

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

From: Corporate Manager – Internal Audit	Report Number: JAC103
To: Joint Audit and Standards Committee	Date of meeting: 15 May 2017

ANNUAL INTERNAL AUDIT REPORT 2016/17

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 2016/17 and provides Councillors with a review of the variety and scope of projects and corporate activities supported through the work of the team.

2. Recommendation

- 2.1 That the content 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 risk is 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 (2)	Bad (3)	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 During preparation this report has been shared with both Chairs of the Joint Audit and Standards Committee; both Council's Portfolio Holders; the Member with Special Responsibility; the Section 151 Officer; and the Temporary Assistant Director - Law and Governance and Monitoring Officer.
- 6.2 The Audit Plan 2016/17 was approved by the Joint Audit and Standards Committee on 18 April 2016 (Paper JAC76), having previously been endorsed by the S151 Officer and by the then Management Team.
- 6.3 The 2016/17 Interim Internal Audit Report was submitted to the Joint Audit and Standards Committee on 14 November 2016 (Paper JAC91).

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 (Paper JAC76 - 18 April 2016).

- 10.2 As the Councils' Delivery Programme continues and re-shapes and transform its services the demand on Internal Audit's services to provide assurance, support and guidance on a diverse range of activities continues. The Corporate Manager – Internal Audit monitors requests, with a risk based approach, for the re-allocation of Internal Audit resources from the approved 2016/17 Audit Plan.
- 10.3 Appendix A provides a summary of the work undertaken during the second half of 2016/17. This work contributes to the 2016/17 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.
- 10.4 It can be seen (Section 6 of the attached report) that all of the Core Financial audit opinions were reported as 'Effective', maintaining a robust control environment within Financial Services.
- 10.5 Based on the findings of the managed audits, the assurance mapping exercise and corporate reviews conducted throughout 2016/17, 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 2016/17	Attached

12. Background Documents

- 12.1 There are no further documents.

John Snell
Corporate Manager - Internal Audit

01473 825822 / 01449 724567
john.snell@baberghmidsuffolk.gov.uk



Appendix A

Overview of Internal Audit Work 2016/17

1. Introduction

The work undertaken by Internal Audit in delivery of the Audit Plan for the Financial Year 2016/17 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 governance and review activities/issues, which included:

Section Reference:

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

3 Council Governance

- 3.1 The Corporate Manager – Internal Audit plays a lead role in Information Governance across the Councils, as an attendee of the Information Governance Board and author of the Information Governance Policy.
- 3.2 The Corporate Manager-Internal Audit has produced, and maintains 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 In line with the 2016 CIPFA SOLACE guidance the Corporate Manager-Internal Audit has produced a revision of the Council's Local Code of Corporate Governance. (Presented to the Committee today)
- 3.4 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 2016/17, (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 13 March 2017 (Paper JAC100).

4 Risk Management

- 4.1 Internal Audit continues to maintain and facilitate development of the Significant Risk register with Councillors and Senior Management. As a living document Internal Audit regularly review the content with management. The document has undergone a fundamental review to closely align with the Councils' Strategic Objectives and the draft register was reported to the Joint Audit and Standards Committee on 18 April 2016 (Paper JAC79).

The end of year register, and other details on the work conducted by Internal Audit on Risk Management, is presented to this Committee today, 15 May 2017, following approval at Executive and Strategy Committees in early May.

5 Probity

- 5.1 Full details of the anti-fraud and corruption work undertaken during the year is reported annually to this Committee in a report entitled 'Managing the Risk of Fraud and Corruption. The last report was for 2016/17 and presented on 13 March 2017 (Paper JAC99).
- 5.2 The data requirements and data specifications for the **2016/17** National Fraud Initiative (NFI) exercise have now been completed and successfully uploaded using the NFI's secure electronic upload facility.

The release of matches of information across all the contributors data is managed on a risk based approach by the system users, supported by Internal Audit. The system users access their data from the NFI and can investigate, in conjunction with the matched partner / contributor, to evaluate the potential fraud indicated by the match.

- 5.3 EU Elections expense payments - Internal Audit was asked to carry out an audit by the Interim Democratic and Electoral Services Manager of the process undertaken and that all other expenses relating to the EU Referendum were correctly paid, as due to an error in processing no PAYE deductions were made. (See Annex for detail).

6 Audits conducted

The audits conducted are split into two: Core Financial Systems Audit and Risk Audit reviews. The audits that have been completed (unless otherwise indicated), and the Final Report issued, are summarised in the attached Annex.

