

**ANNUAL INTERNAL AUDIT REPORT 2013-14**

**To:** Audit and Accounts Committee

**Date:** 15th July 2014

**From:** Head of Internal Audit

**Electoral Division(s):** All

**Forward Plan Ref:** N/a **Key decision:** No

**Purpose:** The Public Sector Internal Audit Standards require that the Head of Internal Audit presents an annual report to an Authority's Audit and Accounts Committee. This is reflected fully in the terms of reference of the Authority's Audit and Accounts Committee.

The purpose is that the Audit and Accounts Committee consider the Annual Internal Audit Report for 2013-14 and therefore are made aware of the Head of Internal Audit's opinion in the state of the Internal Control Framework within the County Council.

**Key issues:** The Annual Internal Audit Report forms part of the evidence that supports the Authority's Annual Governance Statement 2013-14.

**Recommendation:** The Audit and Accounts Committee considers the Annual Internal Audit Report.

<b><i>Officer contact:</i></b>	
Name:	Jonathan Idle
Post:	LGSS Head of Internal Audit
Email:	<a href="mailto:jonathan.idle@cambridgeshire.gov.uk">jonathan.idle@cambridgeshire.gov.uk</a>
Tel:	01223 715317

# **INTERNAL AUDIT REPORT 2013-14**

## **1. HEAD OF INTERNAL AUDIT OPINION**

- 1.1 This report gives a summary of the work carried out by Internal Audit in the financial year 2013-14 and the results of that work. From the work undertaken during the year, my overall opinion on the Council's system of internal control is that:

Substantial / Moderate assurance can be given that there is generally a sound system of internal control, designed to meet the organisation's objectives and that controls are generally being applied consistently. The level of assurance, therefore, remains at a similar level from 2012-13.

Controls relating to key financial systems were again concluded to generally be at a "Substantial Assurance" level. There has also been an increase in the proportion of audits where Substantial Assurance was assigned and a further reduction in the number of Limited Assurance opinions.

The level of implementation of Internal Audit recommendations is, however, a matter of concern which requires additional action within 2014-15.

The basis for my opinion is derived from an assessment of the range of individual opinions arising from assignments, contained within the Internal Audit risk-based plan that have been undertaken throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses. A summary of Audit opinions is shown in Table 1:

Table 1 – Summary of Audit Opinions 2013-14:

Area	Full	Substantial	Moderate	Limited
Corporate	0	2	1	0
Children, Families & Adults	0	7	6	2
Economy, Transport & Environment	0	3	3	0
Council Wide	0	2	3	0
LGSS	1	1	1	
Financial Systems	0	6	2	0
<b>Total</b>	<b>1</b>	<b>21</b>	<b>16</b>	<b>2</b>
<b>Summary with 12/13 Comparison</b>	<b>2% (0%)</b>	<b>53% (27%)</b>	<b>40% (65%)</b>	<b>5% (8%)</b>

## **2. REVIEW OF AUDIT COVERAGE**

### **2.1 Audit Opinion on Individual Audits**

The Committee are reminded that the following assurance opinions can be assigned for an audit:

Table 2 – Assurance Categories:

<b>Level of Assurance</b>	<b>Definition</b>
Full	There is a sound system of control designated to address the relevant risks with controls being consistently applied.
Substantial	There is a sound system of control, designed to address the relevant risks, but there is evidence of non-compliance with some of the controls.
Moderate	Whilst there is basically a sound system of control, designed to address the relevant risks, there are weaknesses in the system, that leave some risks not addressed and there is evidence of non-compliance with some of the controls.
Limited	The system of control is weak and there is evidence of non-compliance with the controls that do exist which may result in the relevant risks not being managed.
No	There is no system of internal control. Risks are not being managed.

Audit reports issued in 2013-14, other than those relating to investigations, projects or mini-reviews, include one of the above audit opinions. Embedded Assurance applies to projects / audits where auditors attended Project Boards and / or gave independent advice and support, with periodic reporting as appropriate. Unless otherwise stated, all individual reports represented in this Annual Report are final reports and have been agreed with management, together with the accompanying action plans.

### **2.2 Summary of Audit Work**

- 2.2.1 Table 3 below details the assurance levels, or other description where an assurance opinion was not appropriate, of all audits undertaken in 2013-14, with the exception of financial systems audits, which are reported at paragraph 2.4.

