

BABERGH DISTRICT COUNCIL

FROM: Director Of Finance

REPORT NUMBER: **H86**

TO: OVERVIEW AND SCRUTINY
(STEWARDSHIP)

DATE OF MEETING: 12 August 2008

2007/08 ANNUAL REPORT – INTERNAL AUDIT

1. PURPOSE OF REPORT

- 1.1 To detail the outcomes of internal audit work carried out during the last financial year, indicate whether key systems of internal control are operating soundly and report any areas where there are significant weaknesses. Also, to report on the adequacy and effectiveness of internal audit for the financial year 2007/08.

2. RECOMMENDATIONS

- 2.1 That the position regarding internal audit work in 2007/08 and the conclusion that the Council's overall internal control arrangements provide an acceptable level of assurance be noted.
- 2.2 That, in relation to the adequacy and effectiveness of internal audit, the areas for development set out in Appendix D be approved.
- 2.3 That a mid-year report be submitted to the Committee on progress on Internal Audit work and associated internal control issues.

The Committee is able to resolve these matters.

3. FINANCIAL IMPLICATIONS

- 3.1 None.

4. RISK MANAGEMENT

- 4.1 This report is most closely linked with the Council's Significant Business Risk No. 7 – Financial, Performance & Risk Management. Key risks are set out below:

Risk Description	Likelihood	Seriousness or Impact	Mitigation Measures
Internal controls within the Council may not be efficient & effective and as a result the Council may not be identifying significant weaknesses that could lead to financial loss or inefficiency.	Low	Critical (Potentially)	Members approve the internal audit work programme and the external auditors review the work of the section. There is also the Annual Governance Statement that, along with this report, enables Members to form a view on the adequacy and effectiveness of internal audit.

5. KEY INFORMATION

BACKGROUND

- 5.1 Internal audit provides Members and senior management with an independent and objective opinion on the Council's internal control environment; it examines, evaluates and reports on the adequacy of this as a contribution to the proper, economic, efficient and effective use of resources.
- 5.2 A wide number of reviews of the Council's operations were carried out last year, critically evaluating fundamental systems and making recommendations for improvements to internal controls and the introduction of best practice.
- 5.3 The Accounts and Audit Regulations require that the head of the Council's internal audit function produce an annual report to Members discharging the role of the Audit Committee. There is also a requirement to report the results of an annual review of the adequacy and effectiveness of the internal audit function to provide Members with a basis for determining the extent to which reliance can be placed on the internal audit opinion. As a minimum, there is an expectation that an effective internal audit function will operate in compliance with the CIPFA Code of Practice for Internal Audit.

ACHIEVEMENT AGAINST THE AUDIT WORK PROGRAMME

- 5.4 Members approved the 2007/08 internal audit work programme on 20th March 2007. Due to changing circumstances during the year; the loss of an Auditor and an Audit Assistant; this programme was revised. The posts were left vacant because a shared services review was in progress. The work programme had been based on 486 days, which was after allowance had been made for maternity leave, holidays, training, planning, administration etc., the revised number of days was 302. An overall comparison of actual versus planned resources is shown in the table below:

Job Title	FTE	Status 2007/08	Actual FTE
Audit Manager	1.00	Maternity Leave 04/07 to 07/07. Returned on part-time basis. Interim manager	0.62
Auditors	1.60	One post seconded to Finance – temporary audit resources bought in to meet key priorities	1.10
Audit Assistant	1.00	Left July 2007	0.33
Computer Auditor	0.15	40 days agency arrangement with Ipswich BC	0.15
Total	3.75		2.20

- 5.5 The revised audit work programme concentrated on ensuring that the higher priority work was completed. As a result it was decided that some lower priority pieces of work would not be carried out; the following-up of previous audit recommendations was suspended, and the scope of some pieces of work was reduced so that the work could be completed in fewer days. Some non-audit work, such as control of the Council's cheque stationery, was moved to another part of Finance. All of the Priority 1 work was completed. Appendix A sets out achievement against the work programme.

