal Audit reviews the corporate governance evidence framework to confirm that there is evidence to indicate that policies, procedures and systems are in place for corporate governance to be effective within the Council. The Council has demonstrated a firm foundation for this and Internal Audit remains of the opinion that the policies, procedures and systems are generally in place for good corporate governance.

Although Internal Audit has agreed a number of actions to further improve the systems of control the overall conclusion is that Cambridge City Council has a sound Governance Framework that those charged with Governance can gain assurance from, although there are some areas where improvements are urgently needed.

#### 5.5 **Risk Management**

Risk management arrangements have operated the same way for over 5 years. While it has been adequate up to now, it has been considered appropriate to review the processes and provide refresher training as a result of the corporate restructure.

#### 5.6 **Key Financial Systems**

An annual review of the authority's key financial systems is undertaken to provide evidence supporting the internal audit opinion on the adequacy of the organisation's control environment. As in previous years, the key financial systems subject to audit were agreed in advance with the authority's external auditors – Audit Commission - as they review this work and use this as a key source of assurance on the organisation. They have reviewed our work on key financial systems and confirm that it meets their requirements in terms of timeliness, quality and supporting evidence.

**Audit coverage during the year has provided sufficient evidence to conclude that the key financial control systems are sound and that, in the main, these controls continue to work well in practice.**

|                                   |   |   |
|-----------------------------------|---|---|
| The Assurance - Financial Systems | ⇒ | Our overall opinion is that internal controls within financial systems operating throughout the year are <b>fundamentally sound</b> |
|-----------------------------------|---|---|

## 5.7 Other Audit Reviews

This section provides a summary of reports issued in the period. They are referenced to the Council structure as at 31 March 2011, following the various restructures undertaken in the year.

### Customer & Community Services

Areas reviewed within the directorate included:

- Contract Management
- Procurement
- Management of Leasehold Properties
- Housing Rents

### Environment Services

Areas reviewed within Environment included:

- Contract Management
- Project Management

### Resources

Areas reviewed within Resources included:

- Contract Management
- Procurement
- Construction Industry Tax Scheme
- Cashiering



### Cross Department / Corporate Reviews

A number of audits were completed which covered more than one department. These included:

- Health and Safety
- Data Security
- Growth Agenda
- Business and Service Continuity

### 5.8 **Allegations of Fraud and Irregularity**

Fraud and Irregularity investigations are reported separately to the Standards Committee annually. This covers Internal Audit work as well as that of the Revenue and Benefits Services Fraud Prevention Team.

### 5.9 **Significant Control Weaknesses**

Internal Audit is required to form an opinion on the quality of the internal control environment which includes consideration of any significant risk or governance issues and control failures which arise. During the financial year 2010 / 2011 the following weaknesses were identified for inclusion within the Annual Governance Statement:

- Partnership arrangements;
- Project management; and
- Service continuity.

### 5.10 **Key Issues**

There is a range of key issues that are likely to be of significance for 2011 / 2012 and beyond, which Internal Audit needs to be aware of. These include:

- the current economic climate which adds to the financial pressures already on the council. This is impacting on income and expenditure as well as the public's needs for council services;
- the impact on funding (DSG settlement) with regard to savings required over future years; and
- the management and governance arrangements with regard to externalised or partnership working.

## 6. **AUDIT PERFORMANCE 2010 / 2011**

### 6.1 **Major Achievements During 2010 / 2011**

The major achievements of Internal Audit for 2010 / 2011 are as follows:

- Achievement of 85% of Internal Audit Plan (91% of Critical Audits);
- Customer feedback remains very positive with continued high levels of satisfaction from our customer questionnaires;
- Annual reports, audit plans and regular progress reports presented to Members via the Civic Affairs Committee;
- The Annual Governance Statement was produced in accordance with agreed timescales and reviewed by External Audit without any adverse comments;
- Successful conclusion of a number of irregularity investigations;
- The creation of a shared service arrangement with Peterborough City Council that was look to deliver efficiency savings, improved performance and ultimately look to expand the business.