Table 3 – Summary of Audit Opinions 2013-14:

Directorate / Audit	Audit Opinion	Committee Date
<b>Corporate</b>		
Democratic Services	Substantial	July 2013
Member Expenses	Moderate	July 2013
Service Transformation	Substantial	March 2014
<b>Children, Families and Adults</b>		
Children in Entertainment	Advice Provided	November 2013
Looked After Children	Substantial	July 2014
Schools Financial Value Standard	Moderate	Not Finalised
School Follow Up – Primary	Substantial	September 2013
Schools Procurement	Limited	July 2013
Schools Thematic – Safer Recruitment	Moderate (2 reports)	Nov 2013 / July 2014
SEN Education Placement Strategy	Substantial	July 2013
Corporate Parent	Substantial	July 2014
Support for Parenting Project	Substantial (E.A.)	September 2013
CRIP – Adult Social Care Financial Processes	Moderate (2 reports)	September 2013 March 2014
Older People's Finances	Consultancy	
Older People's Social Care – Transfer of CCS activities to CCC	Substantial	January 2014
Project Trinity	Moderate (E.A.)	November 2013
Quality for Adults	Substantial	September 2013
Safeguarding Vulnerable Adults	Limited	July 2013
<b>Economy, Transport and Environment</b>		
Science Park Station	Substantial (E.A.)	January 2014
Ely Level Crossing	Moderate (E.A.)	November 2013
ETE Directorate Transformation	Substantial (E.A.)	January 2014
Investing in Highways Transport Solutions	Moderate (E.A.)	January 2014 July 2014
Park and Ride	Moderate (E.A.)	March 2014
Superfast Broadband	Substantial (E.A.)	January 2014
<b>Council Wide</b>		
Assurance Framework		2 Reports to AAC.
Business Planning	Substantial	July 2014
Community Interest Companies	Consultancy Review	November 2013
County Farms	Moderate	July 2013
Performance Reporting for Decision Making	Moderate	July 2014
Transfer of Public Health Infrastructure	Substantial (E.A.)	January 2014
Use of Consultants, Interims and Agency Workers	Moderate	July 2014
<b>Grant Certification</b>		
IVA Ecoop	Assurance Given*	
IVA 2 Seas The Great War	Assurance Given*	
SENS	Assurance Given*	
IVA Bike Friendly Cities	Assurance Given*	
Growing Place Fund	Assurance Given*	
Local Transport Capital Block	Assurance Given*	
Carbon Reduction Commitment	Assurance Given*	
Better Bus Area Fund	Assurance Given*	
Local Sustainable Transport Fund	Assurance Given*	
<b>LGSS</b>		
E-Auctions	Substantial	March 2014
Procurement	Full	July 2014
Service Delivery	Moderate	July 2014

E.A. – Embedded Assurance

For Grant Claim audits, opinion given is either Assurance Given or No Assurance

2.3 Outlined below is a summary of the audits that have been finalised during the year, where an assurance opinion of moderate or lower has been assigned. These represent a summary of the findings for audits leading to:

- Red rated recommendations (Action that is considered imperative to ensure that the County Council is not exposed to high risks); and / or,
- Amber rated recommendations (Action that is considered necessary to avoid exposing the County Council to significant risks).

The Committee should note that the majority of these issues have previously been reported as part of the defined cycle of update reports provided to the Audit and Accounts Committee.

#### **2.3.1 Members' Expenses – Moderate Assurance**

Internal Audit reviewed how well processes and procedures for the reimbursement of expenditure, such as travel expenses and subsistence claims, were being adhered to and to identify any potential areas in improvement for the processing of members expense claims.

The audit opinion assigned reflected the timely and accurate processing of the claims reviewed and the existence of clear guidance as to what expenses can be claimed, but also acknowledged improvements required in the control environment in the member certification for electronically submitted forms and formalisation of the procedures for the independent review of claim forms prior to processing.

An area for improvement in respect of the submission of fuel receipts to support the mileage claimed was also identified in respect of allowing the Council to comply with their HMRC dispensation requirements for re-claiming VAT.