ANTI-FRAUD & CORRUPTION AND WHISTLEBLOWING

- 5.5 Internal audit has responsibility for raising awareness of the Council's Anti-Fraud and Corruption Policy and Whistleblowing Procedure. Staff, Members and Contractors are informed of the policy on an annual basis. Anti-Fraud and Corruption and Whistleblowing information is on the council's Website and an email address is provided so that the public can raise concerns easily.
- 5.6 The Council participates in the National Fraud Initiative (the data matching of records such as benefits, payroll, pensions, students awards and housing rents), which is co-ordinated by the Audit Commission. The Audit and Fraud team take a leading role in co-ordinating this exercise within the authority. The exercise helps to provide assurance that the Council has effective procedures in place to prevent benefit fraud, while at the same time identifying potential fraud cases based on information held by other authorities.
- 5.7 During 2007/08 the Audit and Fraud section was involved in 2 internal investigations, one of which arose as a result of a Whistleblowing allegation.

USE OF RESOURCES ASSESSMENT

- 5.8 The Audit Commission's Use of Resources Assessment for 2007 on the 'Internal Control' theme, which is the key area that Internal Audit oversee, was as follows:

Management of significant business risk	2
Maintenance of a sound system of internal control	2
Promotion of probity and good conduct of business	3
Overall score for the theme	2

1 = below minimum requirements – inadequate performance

2 = at only minimum requirements – adequate performance

3 = consistently above minimum requirements – performing well

4 = well above minimum requirements

- 5.9 This is the same score as achieved in 2006. Further work on strengthening and improving 'Internal Control' is being carried out as part of the Use of Resources Action Plan.

INTERNAL AUDIT OPINION

- 5.10 During the course of the year, internal audit completed reviews and reported on all of the major (fundamental) systems identified by the Audit Commission as 'material' to the figures included in the Council's Statement of Accounts for 2007/08.
- 5.11 The Audit Opinion is based upon the assurance ratings arising from the audits completed in the year, and on progress in implementing recommendations arising from those audits. Audit opinion is broadly classified into one of the following four categories and takes into account progress on implementing recommendations made in audit reports (see Appendix B for further details) :

High Standard	All key controls in place and working effectively – no exceptions
Acceptable	All key controls in place and working effectively – some exceptions
Not Acceptable	Not all key controls are in place or working effectively
Poor	No key controls in place or no key controls working effectively

- 5.12 The majority of the recommendations arising from the 2007/08 audits were assessed as being medium or low risk, which means that key controls largely exist but there may be some inconsistency with compliance. However, in some areas there have been instances where key controls are not being applied and in the Auditor's opinion the system is not adequately controlled. Appendix B summarises the audits carried out, internal audit's opinion on individual assurance levels and progress made on implementing the recommendations. Further details on control weaknesses can be found in Appendix C – Summary of Internal Audit Reports for 2007/08.
- 5.13 Based on all of this, it is the opinion of the head of internal audit that the Council's overall internal control arrangements provide an acceptable level of assurance and that there is satisfactory management of risk, although some elements of the control framework require attention.

REVIEW OF THE ADEQUACY AND EFFECTIVENESS OF INTERNAL AUDIT

- 5.14 The Council is required by statute (The Accounts & Audit Regulations) to perform an annual review of the adequacy and effectiveness of internal audit. The Director of Finance and the Audit Manager have assessed internal audit's compliance with the CIPFA Code of Practice for Internal Audit. There were eleven standards against which the self-assessment was carried out and it was concluded that:
- There was full compliance with 7/11 standards;
 - Largely compliant with 3/11 standards
 - Further work was required in respect of 1 standard.