### 6.2 **Ensuring Quality**

Internal Audit is committed to delivering a quality product to the highest professional standards that adds value to our customers. We actively monitor our performance in a number of areas and encourage feedback from customers. All our work is undertaken in accordance with our quality management system. A customer satisfaction questionnaire is issued with every audit report. The questionnaires ask for the auditees opinion on a range of issues and asks for an assessment ranging from 10 (for excellent) to 1 (for poor). The results of the questionnaires are reported to the Audit Management Team and used to determine areas for improvement and inform the continuing personal development training programme for Internal Audit staff. The average overall was 9.1.

These results are again extremely encouraging, particularly as the nature and complexity of work undertaken by Internal Audit continues to change. The Council is continually developing more robust systems for identifying and evaluating the significant risks to their objectives. Internal Audit is expected to give a number of assurances on the internal control environment to both internal and external clients not just on financial but operational, service and reputational risks. The staffing skills and resources within Internal Audit are continually adapting to these changes.

Internal Audit is a professional discipline and as such it is desirable that all staff should have an appropriate professional qualification or be undertaking training to gain such a professional qualification. A high percentage of our staff are professionally qualified. This professional training approach is being actively enhanced by both in-house training and individual officers undertaking Continuing Professional Development in their own time. This investment in staff will continue to result in even better audit performance in future years, ensuring that the Section will be able to react positively to the changing demands being placed on the audit profession.

### 6.3 Continuing Professional Development

In a rapidly changing environment it is important that all Internal Auditors are kept abreast of the latest audit and accounting methodologies, changes in legislation and best practice as well as changes to the public sector arena so they have the necessary skills and knowledge to perform their role to a high standard. This is done via Continuing Professional Development (CPD) which the Section continues to support and promote. External CPD events such as CIPFA seminars and IIA events continue to be attended where appropriate. The Code of Practice for Internal Audit in local Government in the UK 2006 states that Internal Audit staff have a personal responsibility to undertake a programme of CPD to maintain and develop their competence. At Cambridge, evidence of professional training and development activities must be retained and individual / group training needs identified. Much of this CPD is done in officers own time showing a personal commitment to continual improvement of the Team.

### 6.4 Performance Indicators

All our performance indicators are documented within **Appendix B**. Key areas to note are:

- Feedback for each audit is collected via Post Audit Questionnaires (PAQ). Our average score was 9.1 (out of 10) against a target of 8, reflecting the high opinion our audit clients have of auditor conduct and the quality and usefulness of reports. This score is higher than 2009 / 2010 results (8.64).
- An average of 2 days training has been provided to each auditor. This includes 'on the job' training, audit technical update seminars and internal training. In addition, Chief Internal Auditors from each local authority in Cambridgeshire staged an 'Away Day' for all auditors in November. This was to share ideas and best practice across the county.
- 91% of the critical audits were delivered (target 100%). One audit was not completed due to its postponement into 2011 / 2012 partly as a result of the corporate restructure.
- An average of 9 days sickness per person was lost during the year, compared to a target of 7.7 days. The section had one officer on long term sick leave during 2010-11. Sickness levels per person excluding the LTS cases equate to 4.3 days per person which is well within the target range.

## APPENDIX A

## ASSURANCE LEVELS AND AGREED ACTIONS 2011 / 2012

|                              |   | SCOPE   | ASSURANCE<br>OPINION | RECOMMENDATIONS |          |          |          |
|------------------------------|---|---|----------------------|-----------------|----------|----------|----------|
|                              |   |   |                      | High            | Medium   | Low      | Total    |
| <b>CROSS CUTTING REVIEWS</b> |   |   |                      |                 |          |          |          |
| 7                            | Corporate Health & Safety – Hazard & Accident Reporting |   | Significant          | 0               | 1        | 3        | 4        |
| 9                            | Corporate Consultation                                  | Review of how public consultation exercises are undertaken and action taken on results                              | Full                 | 0               | 0        | 4        | 4        |
| 11                           | Health & Safety – Contractors                           | Review of compliance  | Limited              | 2               | 8        | 0        | 10       |
| 14                           | Data Security – Access Rights                           | Systems review of network login access  | Limited              | 3               | 9        | 0        | 12       |
| 19                           | Growth Agenda   | Review of management progress with capacity planning for growth together with the effects of reduced funding (HPDG) | Significant          | 0               | 2        | 0        | 2        |
| 25                           | Business Continuity / Service Continuity Plans          | Review of updated arrangements  | Limited              | 3               | 1        | 0        | 4        |
| 43                           | <b>Fire Safety Compliance</b>                           | <b>Follow Up</b>  | <b>Significant</b>   | <b>8</b>        | <b>0</b> | <b>0</b> | <b>8</b> |
| 36                           | Lone Working  | Review of the systems in place for managing and monitoring lone workers across the Council                          | Limited              | 5               | 1        | 0        | 6        |