#### **2.3.2 Schools Financial Value Standard – Moderate Assurance**

The Schools Financial Value Standard (SFVS) was introduced by the Department for Education (DfE) in September 2011. Governing bodies have formal responsibility for the financial management of their schools and consequently the standard is primarily aimed at governors.

As part of the 2013-14 Audit Plan, Internal Audit visited a sample of ten schools from the Primary and Nursery sectors. Although it was concluded that the majority of the self-assessments returns prepared were sound, the audit highlighted there was a lack of evidence to address specific aspects of the Standard to support self-assessment.

The audit highlighted the need to address issues of financial training for Governors and for a greater understanding of financial systems and processes operating in schools.

### **2.3.3 Schools Procurement – Limited Assurance**

Schools have a duty to demonstrate that purchases made with public funds are fair, legal and open, as well as securing the best possible value for money. The audit sought to provide assurance that schools were complying with agreed practice which is specified in documents such as the Cambridgeshire County Council's Contract Regulations for Schools.

Our fieldwork identified a mixed picture regarding procurement practices in Cambridgeshire schools. Whilst four of the ten schools reviewed received substantial assurance opinions, there were six schools where there was non-compliance with elements of the CCC Contract Regulations for Schools to varying degrees.

It was noted that, unless material issues or concerns are identified, there is limited opportunity for the Local Authority's Schools Finance Team to monitor or challenge schools' compliance with local and statutory regulations within this area.

### **2.3.4 Schools Thematic – Safer Recruiting – Moderate Assurance**

Safer Recruiting within schools was reviewed on two occasions within 2013-14. Since the publication of the Bichard Report in 2004, Internal Audit have undertaken an annual audit to provide assurance that recruitment practices in Cambridgeshire schools are operating in accordance with local and national requirements, in particular the 2007 DfE Guidance "*Safeguarding Children: Safer Education in Education.*"

The responsibility for maintaining adequate recruitment systems within schools rests with the Governing Body of each individual school. The Local Authority has continued to provide support and guidance, including updates of key audit findings, liaison with the primary personnel provider to schools and the provision of governor training.

In both reviews, it was concluded that the majority of schools demonstrated compliance with key requirements and good practice. In the first review, however, it was concluded that two schools were assigned a "Limited" or "No Assurance" Audit opinion. Given these findings, Internal Audit was requested to undertake further work.

A "Moderate" assurance level was assigned to the second review with the principal areas of concern being that:

- Safe recruitment procedures were not fully applied for non-teaching staff;
- Up to date documentation not being utilised;
- Schools do not seek confirmation that Local Authority staffing working in schools have undergone all of the required pre-employment checks and;

- There is no over-arching single record of recruitment checks for Local Authority staff working in schools in accordance with Ofsted Guidance.

It is therefore of considerable concern that such weaknesses should still exist in 2014.

### **2.3.5 Adult Social Care Financial Processes - Moderate Assurance**

Audit work has concentrated upon reviewing the control environment for making “one-off” payments to service users to cover costs such as short-term care or respite services.

This review provided recommendations designed to reduce the risk of overpayments such as increasing management validation checks prior to payments being approved.

Subsequent work in relation to the software system project highlighted several concerns including the lack of functionality to manage block contracts.

### **2.3.6 Project Trinity – Moderate Assurance**

An Embedded Assurance approach was utilised in respect of the project to upgrade the SWIFT Social Care module. The review identified strong systems in respect of governance and risk management. Internal Audit recommended improvements in how benefits from the project are evaluated and within cost management systems.

### **2.3.7 Safeguarding Vulnerable Adults – Limited Assurance**

This review was concluded towards the beginning of the financial year and evaluated policies and procedures relating to statutory guidance in respect of safeguarding vulnerable adults. The issues identified which resulted in the assurance level were:

- Inconsistencies in the completion of case reporting and Safeguarding Action Plans documentation to evidence referrals and the decision making process;
- Inconsistencies in the escalation of case management where the agreed target of 35 days was exceeded;
- The need to improve communications between EDT and Safeguarding Teams.

### **2.3.8 Ely Crossing – Moderate Assurance**

An Embedded Assurance approach was adopted in respect of reviewing the project to relieve congestion at the A142 Level crossing at Ely. Our review was undertaken at the stage of the scheme where a planning application was being prepared.