The details are outlined in Appendix D - Compliance with the CIPFA Code of Practice for Internal Audit in Local Government 2006

- 5.15 The self-assessment and supporting documentation was reviewed by Members at the Annual Governance Statement (AGS) Member Review Meeting on the 17th July. Members were happy with the assessment and the planned actions to ensure full compliance with the Code of Practice. The following areas form part of the action plan to ensure future full compliance:
- The terms of reference will be reviewed and updated
 - A mid-year report containing a summary of internal audit reports completed and detailing any revisions to the approved work programme will be presented to Members in addition to the Annual Report on Internal Audit.
 - Divisional risk registers will be reviewed and updated. The revised registers will be used during the audit planning process.
 - Audit opinion on individual pieces of work to be revised as a result of audit follow-up work if appropriate.
 - Performance indicators to be put in place and monitored.

5.16 Satisfaction with the Internal Audit service during 2007/08 was high, as can be evidenced by the results of the first Annual Audit Customer Satisfaction Survey.

Criteria	Very Good	Good	Fair	Poor
Audit performance	8%	72%	20%	0%
Audit staff attributes & knowledge	21%	68%	11%	0%
Customer service	17%	57%	26%	0%
Planning & conduct of audits	27%	65%	8%	0%
Reporting process	15%	83%	2%	0%
Overall Rating of Internal Audit	8%	84%	8%	0%

5.17 Based on the review and satisfaction ratings, it is concluded that the Internal Audit service is operating effectively. Although 2007/08 saw gaps in staffing resources, it is considered that staff resources in terms of establishment levels are adequate.

6. **APPENDICES**

- A Achievement Against the 2007/08 Audit Work Programme
- B Summary of assurance ratings from 2007/08 audit reviews
- C Summary of Internal Audit Reports for 2007/08
- D Compliance with the CIPFA Code of Practice for internal Audit in Local Government 2006

7. **BACKGROUND PAPERS REFERRED TO:**

None.

CONTACT: Barry Hunter
Elfreda Walker

EMAIL: barry.hunter@babergh.gov.uk
elfreda.walker@babergh.gov.uk

Achievement Against the 2007/08 Audit Work Programme

Appendix A

Audit Area	2007/08 Initial Days	2007/08 1st Revision	2007/08 2nd Revision	Status
Babergh Staff	463.0	463.0	171.0	Loss of F/T Auditor and Audit Assistant
Temporary Audit Manager	23.0	23.0	23.0	Covering maternity leave, 2 days per week April to July.
Other temporary Staff	0.0	0.0	108.5	2 temporary Auditors for part of the year.
Audit Programme Days	486.0	486.0	302.5	
Contingency	36.5	36.5	35.0	E-Claims; Data Security; Cash & Bank; Advice; Investigations
Remaining Audit Programme Days	449.5	449.5	267.5	
Priority 1 Assignments				
Work-in-Progress	15.0	15.0	15.0	
Fundamental Reviews & Walkthrough				
Asset Register	5.5	5.5	5.5	
Benefit Assessment	16.0	16.0	14.0	Slight reduction of scope of the audit.
Benefit Overpayment	5.5	5.5	5.5	
Creditor Payments	5.5	5.5	5.5	
Debtors	21.0	21.0	21.0	
General Ledger	5.5	5.5	5.5	
Housing Repairs	5.5	5.5	5.5	
Local Taxation	21.0	21.0	21.0	
Payroll	21.0	21.0	21.0	
Rents	21.0	21.0	21.0	
Treasury Management	5.5	5.5	5.5	
Time to be apportioned as required	20.0	18.0	10.0	Less work required than anticipated
Total Fundamental	153.0	151.0	141.0	
Process Mapping Reviews				
Corporate				
Audit Commission (Liaison)	4.5	4.5	4.0	
Anti-Fraud & corruption - Raising Awareness	4.0	4.0	1.0	Reduced the scope of the work
NFI - Co-ordination & Investigation	1.0	1.0	4.5	Required more Audit involvement due to Creditor checks
Reports to Members	10.0	10.0	5.0	Risk management reports prepared by Director of Finance
Statement on Internal Control	15.0	15.0	15.0	
Use of Resources Assessment	10.0	10.0	10.0	
Total Priority 1 Corporate	44.5	44.5	39.5	