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.

6.1 Core Financial Systems Audits

- 6.1.1 The work is focussed on 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.

6.1.2. For 2016/17 all Core Financial Systems audit opinions were reported as 'Effective', the recommendations made for each audit discussed and accepted by Financial Services managers, and analysed by report subject in the table below:

Number of Audit opinions made against key operating controls	Payroll - HR Processing	Payroll - data upload	Rent BMSDC	Income BMSDC	Treasury	GL	SRP	Payables	Receivables	Information Technology
High Standard	3	5	4		1	0	3	2	6	
Effective	2	1	2		6	6	1	2	1	
Ineffective	2	0	0		0	0	0	0	0	
Overall opinion	Effective	Effective	Effective	no audit	Effective	Effective	Effective	Effective	Effective	in progress
All Recommendations	Payroll - HR Processing	Payroll - data upload	Rent BMSDC	Income BMSDC	Treasury	GL	SRP	Payables	Receivables	Information Technology
No. of recs	7	1	3		5	0	1	3	3	
No. Agreed by Mgt	7	1	3		5	0	1	3	3	
No. of 'high' recs	5	0	1		3	0	1	0	0	
No. Agreed to be implemented	5	0	1		3	0	1	0	0	in progress
No income audit was conducted this year as 1, the previous year had received 'High Standard, and 2, Audits were conducted on Licencing and Building Control which both contained tests for income management.										

6.1.3. The number of ineffective audit opinions on key controls has again fallen this year to 2, from a high of 15 in 2014/15. Whilst both opinions were on control objectives in Payroll, they were not sufficiently material to reduce the overall opinion of the service below 'Effective'. Year on year comparisons are shown in the table in the attached annex.

6.1.4. Whilst the volume of recommendations again fell year on year, fewer Finance audit reports were issued in 2016/17 due to merging of Councils' processes. All audit recommendations were accepted by management and it is Internal Audit's opinion that the impact of financial processing risk exposure continues to diminish:

	Number:		
	14/15	15/16	16/17
Total recommendations	62	29	23
No. Medium (Priority 2)	26	19	13
No. High (Priority 1)	36	10	10

6.2 Risk Audits

6.2.1 As reported in the Audit Plan the scope of this audit work is determined by a number of considerations including: Management concerns; perceived risk and controls environment; strategic importance; and past experience. A summary of work conducted is scheduled below, and more detail of specific reviews are summarised in the attached Annex.

That work completed in the first half of the year was reported to the Joint Audit and Standards Committee on 14th November 2016 (Paper JAC91), namely:

- Building Control procedural review
- Procurement – Housing contract management
- JOSIE project
- Building Control – Financial Proposition Analysis*
- Community Levy Charge (CIL)

Following this November meeting the Assistant Director - Planning for Growth was called to the Joint Audit and Standards Committee to provide satisfaction on the management actions to improve controls over the JOSIE project.

Audit reviews undertaken in the subsequent period are:

- Procurement – Housing*
- Communities Grants
- Licensing – This audit is nearing completion of fieldwork and on target to be complete to plan.
- Finance – Budgetary Control*

**These reviews were undertaken to support Service Management in developing their control environment and in line with this type of audit consultation no opinion is given.*

7 Business support activities:

7.1 Internal Audit retain a close working relationships with Corporate Management, the Senior Leadership Team and staff, and have provided support and advice on various proposed system and control developments, enhancements and changes throughout the year.

7.2 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.

With the increasing threat to organisations of cyber security breaches, an exercise 'Armageddon', developed by the Business Continuity Working Group, took place in November 2016. The scenario focussed around a fictitious cyber-attack on the Councils and engaged the Senior Management Team. A post exercise learning meeting led to actions to be monitored by Internal Audit.

To spread awareness the scenario and associated learning was published in Working Together.

Other than telephone outages of a few minutes at a time, there have been no major technology incidents this year which have been the subject of post event reviews to determine lessons learnt by all main stakeholders.

- 7.3 The Corporate Manager - Internal Audit was appointed to the role of Deputy Monitoring Officer for the Councils, with the specific duty to ensure that the Councils, their officers, and Elected Councillors, maintain the highest standards of conduct in all they do, pursuant to Section 5 of the Local Government and Housing Act 1989, as amended by Schedule 5 paragraph 24 of the Local Government Act 2000. A number of cases have been dealt with since the appointment.