The audit highlighted that there were sound arrangements in respect of benefits realisation, time management and communication. It also indicated areas for improvement in respect of:

- The reporting of key risks to the Project Board and;
- Consultancy appointments should comply with contract regulations.

### **2.3.9 Investing in Highways Transport Solutions – Moderate Assurance**

This Embedded Assurance review considered the controls in place in respect of the £550,000 Scheme to deliver infrastructure which contributes to improved safety, encouraging walking, cycling and the use of public transport and to enhance the environment.

The audit identified positive controls in place in respect of cost estimation and quality assurance. Improvements relating to the following were required as a consequence of the audit:

- The consistency of the process to determine the approval of schemes and;
- The need to enhance controls over income billing to ensure contributions from Town and Parish Councils are received in full and on time.

### **2.3.10 Park and Ride – Moderate Assurance**

This embedded assurance review related to the proposal to introduce a daily parking charge at Cambridge Park and Ride sites. The key findings from this review were:

- There had been a delay in the introduction of charges;
- The underlying Business Case required an update;
- Lack of accurate costs estimates;
- Lack of clarity in relation to funding and;
- No formal risk management (initially).

### **2.3.11 County Farms – Moderate Assurance**

This audit related to the County Farms Estate, which generates in excess of £3.4m per annum, with specific focus upon the overall strategy for managing the estate and the adequacy of the control environment for the areas of rent reviews, tenant billing and debt management for those accounts in arrears.

Positive assurance was provided in respect of the process to identify properties for disposal, strategy and legislative compliance. Recommendations were made in relation to:

- Improvements in management reports to provide assurance that rent reviews are undertaken at regular intervals
- The need for a comprehensive record of rents / invoices which are “on hold.”

### **2.3.12 Performance Reporting for Decision Making – Moderate Assurance**

The principal objective of this review related to how performance data is used to improve outcomes for the Council. At the time of the audit, the Council was considering the replacement of reporting mechanisms and therefore the audit aimed to review the effectiveness of existing arrangements in order to allow for any potential areas for improvement to be considered in the design of new systems.

The key issues raised in this review related to the need to enhance the links between financial and performance information and to develop formal processes which identify and report upon both good and poor practice.

The key areas for improvement identified from the review were to:

- Strengthen the link between financial and performance information
- Encourage the use of benchmarking and comparisons with similar authorities when undertaking reviews of targets during business planning.

All recommendations in the report were agreed.

### **2.3.13 Use of Consultants, Interims and Agency Workers – Moderate Assurance**

This review covered the compliance with the process changes agreed by cabinet in March 2013 in respect of the use of Consultants and Interims. Of the specific recommendations agreed by the Council, it was concluded that there was evidence of the implementation for 11/13.

One of the cabinet recommendations to be completed at the time of the audit was the maintenance of a register of consultants for each Directorate, the purpose of which was as a reference point for those who wish to engage consultants to see whether they had previously been used and to assess their quality. It was also ascertained that the requirement to submit a consultancy justification form to the Procurement Team was not being fully complied with.

In terms of the technical accounting for consultancy expenditure, it was highlighted that expenditure charged to the Consultancy code was overstated as it included the costs of statutory and independent advisors.

All recommendations were agreed.

### **2.3.14 LGSS Service Delivery – Moderate Assurance**

This review focused upon seeking assurances relating to the following key risk areas:

- Roles and responsibilities within LGSS
- The notification to customers of clear routes of contact and agreed business processes
- The management of knowledge and expertise to ensure continuous delivery of services
- Service Standards and Performance information
- Escalation procedures

The review highlighted several areas for improvement, for example, enhanced communication via a Communication Strategy and the LGSS intranet site. A recommendation was also made in respect of the compilation of a Service Level Agreement, actions for which were in progress at the time of the audit. Furthermore, in respect of escalation procedures, it was highlighted that a formal mechanism should be devised for the reporting, recording and monitoring of complaints.

The timing of the audit coincided with the enhancement of arrangements for Service Delivery and Customer relationships with the development of the Service Assurance, Customer and Strategy Team. It was clear that this Team and the appointment of the Head of Service will address the issues raised within this audit as part of their ongoing remit. Indeed, by the time of the conclusion of the audit, several of the recommendations had already been implemented.

All recommendations contained within the report were agreed.