Audit Area	2007/08 Initial Days	2007/08 1st Revision	2007/08 2nd Revision	Status
Risk Management				
Total Risk Management	22.0	22.0	10.0	Less Audit involvement while Audit Manager on maternity leave
Benefit Fraud				
Management & Case Reviews	36.0	36.0	0.0	
Assistance with interviews	2.0	2.0	0.5	Little assistance required
Total Benefit Fraud	38.0	38.0	0.5	
Total Priority 1 Work	272.5	270.5	206.0	
Remaining Audit Programme Days	177.0	179.0	61.5	
Priority 2 Assignments				
Corporate				
CAST	0.0	15.0	15.0	Member request to include on the Work Programme
Job Evaluation Panel	5.0	5.0	1.5	Less involvement due to Maternity Leave
Partnerships	11.0	10.0	10.0	Slight reduction in scope
Performance Indicators	15.0	12.0	0.0	External Auditors carried out the review
Total Priority 2 Corporate	31.0	42.0	26.5	
Risk Based Reviews				
Provision of Disabled Facilities Grants	11.0	10.0	10.0	Slight reduction in scope
Provision of ICT Information	11.0	10.0	0.0	Covered by the Computer Audit Review of ICT Management
Enforcement	11.0	10.0	0.0	Asked to postpone until 2008/09
Internal Health & Safety	11.0	10.0	0.0	Postponed as BPR exercise was due to commence
Total Risk Based Reviews	55.0	50.0	10.0	
Anti-Fraud Reviews				
Bi-Monthly Payroll Checks	7.0	7.0	4.0	Checks carried out at start of year - no problems found
Corporate Fraud Risks	11.0	10.0	2.0	Risk assessment exercise further work to be carried out in 2008/09
Total Anti-Fraud Reviews	18.0	17.0	6.0	
Follow-Up				
Audit	14.0	12.0	0.0	Not carried out due to lack of resources
Computer Audit	6.0	6.0	0.0	Not carried out due to lack of resources
Total Follow-Up	20.0	18.0	0.0	

Audit Area	2007/08 Initial Days	2007/08 1st Revision	2007/08 2nd Revision	Status
Other				
Cheque Control	12.0	12.0	1.0	Transferred to Finance
Review Computer Audit Work	5.0	5.0	2.0	
Total Other	17.0	17.0	3.0	
Total Priority 2 Work	141.0	144.0	45.5	
Remaining Audit Programme Days	36.0	35.0	16.0	
Priority 3 Assignments				
Business Development Loans	2.0	2.0	1.0	Very few loans to review
Contract Final Accounts	10.0	9.0	4.0	Sample of accounts selected and reviewed
Financial Vetting	5.0	5.0	0.0	No requests for the service
Leisure Grants	3.0	3.0	1.0	Restricted audit reviews to more financially significant grants
Money Laundering	1.0	1.0	0.0	No additional work in this area carried out
Contracts & Procurement	15.0	15.0	10.0	Reduced scope of the review
Total	36.0	35.0	16.0	
Remaining Audit Programme Days	0.0	0.0	0.0	
Computer Audit Work				
Agresso Application Review	12.0	12.0	12.0	
IBS Query Tool & Rewriting NFI Extracts	3.0	3.0	3.0	
Post Implementation Review of Back-up/Storage System & Recovery Procedures	8.0	8.0	8.0	
E-Mail Archiving System	6.0	6.0	6.0	
Miscellaneous	1.0	1.0	1.0	
IT Management Review - Part 1	10.0	10.0	10.0	
Total Computer Audit Work	40.0	40.0	40.0	

