

Bolsover District Council

Audit Committee

23rd June 2014

Internal Audit Consortium 2013/14 Annual Report to Bolsover District Council

Report of the Interim Head of Internal Audit

This report is public

Purpose of the Report

The purpose of this report is to:

- Present a summary of the internal work undertaken during 2013/14 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 Public Sector Internal Audit Standards
- Review progress against the internal audit improvement plan
- Comment on the results of the quality assurance programme
- Confirm the organisational independence of internal audit
- Review the performance of the Internal Audit Consortium against the current Internal Audit Charter

1 Report Details

- 1.1 Appendix 1 details the audit reports issued in respect of audits included in the 2013/14 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 2013/14	Percentage 2012/13
Good	17	51.5	33.3
Satisfactory	12	36.4	33.3
Fit for Purpose	1	3.0	0
Marginal	3	9.1	30.3
Unsatisfactory	0	0	3.1
Unsound	0	0	0.0
	33	100	100.0

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

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

Description	2013/14		2014/15
	Plan	Actual	Plan
Cost per Audit Day	£233	£203	£269
Percentage Plan Completed	96%	95%	96%
Sickness Absence (Days per Employee)	8.5 (Corporate Target)	4.0	8.5 (Corporate Target)
Customer Satisfaction Score (see para 11 below)	80%	88%	80%

- 1.4 It should be noted that the cost per audit day for 2014/15 is calculated on the basis that a Head and Deputy Head of the Internal Audit Consortium have been budgeted for. In fact, the consortium is currently operating with just an Interim Head which should lead to a reduction in the cost per audit day.

OPINION ON THE ADEQUACY AND EFFECTIVENESS OF THE CONTROL ENVIRONMENT

- 1.5 In respect of the main financial systems, Appendix 1 shows that internal controls were in the main found to be operating satisfactorily or well, giving an overall confidence in the internal control system operating in relation to these systems.
- 1.6 Overall, 87.9% of the areas audited received a good or satisfactory opinion demonstrating that there are effective systems of governance, risk management and control in place. There were no areas that were judged to be unsatisfactory or unsound. The control environment has improved from the 2012/13 financial year.
- 1.7 There were 3 marginal reports issued during the year where only limited assurance on the reliability of internal controls can be given.

Management have agreed the recommendations made and are actively working to implement them.

ISSUES FOR INCLUSION IN THE ANNUAL GOVERNANCE STATEMENT

- 1.8 The internal control issues arising from audits completed in the year have been reported to the Director of Operations for consideration during the preparation of the Annual Governance Statement. There have been no unsatisfactory or unsound reports issued in 2013/14 and no specific control issues identified for inclusion within the Annual Governance Statement.

COMPARISON OF PLANNED WORK TO ACTUAL WORK UNDERTAKEN

- 1.9 The Internal Audit Plan for 2013/14 was approved by the Audit Committee on the 12th March 2013.
- 1.10 Two audits in the original plan have not been completed. In December 2013 it was agreed by the Audit Committee to remove capital accounting from the audit plan as this work largely duplicated that undertaken by KPMG. KPMG also no longer required internal audit to verify the existence of a sample of the council's assets. The second audit not completed is the review of anti social behaviour/community safety audit, this was a low priority audit and has been deferred.
- 1.11 In addition to this, one audit is still being completed at the time of writing this report. The Environmental Health miscellaneous income audit is still in progress and the results will be reported at the next committee meeting.
- 1.12 A comparison of planned audits with audits completed is shown as Appendix 2. Overall 95% of planned audits were completed during the year.

COMPLIANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS AND OTHER QUALITY ASSURANCE RESULTS

- 1.13 During 2013/14 a self assessment was undertaken to review compliance with the Public Sector Internal Audit Standards. The results of the review were reported to the Audit Committee in September 2013.
- 1.14 This review confirmed that there were no significant areas of non compliance but an improvement plan was developed to address the minor issues arising. Progress against the improvement plan can be seen at Appendix 3.
- 1.15 It can also be confirmed that the internal audit activity is organisationally independent. Internal audit reports to the Director of Operations but has a direct and unrestricted access to senior management and the Audit Committee.
- 1.16 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 may 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 client officer seeking his views on the overall performance of the Internal Audit Consortium for the year in achieving the objectives set out in the Internal Audit Charter.
- All staff have been provided with a copy of the Public Sector Internal Audit Standards and the Internal Audit manual has been updated to reflect the requirements of the standards and issued to all staff.

1.17 The above quality control procedures have ensured conformance with the PSIAS.

1.18 Based on the customer satisfaction survey forms returned, the average score was 88% for customer satisfaction during 2013/14 (2012/13 result 88%).

1.19 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 2012/13 score was 94%.