## **2.4 Financial Systems**

- 2.4.1 The suite of financial core systems reviews are undertaken in part to meet the level of coverage required by the Council's External Auditors for their final accounts audit. They are also used to inform the Head of Internal Audit's overall opinion on the adequacy of the control environment for the organisation which supports the Annual Governance Statement.

The audits sought to provide assurance to management and External Audit that expected controls are in place for key financial systems, that such controls are adequate in design and function appropriately in practice. Additionally, the audits assist in providing assurance to External Audit that transactions falling within the financial year 2013-14 are free from material mis-statement.

This year the audits were joint reviews of Northamptonshire County Council (NCC) and Cambridgeshire County Council (CCC) LGSS systems.

Table 4 below details the assurance levels of all managed audits undertaken in 2013-14 compared to the assurance levels in 2012-13.

Table 4 – Financial Systems Audits 2013-14

Financial Audit	Audit Opinion 2013-14	Audit Opinion 2012-13
Budget Monitoring	Substantial	Substantial
Purchase to Pay	Substantial	Substantial
Accounts Receivable	Substantial	Substantial
Payroll	Moderate	Moderate
General Ledger	Substantial	Substantial
Treasury Management	Substantial	Full
Bank Reconciliation	Substantial	Substantial
IT Controls	Moderate	Moderate

A summary of the issues within those systems currently attracting a moderate assurance opinion are now detailed:

#### 2.4.2 Payroll – Moderate Assurance

Based on the completion of our fieldwork and the testing carried out, **moderate** assurance was assigned for the controls in place within LGSS to effectively mitigate the risks associated with the Payroll system.

Table 5 below provides a breakdown on the level of assurance for CCC for each of the process areas identified:

Table 5 – Assurances of Payroll Processes – 2013-14

Process Area	CCC
Access to the Payroll application.	Limited
Additions or changes to the Employment Establishment.	Substantial
Integrity and security of standing data.	Substantial
System uploads.	Substantial
Input for starters, leavers and variations.	Moderate
Payroll Deductions	Full
Exception Reporting	Substantial
Additional pay	Substantial
Payment run	Substantial
<b>Overall Level of Assurance</b>	<b>Moderate</b>

While improvements have been noted in some areas tested, testing has highlighted a number of areas where further improvements could be made.

### Convergence

There is one Payroll Control Team, consisting of 1 NCC member of staff and 5 CCC staff. The payroll run can be carried out at either NCC or CCC for both councils.

The HR Transactions Teams are separate at NCC and CCC. Plans for the convergence of these teams were at least 6 months away.

### Access to the Payroll System – Limited

There was no clear framework in place detailing the access which each Payroll responsibility allowed.

Limited testing was therefore undertaken of user access rights and segregation of duties. Recommendations have been made in a separate IT Controls report and these issues are currently being addressed.

### Input for starters, leavers and variations – Moderate

A key issue identified was that signed authorisation reports were missing from a significant number of files and hence there was no evidence that a check has taken place on information which has been input.

Action Plans were agreed with management to address these issues and Internal Audit will re-visit and determine the progress of the implementation of recommendations

## **2.4.3 IT Controls over Key Financial Systems – Moderate Assurance**

Significant concerns were identified in respect of IT Access control across various processes. One of the key issues was that there was no Framework which documents the access rights for each ebusiness responsibility and how these had been designed in order to provide adequate segregation of duties. This limits the assurance on whether existing offices have appropriate rights for their role and the basis on which future officers will be assigned rights.

Furthermore, it was identified that there were officers who had conflicting responsibilities which did not provide adequate segregation of duties. Additionally, some permanent and agency staff had not had their ebusiness access revoked after leaving the Authority.

A concern was reported in respect of officers within Accounts Receivable being able to raise credit notes without authorisation.

A further weakness was in respect of the Super User Access, which identified that inappropriate staff had access to Accounts Receivable Super User Access and it was recommended that there should be

immediate removal of inappropriate access to both Accounts Receivable and Payroll Super User accounts.

This will be an area which Internal Audit will re-visit and determine the progress of the implementation of recommendations.