SUMMARY OF ASSURANCE RATINGS FROM 2007/08 AUDIT REVIEWS

Audit	Auditors Opinion		Progress Implementing Recommendations Made During 2007/08													
			Accepted			Completed by June 08			Ongoing June 08			Outstanding June 08				
			High	Med'm	Low	High	Med'm	Low	High	Med'm	Low	High	Med'm	Low		
Asset Register	Acceptable			4												
Back-ups & Recovery	Acceptable			6	3											
Benefit Payment	Acceptable			5			5									
Benefit Overpayment	Acceptable			3	1		3	1								
CAST	Acceptable			4	3											
Cash & Bank		Not Acceptable	4	6		1	5		3	1						
Contracts	Acceptable			10	1											
Creditors		Not Acceptable		5			5									
Data Security		Not Acceptable		11												
Debtors		Not Acceptable	8	6	8	5	2	6	3	4	2					
Disabled Facilities Grants	Acceptable			1												
E claims		Not Acceptable	10	6	10	6	2					4	4	10		
Email Archiving	Acceptable		2	6	4		3	4	2	3						
General Ledger	Acceptable			4			2			2						
Housing Repairs		Not Acceptable	5			5										
ICT Management	Acceptable			13	5		3	1		9	4			1		
Local Taxation	Acceptable		3	3		2	2		1	1						
Partnerships		Not Acceptable	4			2			2							
Payroll	Acceptable		3	25		1	13					2	12			
Rents		Not Acceptable	4	9		3	7		1	2						
Treasury Management	Acceptable		1	7		1	6			1						
Totals	13	8	44	134	32	26	58	12	12	23	6	6	17	10		
Percentage of Total	62%	38%	21%	64%	15%	59%	59%	43%	27%	23%	21%	14%	17%	36%		

Note: Audits shaded in grey have not been included in the completed by, on-going or outstanding percentages as the audits were completed late in the financial year and have not yet been followed up.

Summary of Internal Audit Reports for 2007/08

- | | | |
|-----------|---|--|
| 1 | Asset Register | Auditors Opinion – Acceptable |
| | Summary of weaknesses in internal control | |
| | The Council is maintaining three records of assets. Keeping more than one set of the same / similar data is not best practice. All the required data could be recorded in the Land Terrier if the necessary resources to update the Land Terrier were made available. | |
| 2 | Back-ups & Recovery | Auditors Opinion – Acceptable |
| | Summary of weaknesses in internal control | |
| | The audit found that arrangements for back-ups and recovery are not fully robust, however it is considered that the level of risk exposure is acceptable. | |
| 3 | Housing Benefit Payment | Auditors Opinion – Acceptable |
| | Summary of weaknesses in internal control | |
| | There were no significant weaknesses. | |
| 4 | Housing Benefit Overpayment | Auditors Opinion – Acceptable |
| | Summary of weaknesses in internal control | |
| | There were no significant weaknesses. | |
| 5 | CAST | Auditors Opinion – Acceptable |
| | Summary of weaknesses in internal control | |
| | The wrap up codes used to analyse customer phone calls are not applied consistently. Data is not collected and stored efficiently. | |
| 6 | Cash & Bank | Auditors Opinion – Not Acceptable |
| | Summary of weaknesses in internal control | |
| | Changes to the security of the Cashiers office have been made without a risk assessment. Therefore weaknesses in the new procedures may not have been identified.
Payments being made via CHAPS have not been properly authorised. | |
| 7 | Contracts | Auditors Opinion – Acceptable |
| | Summary of weaknesses in internal control | |
| | There is not a comprehensive contract register in place; the current register only records contracts under seal. | |
| 8 | Creditors | Auditors Opinion – Not Acceptable |
| | Summary of weaknesses in internal control | |
| | There is lack of clarity over the authorised signatory process; orders and invoices have been authorised by officers who do not have the correct authorisation. | |
| 9 | Data Security | Auditors Opinion – Not Acceptable |
| | Summary of weaknesses in internal control | |
| | The need to ensure that staff understand and adhere to the Council's policies and procedures on confidential information and data. Staff should be made fully aware of, and able to access, guidance on the storage and disposal of confidential information. | |
| 10 | Debtors | Auditors Opinion – Not Acceptable |
| | Summary of weaknesses in internal control | |
| | Procedures and controls around reminder letters are weak; procedures should be put in place to ensure that every debtor receives a reminder within 28 days.
There should be regular reports to management on all outstanding debts over 60 days.
Requesting departments should be kept aware of the status of their customers' debts. | |