8 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 2016/17 Audit Plan. As reported to the 13th March JASC an additional member of staff has been recruited to ensure that the delivery of the Audit Plan is achieved in 2017/18.

9 Professional Practice

9.1 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.

9.2 Auditee Satisfaction

At the end of each 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 Audits conducted 7 Auditees have so far responded with satisfaction surveys, details are reported in the Annex. Of these responses 5 were rated 'Excellent' and 2 'Good' by the Auditee.

9.3 Internal Audit Key Performance Indicators

Eight Audit key performance indicators are used to monitor audit efficiency and are shown below:

Key Performance Indicator	Target	Actual
% 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 the Corporate Manger – Internal Audit.	100%	100%
Average Number of days between the issue of Internal audit briefs and commencement of audit fieldwork.	10 working days	9
Average Number of days between the completion of audit fieldwork and issue of draft report.	10 working days	8
Average Number of days between the issue of the draft and final report.	15 working days	12
The % of internal audits completed to the satisfaction of the auditee.	80% 'Satisfactory'	100%
Percentage of the audit plan completed - adjusted (2 finance developments not started, a duplicated area in the plan, one topic area subject to material restructuring).	90%	91%

The work not undertaken in the 2016/17 plan has been re-evaluated in conjunction with the Control Assurance review for inclusion in the 2017/18 plan, as appropriate.

10 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
Core Financial Systems 2016/17				
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>This Year's audit covers a period of relative stability within Finance following the reorganisations of the previous year. Nevertheless, since the last audit, there have been further changes to Integra, with the system hosting moving from Suffolk County Council to Capita. Business continuity for 3rd Party Service supplier exists and has been independently tested. Further change is anticipated with the migration to Integra 2 planned for the early part of 2017.</p> <p>Suspense account balances have historically been high, and the team have continued to work to reduce the issues. At the start of 16/17 balances were: MSDC circa £16,5k, and BDC £-32,5k. At the time of reporting these balances have reduced to circa £600 and £1,500 respectively, now reflecting current transactions only.</p>	Effective
Housing Rents	Rent Calculation; Income Collection; Arrears Management; Adjustments; Starting and Ending Tenancies; and Security. Rent payments where tenants are in receipt of UC	<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>Universal Credits (UC) are not promptly allocated to Tenants' accounts (as remittances from DWP are omitted) and arrears may accumulate as a result.</p>	<p>Appropriate checks are undertaken to ensure tenants are correctly charged at all times. Debt collection is now managed by Rundles for both Authorities, so debt is now actively chased for MSDC. The reasons for all adjustments are evidenced with a full history on each tenant's file.</p> <p>UC has not been established for a sufficient length of time to draw conclusions regarding levels of tenant debt and the control of regular payments. DWP procedures do not appear effective (such as letting Officers know of UC applications). Concerns raised with DWP are not actioned by DWP (such as submitting remittances when sending payments directly to the Council/s).</p>	Effective

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>Data Integrity and System Security controls in Integra are sound and demonstrable.</p> <p>Although the system auto matching invoices (sometimes incorrectly), Finance run reports and correct these auto-matches manually.</p> <p>Procurement card processes are effective and policy is adhered to.</p>	Effective
Payroll data uplift	Ensure that the data migration testing was audited promptly and could add value and assurances in a timely manner.	<p>The content of the Councils' payroll is incorrect.</p> <p>Access and changes to standing data are inappropriate.</p>	<p>The data migration process followed logical and methodical testing, effective controls are in place in ensuring data has transferred correctly from the Midlands' iTrent system to SCC's iTrent system.</p> <p>One error was identified, but when the iTrent reports comparing data were rerun and the data was found to be correct. The original error remains unexplained, but all data has now been transferred without further error.</p>	Effective
Payroll data processing	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>One starter overpaid for 6 months due to an error inputting their spinal point 2 points above their contracted level. The employee has been notified and arrangements made to recoup the overpayment. This employee started prior to the move from Midland to SCC where a more robust separation of duties exists, which should eliminate a recurrence.</p> <p>Member of staff underpaid for overtime, (approx. £5000). This claim had been continuing for almost 3 years - in breach of the Overtime Policy. Regular overtime for the employee in question has been stopped and arrangements made to pay the shortfall. The Corporate Manager identifying other solutions to address the workload situation. HR have carried out further investigations to identify any other potential cases. These highlight short periods of intensive overtime and fit within the scheme.</p>	Effective