## **2.5 Investigations and Proactive Anti-Fraud Activity**

During 2013-14, the team has undertaken a number of investigations into allegations of fraudulent activity or failure to follow Council policies. Details of specific and including ongoing cases have been reported to the Audit and Accounts Committee throughout the year. These have included investigation into allegations relating to:

- The adequacy of financial arrangements within a Primary School;
- A contract award to a supplier;
- The procurement practices of a budget holder;
- A school not complying with payroll legislation and;
- The administration of a service user's financial affairs by a residential care provider.

The outcomes from investigations of two of the cases have been to refer the findings to Cambridgeshire Police and ongoing support has been provided to the Police in these cases.

Additionally, investigation services have also been provided to external public sector clients on a chargeable basis.

Internal Audit continues to co-ordinate the National Fraud Initiative data-matching exercise for the Council. Significant savings have been identified and recouped with data matches relating to pension payments where the Council had not been notified of the death of a member (£19,068 over eight instances) and overpayments recovered from care homes where the service user had died (£44,248 over six instances).

## **2.6 Implementation of Internal Audit Recommendations**

- 2.6.1 Internal Audit followed up our significant recommendations to ensure that they have been implemented. Internal Audit trace follow up action on a quarterly basis that is related to the actual date the control improvement should have taken place. Internal Audit produced tables of the status of outstanding audit recommendations to the Committee, which is summarised in Table 6:

**Table 6: Implementation of Audit Recommendations 2013-14:**

	Category 'Red' recommendations	Category 'Amber' recommendations	Total
Agreed and Implemented.	24	69	93 (62%)
Agreed and Due within last 3 months, but not implemented.	1	23	24 (16%)
Agreed and Due over 3 months ago, but not implemented.	4	29	33 (22%)
<b>TOTAL</b>	<b>29</b>	<b>121</b>	<b>150 (100%)*</b>

\*Please note that the total reflects the number of recommendations required to be implemented within 2013/14, and includes recommendations made in 2012/13.

2.6.2 A summary of outstanding recommendations is shown below:

**Table 7: Summary of Outstanding Recommendations as at 31.03. 2014**

Audit Title	Red		Amber	
	Over 3 months	Under 3 months	Over 3 months	Under 3 months
Safeguarding Vulnerable Adults	1		1	
Older Peoples Transfer				2
Children in Entertainment	1		1	6
Performance Management			1	
Home to School Transport			2	
Scheme of Delegation	1			
Capita One			4	
Office Base			2	
EDRM			3	
Payroll			2	1
Pensions Admin		1		10
Community Interest Companies	1		9	
LGSS Service Delivery				3
Democratic Services			1	
Pensions External			3	1
<b>TOTALS</b>	<b>4</b>	<b>1</b>	<b>29</b>	<b>23</b>

- 2.6.3 The level of implementation is reported to the Audit and Accounts Committee throughout the year. It is considered that the level of implementation is unsatisfactory and actions to ensure action is taken by management needs to be enhanced in 2014/15.

### 3. INTERNAL AUDIT CONTRIBUTION

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

#### 3.2 Delivery of 2013/14 Audit Plan

The original Audit Plan for 2013-14 was for 1849 days to be available for areas identified for audit activity. The actual days spent in each area of the Audit Plan, analysed by the major categories of our work, in terms of resource input, is set out in Table 8:

Table 8 - Comparison of Planned and Actual Audit Plan Delivery 2013/14

Service	Original Planned Days	Original Planned %	Actual Days	Actual %
Corporate	30	2%	53	3%
Children, Families and Adults	430	23%	314	19%
Economy, Transport and Environment	145	8%	150	9%
Council Wide	101	5%	123	7%
Grant Certification	50	3%	84	5%
LGSS	155	8%	293	17%
Computer Audit	102	6%	0	0%
Fraud and Corruption	321	17%	271	16%
Advice and Guidance	228	12%	171	10%
Risk Management	70	4%	110	7%
External Activity	0	0%	123	7%
Contingency	217	12%	-	-
<b>Totals</b>	<b>1849</b>	<b>100</b>	<b>1692</b>	<b>100</b>

The team delivered 92% of planned work against a target of at least 95%. Plan delivery was impacted by the turnover of staff, the non-completion of a proposed Internal Audit restructure and the non-replacement of staff leavers.