|  |  | SCOPE  | ASSURANCE<br>OPINION | RECOMMENDATIONS |        |     |       |
|--|--|--|----------------------|-----------------|--------|-----|-------|
|  |  |  |                      | High            | Medium | Low | Total |
| <b>CUSTOMER &amp; COMMUNITY SERVICES</b> |  |  |                      |                 |        |     |       |
| 1  | Arts & Entertainment – Contract Management           | Review of contract management arrangements for a sample of contracts   | Significant          | 2               | 3      | 0   | 5     |
| 5  | Community Development – Procurement                  | Review of sample of recent procurements  | Limited              | 5               | 1      | 0   | 6     |
| 6  | Customer & Democratic Services – Contract Management | Review of contract management arrangements for a sample of contracts   | Full                 | 0               | 0      | 0   | 0     |
| 8  | Management of Leasehold Properties                   | Review of the management of and billing for works carried out to leasehold properties and the process for issuing s.20 Notices | Limited              | 8               | 2      | 1   | 11    |
| 31                                       | Housing Rent System                                  | External Audit assurance work  | N/A                  | N/A             | N/A    | N/A | N/A   |
| 34                                       | Rent Arrears & Write Offs                            | Review of processes for controlling rent arrears and write offs  | Full                 | 0               | 0      | 1   | 1     |
| 35                                       | Housing Strategy – Project Management                | Review of project management arrangements for New Council Homes and Seymour Court  | Significant          | 0               | 4      | 0   | 4     |
| 37                                       | Housing – Contract Management                        | Review of contract management arrangements for a sample of contracts   | Significant          | 4               | 0      | 3   | 7     |

|                             |  | SCOPE   | ASSURANCE<br>OPINION | RECOMMENDATIONS |        |     |       |
|-----------------------------|--|---|----------------------|-----------------|--------|-----|-------|
|                             |  |   |                      | High            | Medium | Low | Total |
| <b>ENVIRONMENT SERVICES</b> |  |   |                      |                 |        |     |       |
| 2                           | Public Conveniences – Service Provision              | Review of service delivery including project management arrangements        | Significant          | 4               | 6      | 1   | 11    |
| 20                          | Environment – Contract Management                    | Review of contract management arrangements for a sample of contracts        | Significant          | 2               | 5      | 0   | 7     |
| 41                          | <i>Streets &amp; Open Spaces –Project Management</i> | Review of project management for cycleways, trees, bus shelters, public art | Limited              | 1               | 7      | 0   | 8     |
| 27                          | Dry Recycling – Contract Management                  | Review of contract management arrangements                                  | Significant          | 0               | 2      | 0   | 2     |
| 40                          | NLIS   | Follow up   | Significant          | 1               | 1      | 0   | 2     |
| 26                          | Environment & Planning Procurement                   | Follow up   | Limited              | 1               | 0      | 1   | 2     |

|                  |  | SCOPE  | ASSURANCE<br>OPINION | RECOMMENDATIONS |        |     |       |
|------------------|--|--|----------------------|-----------------|--------|-----|-------|
|                  |  |  |                      | High            | Medium | Low | Total |
| <b>RESOURCES</b> |  |  |                      |                 |        |     |       |
| 13               | Stores – Procurement                         | Review approach to procurement                                       | Limited              | 3               | 3      | 0   | 6     |
| 16               | Property Services – Contract Management      | Review of contract management arrangements for a sample of contracts | No                   | 5               | 0      | 1   | 6     |
| 22               | Voids End To End Process                     | Review of processes for void properties                              | N/A                  | N/A             | N/A    | N/A | N/A   |
| 26               | Open Contractor                              | Review of project system controls and management information         | N/A                  | N/A             | N/A    | N/A | N/A   |
| 28               | Construction Industry Tax Scheme             | Scheme review  | Full                 | 0               | 0      | 0   | 0     |
| 29               | Payroll                                      | Review of processes for tax deductions                               | Full                 | 0               | 0      | 0   | 0     |
| 30               | Payables System                              | External Audit assurance work  | N/A                  | 0               | 2      | 0   | 2     |
| 32               | Payroll System                               | External Audit assurance work  | N/A                  | N/A             | N/A    | N/A | N/A   |
| 38               | Cashiering                                   | Review of systems and processes within the cashiering function       | Significant          | 0               | 1      | 3   | 4     |
| N/A              | Housing Benefit / Council Tax Benefit Claims | External Audit assurance work  | N/A                  | N/A             | N/A    | N/A | N/A   |
| N/A              | National Fraud Initiative                    | Manage the download for the investigations                           | N/A                  | N/A             | N/A    | N/A | N/A   |