ANNEX

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
			Other areas tested were found to be working well with adequate controls in place and no significant material errors identified.	
Receivables	Raising Invoices; Raising Credit Notes; Adjustments; Security; Monitoring; Receipt of Income; and Debt Recovery & Write Off.	Councils' income is incomplete and shortfalls go undetected. Fraud arises from a lack of a separation of duties across the system.	The majority of the subject areas tested received a High Standard audit opinion. Historical debt, dating back to 2010 from CSD for MSDC is still outstanding. Analysis shows half (of c80 debtors) are under £500 and the largest 10 debts amount to c£50k. The finance team have put a great deal of effort into trying to obtain the supporting evidence to recover this debt and Senior Officers are to review the debt and make a recommendation for W/O with the support of the Corporate Manager – Finance.	Effective
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.	Systems are not updated and customer details not aligned. Loss or misappropriation of income.	Testing confirmed nothing to indicate anything other than correct posting in Finance records, the procedure for BACS file creation, and the Northgate system postings. The Section 151 report had not been produced regularly with the first one in 16/17 being produced and issued in August 2016. Furthermore, the Key Control Accounts tabs detailing progress of reconciliations did not confirm that they had been checked by an independent officer.	Effective
Shared Revenue Partnership internal processes	This audit is completed each year on our behalf by Ipswich Borough Council Internal Audit Team. The 2015/16 report was received from IBC on 19 th September 2016. The 2016/17 Audit is still at the testing stage. Presently indications are that there is nothing material to report.		Parameters are accurately entered into the NRB system and independently checked. Checks are regularly carried out by Quality Control (QC) on calculations of benefit entitlements. Billing run and calculation checks are operating effectively. Empty property checks are occurring according to the scheduled procedure. Unpaid direct debits are followed up effectively.	Good

ANNEX

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION																								
			<p>The updated rating records in NRB are reconciled to the Valuation Office (VO) rating list to ensure that changes in rateable value are updated correctly.</p>																									
<p>Information Technology</p>	<p>SCC Audit undertook an ICT Audit on Cyber-crime and its impact on the County's IT provision.</p> <p>As SCC are our IT service provider this review was the starting point for our own additional review of Cyber-crime, which focusses on:</p> <p>User Education and Awareness; and</p> <p>Security Testing, Surveillance and Monitoring.</p>	<p>Events are not dealt with appropriately or in a timely manner.</p> <p>Breaches that could be avoided are not due to a lack of proactive monitoring of IT systems.</p>	<p>Suffolk County's Internal Audit findings were:</p> <p>OVERALL: Sufficient Assurance</p> <p>UK Government Communications Headquarters (GCHQ)- <i>10 Steps to Cyber Security</i>:</p> <table border="0"> <tr> <td>Information Risk Management</td> <td>Sufficient Assurance (L)</td> </tr> <tr> <td>User Education and Awareness</td> <td>Limited Assurance</td> </tr> <tr> <td>Home and Mobile Working</td> <td>Sufficient Assurance</td> </tr> <tr> <td>Secure Configuration</td> <td>Sufficient Assurance</td> </tr> <tr> <td>Removable Media Controls</td> <td>Sufficient Assurance</td> </tr> <tr> <td>Managing User Privileges</td> <td>Sufficient Assurance</td> </tr> <tr> <td>Incident Management</td> <td>Sufficient Assurance</td> </tr> <tr> <td>Monitoring</td> <td>Limited Assurance</td> </tr> <tr> <td>Malware Prevention</td> <td>Substantial Assurance</td> </tr> <tr> <td>Security Testing, Surveillance and Monitoring</td> <td>Limited Assurance</td> </tr> <tr> <td>Protection of Security Technology</td> <td>Limited Assurance (L)</td> </tr> <tr> <td>Network Security</td> <td>Sufficient Assurance ((L) Limited testing).</td> </tr> </table> <p>BMSDC specific IT provision is directly affected by some of the key areas above. These areas form the basis for further local audit investigation, presently being completed.</p>	Information Risk Management	Sufficient Assurance (L)	User Education and Awareness	Limited Assurance	Home and Mobile Working	Sufficient Assurance	Secure Configuration	Sufficient Assurance	Removable Media Controls	Sufficient Assurance	Managing User Privileges	Sufficient Assurance	Incident Management	Sufficient Assurance	Monitoring	Limited Assurance	Malware Prevention	Substantial Assurance	Security Testing, Surveillance and Monitoring	Limited Assurance	Protection of Security Technology	Limited Assurance (L)	Network Security	Sufficient Assurance ((L) Limited testing).	<p>SCC Sufficient Assurance</p>
Information Risk Management	Sufficient Assurance (L)																											
User Education and Awareness	Limited Assurance																											
Home and Mobile Working	Sufficient Assurance																											
Secure Configuration	Sufficient Assurance																											
Removable Media Controls	Sufficient Assurance																											
Managing User Privileges	Sufficient Assurance																											
Incident Management	Sufficient Assurance																											
Monitoring	Limited Assurance																											
Malware Prevention	Substantial Assurance																											
Security Testing, Surveillance and Monitoring	Limited Assurance																											
Protection of Security Technology	Limited Assurance (L)																											
Network Security	Sufficient Assurance ((L) Limited testing).																											
<p>Treasury Management</p>	<p>Policy, strategy, procedures and behaviours. Cash management, transaction processing, CHAPS and BACS processing, and reconciliation and oversight.</p>	<p>Performance may be poor and go undetected, and inappropriate arrangements may be used.</p>	<p>Segregation of duties has been introduced by separating out the Bank and Brokerage transaction posting to the GL Nominal from the reconciliation.</p> <p>Errors in mispostings identified by Treasury Staff as far back as</p>	<p>Effective</p>																								