### 3.3 Our Contribution in Other Areas

Key additional areas of Internal Audit contribution to the Council in 2013/14 are set out in Table 9:

Table 9 – Internal Audit Contribution

Area of Activity	Benefit to the Council
Refinement of the Assurance Framework and process for reporting on external sources of assurance to Audit and Accounts Committee.	Audit and Accounts Committee have an enhanced view of risk and governance matters.
Maintaining good working relationships with External Audit so that our work can be relied upon for the purposes of assisting them in forming their opinion on the Annual Accounts.	Reduce audit burden, saving costs.
Working proactively to counter fraud and corruption by leading on the National Fraud Initiative exercise and delivering actions in the Council's Anti- Fraud Strategy.	Preventing and Detecting fraud and corruption, helping promoting high standards of probity and integrity throughout the Council.
Support for managers, HR and the police in investigation work in relation to fraud.	Ensures an effective response to fraud. Allows the Council to maintain capacity to respond to undertake investigations in response to allegations made.

## 4. PERFORMANCE INDICATORS

- 4.1 Internal Audit maintains several KPI's to enable ongoing monitoring and in compliance with the service specification LGSS has with the Council. Outturns against indicators are shown in Table 10:

Table 10 – Internal Audit KPI's 2013-14

P.I. Description	Target	Actual
Delivery of the agreed annual Internal Audit Plan – Audit Days	95%	Audit Days – 91%
Delivery of the agreed annual Internal Audit Plan – Audit Reports	95%	Audit Reports – 80%
Customer Feedback – rating on a scale of 1 to 5	4.25	4.56

## 5. PROFESSIONAL STANDARDS

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

5.2 The objectives of the PSIAS are to:

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

5.3 A self-assessment against the Standards is summarised in Table 11:

Table 11 – PSIAS Self- Assessment 2013-14

### **Attribute Standards:**

Ref	Standard	Ref	Description	Assessment
1000	Purpose, Authority and Responsibility	1010	Recognition of the Definition of Internal Auditing, the Code of Ethics and the Standards in the Internal Audit Charter	Compliant
1100	Independence and Objectivity	1110	Organisational Independence	Compliant
		1111	Direct Interaction with the Board	Compliant
		1120	Individual Objectivity	Compliant
		1130	Impairment to Independence or Objectivity	Compliant
1200	Proficiency and Professional Care	1210	Proficiency	Compliant
		1220	Due Professional Care	Compliant
		1230	Continuing Professional Development	Compliant
1300	Quality Assurance and Improvement Programme	1310	Requirements of the Q.A. and Improvement Programme	Mainly Compliant
		1311	Internal Assessments	Compliant
		1312	External Assessments	Not Compliant
		1320	Reporting on the Q.A. and Improvement Programme	Not Compliant
		1321	Confirms with International Standards	Not Compliant
		1322	Disclosure of Non-Conformance	Compliant

### **Performance Standards:**

Ref	Standard	Ref	Description	Assessment
2000	Managing the Internal Audit Activity	2010	Planning	Compliant
		2020	Communication and Approval	Compliant
		2030	Resource Management	Compliant
		2040	Policies And Procedures	Compliant
		2050	Co-ordination	Compliant
		2060	Reporting to Senior Management and the Board	Compliant
2100	Nature of Work	2110	Governance	Compliant
		2120	Risk Management	Compliant
		2130	Control	Compliant
2200	Engagement Planning	2201	Planning Considerations	Compliant
		2210	Engagement Objectives	Compliant
		2220	Engagement Scope	Compliant
		2230	Engagement Resource Allocation	Compliant
		2240	Engagement Work Programme	Compliant
2300	Performing the Engagement	2310	Identifying Information	Compliant
		2320	Analysis and Evaluation	Compliant
		2330	Documenting Information	Compliant
		2340	Engagement Supervision	Compliant
2400	Communicating Results	2410	Criteria for Communicating	Compliant
		2420	Quality of Communications	Compliant
		2421	Errors and Omissions	Compliant
		2430	Compliance with International Standards	Not Compliant
		2431	Engagement Disclosure of Non—Conformance	Compliant
		2440	Disseminating Results	Compliant
		2450	Overall Opinions	Compliant
2500	Monitoring Progress			Compliant
2600	Resolution of Senior Management's Acceptance of Risks			Compliant

5.4 The outcome of the assessment was therefore generally positive with professional Internal Audit Standards being broadly complied with. Where there is less than full compliance, an action plan will be prepared and monitored during 2014-15.