- 11 Disabled Facilities Grant Auditors Opinion – Acceptable**
Summary of weaknesses in internal control
 There were no significant weaknesses.
- 12 E-Claims Auditors Opinion – Not Acceptable**
Summary of weaknesses in internal control
 No monitoring of expense claims submitted is being undertaken.
 Under usage of the pool cars is resulting in significant additional costs being incurred by the Council.
 A large number of officers in receipt of Essential User or Leased Car allowances are not undertaking the required number of miles per year to remain eligible for the allowance.
- 13 Email Archiving Auditors Opinion – Acceptable**
Summary of weaknesses in internal control
 The recovery of the e-mail service following a major hardware failure has not been proven.
 Some messages could be lost.
- 14 General Ledger Auditors Opinion – Acceptable**
Summary of weaknesses in internal control
 There were no significant weaknesses.
- 15 Housing Repairs Auditors Opinion – Not Acceptable**
Summary of weaknesses in internal control
 The Senior Repairs Officer has IBS System Administrator rights, which permit him to change the systems core securities. This is not good practice as he is involved in the day-to-day processes of the system.
- 16 ICT Management Auditors Opinion – Acceptable**
Summary of weaknesses in internal control
 Detailed Business Continuity Plans are needed for IT Services. These require regular testing and review. Critical ICT equipment is insufficiently protected from fire, unauthorised access, power loss and dust.
- 17 Local Taxation Auditors Opinion – Acceptable**
Summary of weaknesses in internal control
 The refund process should be amended to ensure that the liable persons permission is obtained, prior to offsetting a refund against other amounts owing to the Council.
- 18 Partnerships Auditors Opinion – Not Acceptable**
Summary of weaknesses in internal control
 The Council has some controls over partnerships in place, however these are not consistent across the authority.
 Increasingly Comprehensive Area Assessments and Use of Resources assessments are focussing on partnerships.
- 19 Payroll Auditors Opinion – Acceptable**
Summary of weaknesses in internal control
 Currently the Council fails to utilise the Delphi System to its full potential. The Human Resource Module is not checked to the Delphi Payroll Module. In addition the use of several Excel spreadsheets has resulted in a duplication of work, and ineffective use of resources.

20 Rents **Auditors Opinion – Not Acceptable**
Summary of weaknesses in internal control

It was found that officers were authorising payments, which they did not have proper authorisation for.

Following a change of staff in September 2006 the important reconciliation of the rents database had not been done. There is a risk that property could be removed from the database unofficially.

21 Treasury Management **Auditors Opinion – Acceptable**
Summary of weaknesses in internal control

There were no significant weaknesses.