ANNEX

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
		<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>April 16 have not been corrected and were carried forward as reconciling items, creating permanent differences in Monthly reporting from the Nominal Ledger. This has been addressed since being raised during the audit.</p> <p>The Section 151 report had not been reviewed by management for the first 4 months of the Financial Year. This was raised immediately with the Corporate Manager, Finance Services, who took pragmatic steps to rectify and strengthen the reporting.</p>	
Risk Audits				
EU Election	The Interim Democratic and Electoral Services Manager asked Internal Audit to review the process undertaken, and that all expenses, relating to the EU Referendum were correctly paid.	<p>Poor reputation and or fines</p> <p>Further errors leading to overpayments by the Councils and ensuing loss.</p> <p>Ineffective working practices.</p>	<p>One employee (representing a 2% error rate) was overpaid by £40.00. This has now been addressed by HR.</p> <p>With the exception of the tax issue all other payments were found to be correct.</p> <p>HR has now written to all internal staff affected and an adjustment of tax will be made in their September's pay.</p> <p>Non-staff's adjustment of tax is being rectified by issuing invoices in September.</p>	In line with this type of audit activity no opinion is given. See comment in Section 6.2.1
Licensing	Fieldwork near completion			
Communities Grants	Particular focus on Revenue grants as these were (until 2016) paid up front 100% and therefore posed a greater risk to the Councils' funds.	<p>Loss of funds to the Councils in particular Revenue grants;</p> <p>Legal or agreed framework may not be in place;</p> <p>Poor customer service and support to the community.</p>	<p>Internal Audit can provide assurances that sound controls are in place, in terms of what the Applicant can expect, by reference to information published online.</p> <p>Despite limited resources, the positive outcomes achieved are recognised by Members (Joint Scrutiny Committee, 15 June 2016) and Internal Audit.</p>	Effective

ANNEX

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
Budgetary Control Survey	At the end of the 2015/16 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.	<p>Budgetary control does not meet the needs of the Councils.</p> <p>Financial forecasting and control is inadequate.</p> <p>Decision making is sub optimal from poor financial analysis.</p>	<p>Internal Audit constructed the survey on ‘Survey Monkey’ and provided access to budget holders.</p> <p>Budget holders responses were then collated and analysed by Internal Audit with a draft report issued to Finance in May 2016.</p>	In line with this type of audit activity no opinion is given. See comment in Section 6.2.1
Procurement – Housing.	Review how Housing uses Works Orders from Open Housing, linking into the new joint system and common procedures to reflect best purchase to pay practise.	New processes for Works Orders reflect Babergh and Mid Suffolk requirements a mapping of how Works Orders are currently used will be used to capture requirements and also identify opportunities to improve practices.	Audit mapped processes and worked with Procurement to identify opportunities and provide guidance on compliance and best practice.	In line with this type of audit activity no opinion is given. See comment in Section 6.2.1

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.

