

Bolsover, Chesterfield and North East Derbyshire Councils'

Internal Audit Consortium

Annual Report to Bolsover District Council 2012/13

INTRODUCTION

1. The purpose of this report is to:
 - Present a summary of the internal work undertaken from which the opinion on the internal control environment is derived
 - Provide an opinion on the overall adequacy and effectiveness of the Council's control environment including any qualifications to that opinion
 - Draw attention to any issues that need to be considered for inclusion in the Annual Governance Statement
 - Compare work actually undertaken with that which was planned and summarise performance
 - Comment on compliance with the CIPFA Code of Practice for Internal Audit and the results of the quality assurance programme
 - Review of the performance of the Internal Audit Consortium against the current Internal Audit Policy (Strategy)

SUMMARY OF WORK UNDERTAKEN

2. Appendix 1 details the audit reports issued in respect of audits included in the 2012/13 internal audit plan. The appendix shows for each report the overall opinion on the reliability of the internal controls. An additional column shows the opinion given at the last audit for information. The report opinions can be summarised as follows:

Control Level	Number of Reports	Percentage 2012/13	Percentage 2011/12
Good	11	33.3	23.1
Satisfactory	11	33.3	34.6
Marginal	10	30.3	26.9
Unsatisfactory	1	3.1	15.4
Unsound	0	0	0.00
	33	100	100.0

A definition of the above control levels is shown in Appendix 1.

3. There were no issues relating to fraud arising from the reports detailed in Appendix 1.
4. The following table summarises the performance indicators for the Internal Audit Consortium as detailed in the Internal Audit Service Plan:

Description	2012/13		2013/14
	Plan	Actual	Plan
Cost per Audit Day	£233	£233	£233
Percentage Plan Completed	96%	97%	96%
Sickness Absence (Days per Employee)	8.5 (Corporate Target)	7.9	8.5 (Corporate Target)
Customer Satisfaction Score (see para 11 below)	80%	88%	80%

OPINION ON THE ADEQUACY AND EFFECTIVENESS OF THE CONTROL ENVIRONMENT

5. In respect of the main financial systems, Appendix 1 shows that internal controls were in the main found to be operating satisfactorily, giving an overall confidence in the internal control system operating in relation to these systems. There was 1 unsatisfactory report issued during the year and 10 with a marginal opinion where only limited assurance on the reliability of internal controls can be given as weaknesses in the design and/or inconsistent applications of controls put the achievement of the organisations objectives at risk. Management should ensure prompt action is taken to address the areas of weakness identified in all these internal audit reports.

ISSUES FOR INCLUSION IN THE ANNUAL GOVERNANCE STATEMENT

6. The internal control issues arising from audits completed in the year have been reported to the Director of Corporate Resources

for consideration during the preparation of the Annual Governance Statement. In particular, the following internal audit report with an unsatisfactory opinion was brought to the attention of the Director of Corporate Resources to ensure that appropriate action had been taken to address the control issues identified or that the control issues were considered for inclusion in the annual governance statement:

- Gas Servicing

COMPARISON OF PLANNED WORK TO ACTUAL WORK UNDERTAKEN

7. The Internal Audit Plan for 2012/13 was reported to the Audit Committee on the 12th March 2012. A comparison of planned audits with audits completed is shown as Appendix 2. Overall 97% of planned audits were completed during the year.

COMPLIANCE WITH CIPFA CODE OF PRACTICE FOR INTERNAL AUDIT IN LOCAL GOVERNMENT AND OTHER QUALITY ASSURANCE RESULTS

8. During 2012/13 a self assessment has been undertaken to review compliance with the CIPFA Code of Practice for Internal Audit. It should be noted that in respect of the 2013/14 year the CIPFA Code of Practice is being replaced by the Public Sector Internal Audit Standards (PSIAS). The PSIAS Application note contains a detailed self assessment checklist which will be completed in future.
9. This review confirmed that there were no significant areas of non compliance, with an assessed score of 95.3% being recorded against the Code requirements.
10. Quality control procedures have been established within the internal audit consortium as follows:
 - Individual Audit Reviews – Working papers and reports are all subject to independent review to ensure that the audit tests undertaken are appropriate, evidenced and the correct conclusions drawn. All reports are reviewed to ensure that they are consistent with working papers and in layout. Whilst these reviews invariably identify issues for clarification, the overall conclusion of the quality

assurance checks is that work is being completed and documented thoroughly.

- Customer Satisfaction – A Customer Satisfaction Survey form is issued with each report. This form seeks the views of the recipient on how the audit was conducted, the report and recommendations made.
- Client Officer Views – A survey form has been issued to the two client officers seeking their views on the overall performance of the Internal Audit Consortium for the year in achieving the objectives set out in the Internal Audit Terms of Reference and Strategy.

11. Based on the customer satisfaction survey forms returned, the average score was 88% for customer satisfaction during 2012/13 (2011/12 result 86%).
12. The results of the Client Officer survey for Bolsover was a score of 94% (33 out of a maximum of 35 - for the seven areas reviewed this represented 5 'very good' scores and 2 'good' score). The 2011/12 score was 97%.

REVIEW OF PERFORMANCE OF THE INTERNAL AUDIT CONSORTIUM AGAINST THE CURRENT INTERNAL AUDIT STRATEGY

13. An updated version of the Internal Audit Policy (Strategy) was reported to and approved by the Audit Committee on 26th September 2011 (Minute 443).