**Compliance with the CIPFA Code of Practice for Internal Audit
in Local Government 2006**

2006 Code standard	Evidence of Achievement	Areas for development
<p>1. Scope of internal audit (IA)</p> <ul style="list-style-type: none"> • Terms of reference • Scope • Responsibilities in respect of other organisations • Fraud and corruption 	<p>Terms of reference reflecting current Code of Practice were approved by Overview & Scrutiny (Stewardship) Committee on 21st March 2006 – Report E306 Internal Audit Terms of Reference, Strategy and Strategic Work programme 2006/07.</p> <p>Scope of audit work takes into account risk management processes and wider internal control. Resource levels reviewed and commented on in report to Overview & Scrutiny Committee 17th July 2007 – Report G46 2006/07 Annual Report on Internal Audit.</p>	<p>The terms of reference need to be reviewed and updated to:</p> <ul style="list-style-type: none"> • Include IA's responsibilities in respect of other organisations such as key partnerships and LAAs. • Define IA's responsibilities in relation to fraud. • Define IA's role in consultancy work. <p>The Audit Manager will review these Matters and report back to the O&S Committee.</p>
<p>2. Independence</p> <ul style="list-style-type: none"> • Organisational independence • Status of head of IA • Independence of individual auditors • Independence of IA contractors • Declaration of interest 	<p>Audit Manager has the right to direct access to those charged with governance see Financial Procedures C4 5 33 paras. 3.24 – 3.35.</p> <p>Reports are made in own name to management - in line with BDC protocol on reporting to Committee all audit related reports are from the Director of Finance with Audit Manager as contact. No conflict of interest between operational responsibilities and audit has been found.</p> <p>Rotation of audit work within the team is the norm.</p> <p>Auditors are required to declare interests and have been vetted in accordance with normal HR procedures.</p>	<p>Note: due to the size of the section, when staff have been consulted during system, policy or procedure development, it is not practicable to preclude them from reviewing and making comments during routine or future audits. Each situation will be determined individually depending on the amount and type of involvement.</p>
<p>3. Ethics:</p> <ul style="list-style-type: none"> • Integrity • Objectivity • Competence • Confidentiality 	<p>An important element of the culture of the section.</p> <p>Staff have been made aware of ethics requirements. Guidance has been circulated.</p>	<p>No further action required.</p>
<p>4. Audit Committee</p> <ul style="list-style-type: none"> • Purpose of the Audit Committee • IA's relationship with the Committee 	<p>Although there is not an Audit Committee Overview & Scrutiny Terms of Reference include the CIPFA Audit Committee requirements. The terms of reference have been formally approved. They include governance responsibilities. The Committee approves and monitors the audit strategy and work programme.</p>	<p>No further action required.</p>

2006 Code standard	Evidence of Achievement	Areas for development
	<p>Overview & Scrutiny (Stewardship) Committee on 21st March 2006 – Report E306 Internal Audit Terms of Reference, Strategy and Strategic Work programme 2006/07. 18th March 2008 Report G223 Internal Audit Work Programme 2008/09. Audit Manager attends the meetings to report on the outcome of internal audit work, present the coming financial years proposed audit work programme, and presents an annual report and opinion on the internal control and risk management framework.</p> <p>Overview & Scrutiny Committee 17th July 2007 – Report G46 2006/07 Annual Report on Internal Audit.</p>	
<p>5. Relationships</p> <ul style="list-style-type: none"> • with management, • with other IAs • with external auditors • with other regulators and inspectors • with elected Members 	<p>Managers are consulted on the audit plan and on the scope of each audit. (Evidence is on audit files).</p> <p>Responsibilities for managers and IA are defined in relation to internal control, risk management and fraud and corruption matters.</p> <p>Good working relations established with external audit, including consultation on the work programme and quarterly reporting meetings.</p> <p>There is liaison with external regulators and inspectors.</p> <p>The responsibilities of IA staff and Members, particularly those of the Overview & Scrutiny (Stewardship) Committee are understood.</p>	<p>No further action required.</p>
<p>6. Staffing, training and development</p>	<p>The skills and competencies required of each post have been determined and are set out in the Job descriptions.</p> <p>Current staff in post are all experienced.</p> <p>Individual training and development plans have been agreed through the appraisal process and are being delivered.</p> <p>Training and development is also provided through the Suffolk Working Audit Partnership (SWAP's) a Suffolk wide audit group. Professional staff are required to complete CPD.</p>	<p>No further action required.</p>
<p>7. Audit Strategy and Planning</p>	<p>The Audit Strategy complies with the Code of Practice and has been formally approved by the Overview & Scrutiny (Stewardship) Committee on 21st March 2006 – Report E306 Internal Audit Terms of Reference, Strategy and Strategic Work programme 2006/07.</p>	<p>The Audit Strategy will be reviewed and updated to reflect the Council's changing priorities, if appropriate.</p>