Audit opinions on key operational financial controls

Number of Audit opinions made against key operating controls		Payroll - HR Processing	Payroll - data upload	Rent BDC	Rent MSDC (BMSDC from 2016)	Income BDC	Income MSDC (BMSDC from 2016)	Treasury	GL	SRP	Payables	Receivables	Information Technology	Fixed Assets	Total													
																High Standard	Effective	Ineffective										
2014/15		3		2	1	1	3	2	1	1	4	2	0	*	20													
		2		3	3	2	1	4	2	2	0	4	4		27													
		3		1	2	2	1	0	2	2	1	2	1	2		17												
		8		6	6	5	5	6	5	4	6	7		0	58													
2015/16		7		2	3	4	6	3	1	3	1	4		4	38													
		0		3	3	1	0	4	3	1	3	2		1	21													
		0		1	0	1	0	0	0	2	0	0	1		0	5												
		7		6	6	6	6	7	6	4	4	7		5	64													
2016/17		3	5		4		# no audit	1	0	3	2	6		*	24													
		2	1		2		# no audit	6	6	1	2	1	in progress	*	21													
		2	0		0		0	0	0	0	0	0	0		2													
		7		0	6	0	0	7	6	4	4	7		0	41													
Overall audit opinion		Payroll - HR Processing	Payroll - data upload	Rent BDC	Rent MSDC (BMSDC from 2016)	Income BDC	Income MSDC (BMSDC from 2016)	Treasury	GL	SRP	Payables	Receivables	Information Technology	Fixed Assets														
															2014/15	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		High Standard
															2016/17	Effective	Effective		Effective		no audit	Effective	Effective	Effective	Effective	Effective	in progress	
* External Audit annually verify the Fixed Asset valuations in the accounts.																												
# No income audit was conducted this year as 1, the previous year had received 'High Standard, and 2, Audits were conducted on Licencing and Building Control which both contained tests for income management.																												

High Standard
Effective
Ineffective
Poor

Detail of Customer Satisfaction Responses to Audits:

	Rents	Payables	CIL	Treasury	Payroll - data upload	Building Control	Communities Grants
Before the Audit							
Were you given adequate notification of the audit?	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Were you informed of the audit objectives?	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Were you able to discuss with the auditor the risks you felt should be addressed?	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Carrying out the Audit							
Did you feel that an environment of trust and confidence was achieved?	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Was the audit carried out in an efficient and timely manner?	Yes	Yes	Yes	Yes	Yes	Yes	Yes
If not were you kept informed of the progress towards final report?	N/A	N/A	Yes	Yes	N/A	N/A	Yes
Did the auditors work in a professional and helpful manner, with appropriate integrity?	Yes	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	No	Yes	Yes	Yes	Yes
Were the findings adequately supported by evidence?	Yes	Yes	N/A	Yes	Yes	Yes	Yes
Were the recommendations in the final report practical?	Yes	Yes	N/A	Yes	Yes	Yes	Yes
Was the report issued in a timely manner following testing?	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Will the audit improve internal controls? (comments please)	Yes if given the resources to produce a policy as recommended	Yes – the report and advice from the Auditor has highlighted a couple of improvements which will improve governance.	None made	Yes. The retention of documents both physically onsite and offsite and electronically is currently under review	Yes it will.	Will try to maintain high standards	Yes it will highlight improvements we could implement
Will the audit enable you to improve your service internally and/or to our customers? If so how? (comments please)	Yes – see above	Yes – ensuring greater transparency around use of sundry suppliers and ensuring changes around the purchase to pay process are accounted for in our operations in a timely manner	No - but gives assurance that processes are working effectively	Yes, as above and being able to quickly and easily locate documents should queries over payments made to external agencies arise.	Yes – even better accuracy.	Will try to maintain high standards	it will help to ensure our systems are more efficient and easy to follow
What did we do well? What could we do better? (comments please)		The audit was conducted in a professional manner and the Auditor was helpful in ensuring we had a common understanding, though we did revisit several times.	None made	Very happy with Auditor, comprehensive understanding of the area of work and approachable nature.	Great communication between Auditor and Auditee and I felt supported all the way.	Approach by Audit team was of a high standard	Good, friendly, communication at all times
Overall, how would rate the audit?	Good	Good	Excellent	Excellent	Excellent	Excellent	Excellent

Draft Circulation:

Suzie Morley Chair of the Joint Audit and Standards Committee – Mid Suffolk

William Shropshire Chair of the Joint Audit and Standards Committee – Babergh

Sue Ayres (Member with Special Responsibility)

Glen Horn (Portfolio Holder)

Peter Patrick (Portfolio Holder)

Katherine Steel Assistant Director, Corporate Resources

Emily Yule Temporary Assistant Director, Law and Governance, and Monitoring Officer