The overall policy was stated as:

“To deliver a risk-based audit plan in a professional, independent manner, to provide each partner organisation with an opinion on the level of assurance it can place upon the internal control environment, and to make recommendations to improve it.”

Based on the information provided in this report on the completion of the 2012/13 internal audit plan, it is considered that this policy has been substantially met during the year.

Appendix 1

**Bolsover District Council – Internal Audit Reports Issued
2012/13**

Ref	Report Title	Overall Opinion 2012/13	Overall Opinion Previous Audit
1	Partnerships	Marginal	Satisfactory
2	Members Allowances	Satisfactory	Satisfactory
3	NNDR (Key Controls)	Good	Good
4	Creswell Leisure Centre	Marginal	Unsatisfactory
5	Performance Indicators	Marginal	Unsatisfactory
6	Service Desk	Good	N/A
7	Disabled Facilities Grants	Good	Satisfactory
8	Cash and Bank	Good	Satisfactory
9	Section 106	Marginal	N/A
10	Choice Based Lettings	Satisfactory	Satisfactory
11	Council Tax	Satisfactory	Good
12	Transport, Vehicles, Fuel Security	Marginal	Marginal
13	WNF	Good	Good
14	Expenses and Allowances	Satisfactory	Satisfactory
15	Payroll	Good	Good
16	Debtors	Good	Good
17	Creditors	Satisfactory	Marginal
18	Pleasley Outdoor Centre	Good	N/A
19	Treasury Management	Good	Satisfactory
20	Housing Rents	Satisfactory	Marginal
21	Laptops and Removable Media	Marginal	Unsatisfactory
22	Stores	Marginal	Marginal
23	Rechargeable Works	Marginal	N/A
24	Housing Repairs	Marginal	Unsatisfactory
25	Commercial Waste	Satisfactory	Satisfactory
26	Housing Benefits	Satisfactory	Satisfactory
27	VAT	Satisfactory	Satisfactory
28	Main Accounting	Good	Good
29	Capital Accounting	Good	Marginal
30	Gas Servicing	Unsatisfactory	Unsatisfactory
31	Pleasley Mills Rent Collection	Marginal	Marginal
32	Frederick Gents Community Sports Centre	Satisfactory	N/A
33	Budgetary Control	Satisfactory	Marginal

Control Level	Definition
Good	A few minor recommendations (if any).
Satisfactory	Minimal risk; a few areas identified where changes would be beneficial.
Marginal	A number of areas have been identified for improvement.
Unsatisfactory	Unacceptable risks identified, changes should be made.
Unsound	Major risks identified; fundamental improvements are required.

INTERNAL AUDIT CONSORTIUM**BOLSOVER DISTRICT COUNCIL****Comparison Planned Audits to Audits Completed 2012/13**

Main Financial Systems – Planned Audits	Progress as at 31st March 2013
Main Accounting System	Completed
Budgetary Control	Completed
Capital Accounting and Fixed Asset Register	In Progress
Payroll	Completed
Creditor Payments	Completed
Debtors	Completed
Treasury Management (Loans and Investments)	Completed
Cash and Banking	Completed
Council Tax	Completed
Non Domestic Rates	Completed
Housing / Council Tax Benefit	Completed
Expenses and Allowances	Completed
Housing Rents	Completed
Housing Repairs/Mobile Working	Completed
Stores	Completed
VAT	Completed

Other Operational Audits – Planned Audits	Progress as at 31st March 2013
Resources Directorate	
Cash Floats and Balances	Completed
Neighbourhoods Directorate	
Commercial Waste	Completed
Transport/Council Vehicles/Fuel	Completed
Housing Allocations and Lettings	Completed
Voids/Rechargeable Works	Completed
Health and Wellbeing Directorate	
Creswell Leisure Centre	Completed
Pleasley Outdoor Centre	Completed
Frederick Gent Leisure Facilities Income	In Progress
Ticket Sales for Events – Brass Band Concert	Completed
Renovation Grants (Disabled Facilities Grants)	Completed
Chief Executive's	
Working Neighbourhoods Fund	Completed

Other Operational Audits – Planned Audits	Progress as at 31st March 2013
Members Expenses	Completed
Partnership Working Arrangements	Completed
Development Directorate	
Contract Accounts and Procedures	Completed
Sale of Land and Property	Deferred
Pleasley Mills (Rent Collection)	In Progress
Section 106 Agreements	Completed
Contract Final Accounts	On going

Computer / IT Related – Planned Audits	Progress as at 31st March 2013
Service Desk	Completed
Laptops and Removable Media	Completed

Fraud and Corruption – Planned Audits	Progress as at 31st March 2013
National Fraud Initiative	Completed
Fraud Modules	Completed

Corporate / Cross Cutting Issues – Planned Audits	Progress as at 31st March 2013
Performance Indicators	Completed
Corporate Governance / Assurance Statement	Input to working group
Financial Advice / Working Groups	On going

Client Officer / SMT Issues	Progress as at 31st March 2013
Alliance Accounts / NFI Key Contact Assistance	On going

Special Investigations / Contingency	As required
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Audit Committee / Client Liaison	On going
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Additional Audits	Progress as at 31st March 2013
Gas Servicing (Follow up)	In Progress