2006 Code standard	Evidence of Achievement	Areas for development
	<p>The risk-based Audit Plan has been prepared in accordance with the strategy. The corporate risk register has been used as the basis of the plan to the extent deemed appropriate according to the extent to which risk management has been embedded.</p> <p>Available resources have been compared with the resource need.</p> <p>The work programme has been approved by the Overview & Scrutiny (Stewardship) Committee on the 18th March 2008 Report G223.</p>	
<p>8. Undertaking Audit Work</p> <ul style="list-style-type: none"> • Planning • Approach • Recording and Assignments 	<p>An audit brief is prepared and agreed with management for each audit. A risk-based approach is used and an audit opinion is given.</p> <p>If appropriate, issues are discussed with management as they arise.</p> <p>Standards of working papers are specified and are checked as part of the file review. Adequate working papers supporting conclusions drawn and recommendations made are maintained and retained in accordance with defined policy.</p> <p>Reports are issued promptly to appropriate managers.</p>	<p>Divisional risk registers are to be reviewed and updated. The revised registers will be used during the audit planning process.</p>
<p>9. Due professional care</p> <ul style="list-style-type: none"> • Responsibilities of the individual auditor • Responsibilities of the Head of Internal Audit 	<p>All internal auditors are aware of their individual responsibilities for due professional care.</p> <p>Arrangements are in place to monitor this:</p> <ul style="list-style-type: none"> • Audit Manager reviews all audit files and reports. • Appraisals and training. <p>A whistle-blowing procedure is maintained.</p> <p>Work is assigned so as to avoid potential conflicts of interest.</p>	<p>No further action required.</p>
<p>10. Reporting</p> <ul style="list-style-type: none"> • Reporting on audit work • Follow-up audits • Annual reporting 	<p>Audit reports give an opinion on risks and controls, using approved methodology</p> <p>Scope of audit is set out in report</p> <p>Recommendations are prioritised according to risk. Draft reports are discussed with management and action plans agreed in response to recommendations made.</p> <p>Reports are issued to appropriate managers.</p> <p>Assurances are sought from managers on delivery of agreed actions.</p>	<p>The Audit Opinion process has been strengthened and the opinion will be revised as a result of audit follow-up work if appropriate.</p> <p>Divisional risk registers are to be reviewed and a process for updating them in relation to audit recommendations will be put in place.</p>

2006 Code standard	Evidence of Achievement	Areas for development
	<p>An annual report to support the Annual Governance Statement is presented to the Overview & Scrutiny Committee. The report includes the opinion on the control environment and any qualifications to that opinion. The work on which the opinion is based is set out in the report. The report highlights significant issues.</p>	<p>The Audit Manual will be updated to reflect these changes.</p>
<p>11. Performance, quality and effectiveness</p> <ul style="list-style-type: none"> • Principles of performance, quality and effectiveness • Quality assurance of audit work • Performance and effectiveness of the internal audit service 	<p>Policies and procedures are defined in an audit manual. Audits are assigned according to the skills required and to ensure that work is rotated. Performance measures are defined. Internal quality reviews are undertaken by the Audit Manager for all audit work. (See file review forms). Client satisfaction surveys are issued with each final report and are summarised in annual report Overview & Scrutiny (Stewardship) 12th August 2008. The external auditor undertakes an annual assessment of the work of internal audit.</p>	<p>The Audit Manual will be reviewed and updated to reflect any changes on at least an annual basis.</p> <p>Prior to the commencement of 2008/09 there were no internal audit performance indicators in place. Performance measures have now been defined and will be monitored.</p> <p>The performance of internal audit as a whole will be assessed using an Annual Internal Audit Questionnaire.</p> <p>Action plans will be drawn up to resolve any issues raised by the annual audit questionnaire or performance indicators.</p>