|  |                                      | SCOPE                         | ASSURANCE<br>OPINION | RECOMMENDATIONS |        |     |       |
|--|--------------------------------------|-------------------------------|----------------------|-----------------|--------|-----|-------|
|  |                                      |                               |                      | High            | Medium | Low | Total |
| <b>ADDITIONAL WORKS TO ORIGINAL AUDIT PLAN 2010/11</b> |                                      |                               |                      |                 |        |     |       |
| 10   | Waivers and Exemptions               |                               | N/A                  | 0               | 0      | 3   | 3     |
| 15   | Tendering                            | Process for return of tenders | N/A                  | 0               | 0      | 0   | 4     |
| 24   | Decent Homes - Fourth Letter Process |                               | N/A                  | N/A             | N/A    | N/A | N/A   |
| 21   | Bereavement Services                 | Review of income processes    |                      | 2               | 4      | 4   | 10    |
| 18   | City Services – Contract Management  |                               | Limited              | 1               | 3      | 0   | 4     |

| <b>CARRIED FORWARD FROM 2010/11 AUDIT PLAN FOR COMPLETION IN 2011/12</b> |   |  |
|--|---|--|
|  | Sickness Management                     | Review of progress of managing and monitoring sickness absence                                     |
|  | IDOX / EDRMS Implementation             | Progress review of project   |
|  | Capital Expenditure                     | Review processes for approving and monitoring capital expenditure                                  |
|  | ICT Software Inventory                  | Review of management of software inventory and software purchasing                                 |
|  | Car Park Cash Handling / Reconciliation | Review of procedures for collection and reconciliation of income collected including card payments |

| <b>DELETED FROM AUDIT PLAN</b> |                            |   |
|--------------------------------|----------------------------|---|
|                                | Improve Your Neighbourhood | Active Communities – coordination of plans / holistic approach to open spaces |



**APPENDIX B****PERFORMANCE INDICATORS 2010 / 2011**

|   | <b>Annual Target</b> | <b>Actual</b> | <b>Comments</b>  |
|---|----------------------|---------------|--|
| <b>Achieve the Audit Plan for the Authority and continue to ensure effective working arrangements with the Council's External Auditors</b>                        |                      |               |  |
| Complete 95% of the 2010/11 Internal Audit plan   | 95                   | 85            | Achievement of the audit plan has been impacted by the long term sickness and loss of one of the Senior Auditors and the vacant period for the Head of Internal Audit post |
| Complete 100% of the audits identified as 'critical' on the 2010/11 Internal Audit Plan   | 100                  | 91            |  |
| Regular liaison with External Audit to ensure co-ordination of audit work and avoid duplication   | Yes                  | Yes           | Quarterly meetings held.   |
| Communicate regularly with Senior Management detailing progress with the audit plan and any key areas of concern  | Yes                  | Yes           | Half yearly liaison with Directors/HoS.<br><br>Fortnightly updates to Director of Resources through 1:1 process  |
| <b>Explore the options for the provision of a shared Internal Audit service</b>   |                      |               |  |
| Examine the feasibility and costings for providing a shared Internal Audit service with other authorities with a view to achieving cost savings for the authority |                      |               | Complete. Shared service arrangements with Peterborough City Council in place.   |
| <b>Customers Opinion</b>  |                      |               |  |
| Average rating Post Audit Questionnaire rating  | 8.0                  | 9.1           | Maximum rating is 10   |
| <b>Organisational Development</b>   |                      |               |  |
| Working days lost to sickness per FTE   | No local target      | 4.3           | No target set locally, however corporate target is 7.7 days. 4.3 days excludes long-term sickness.   |