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

1.20 The Audit Charter was reported to and approved by the Audit Committee on 24th September 2013.

1.15 Based on the information provided in this report on the completion of the 2013/14 internal audit plan, it is considered that the requirements of the Charter were met during the year.

2 Conclusions and Reasons for Recommendation

2.1 To present to Members the annual report for the Internal Audit Consortium in respect of Bolsover District Council for 2013/14.

2.2 To ensure compliance with the Public Sector Internal Audit Standards.

2.3 To provide an opinion on the overall adequacy and effectiveness of the Council's control environment including any qualifications to that opinion.

3 Consultation and Equality Impact

3.1 Not Applicable.

4 Alternative Options and Reasons for Rejection

4.1 Not applicable.

5 Implications

5.1 Finance and Risk Implications

This report ensures that Members are aware of the work undertaken by internal audit during 2013/14 and their opinion on the adequacy and effectiveness of the systems in place at Bolsover District Council.

5.2 Legal Implications including Data Protection

None.

5.3 Human Resources Implications

None

6 Recommendation

6.1 That the Internal Audit Consortium Annual Report for 2013/14 be noted.

7 Decision Information

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
District Wards Affected	None
Links to Corporate Plan priorities or Policy Framework	The internal audit plan helps to achieve the corporate aim "Strategic Organisational Development" which looks to continually improve the organisation.

8 Document Information

Appendix No	Title
Appendix 1	Internal Audit Reports issued 2013/14
Appendix 2	Comparison of Planned Audits to Audits Completed 2013/14
Appendix 3	Progress against Improvement Plan
Background Papers	
Report Author	Contact Number
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Appendix 1

Bolsover District Council – Internal Audit Reports Issued 2013/14

Ref	Report Title	Overall Opinion 2013/14	Overall Opinion Previous Audit
1	Sickness Absence Monitoring	Satisfactory	Marginal
2	Corporate Targets	Satisfactory	Marginal
3	Clowne Leisure Centre	Marginal	N/A
4	Planning Fees	Good	Good
5	Land Charges	Good	Good
6	Disaster Recovery	Satisfactory	Satisfactory
7	WNF	Good	Good
8	Gas Servicing	Fit for Purpose	Unsatisfactory
9	Procurement	Marginal	Marginal
10	Right to Buy Sales	Satisfactory	Marginal
11	Council Tax	Good	Satisfactory
12	Stores	Satisfactory	Marginal
13	Cash and Bank	Satisfactory	Good
14	Creswell Leisure Centre	Satisfactory	Marginal
15	Housing Rents	Marginal	Satisfactory
16	Treasury Management	Good	Good
17	Housing Benefits	Good	Satisfactory
18	Gifts and Hospitality	Satisfactory	Satisfactory
19	Housing Repairs	Satisfactory	Marginal
20	Creditors	Good	Satisfactory
21	Debtors	Good	Good
22	Transparency Agenda	Satisfactory	N/A
23	ICT Policies and Network Security	Good	Satisfactory
24	Internet Usage Policy	Good	N/A
25	Insurance	Good	Good
26	Main Accounting	Good	Good
27	Payroll	Good	Good
28	Non Domestic Rates	Good	Good
29	Budgetary Control	Good	Satisfactory
30	Refuse Collection	Good	Satisfactory
31	Data Protection - CCTV	Satisfactory	Unsatisfactory
32	Risk Management	Good	Satisfactory
33	The Tangent	Satisfactory	N/A

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 of Planned Audits to Audits Completed 2013/14**

Main Financial Systems – Planned Audits	Progress as at 31st March 2014
Main Accounting System	Completed
Budgetary Control	Completed
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
Housing Rents	Completed
Housing Repairs	Completed
Stores	Completed

Other Operational Audits – Planned Audits	Progress as at 31st March 2014
Corporate Resources Resources Directorate	
Insurance	Completed
Cash Floats and Balances	Completed
Neighbourhoods Directorate	
Anti Social Behaviour/Community Safety	Deferred
Right to Buy Sales	Completed
Refuse Collection	In Progress
Health and Wellbeing Directorate	
Creswell Leisure Centre	Completed
Clowne Sports Centre	Completed
EH Miscellaneous Income	In Progress
Ticket Sales for Events	Completed
Chief Executive's	
Working Neighbourhoods Fund	Completed
Land Charges	Completed
Development Directorate	
Final Accounts	In Progress
Planning Fees	Completed

Other Operational Audits – Planned Audits	Progress as at 31st March 2014
The Tangent Business Hub	In Progress

Computer / IT Related – Planned Audits	Progress as at 31st March 2014
Internet Usage Monitoring	Completed
Disaster Recovery	Completed
IT Policy and Security Review	Completed

Fraud and Corruption – Planned Audits	Progress as at 31st March 2014
National Fraud Initiative	Completed
Fraud Modules	Completed
Gifts and Hospitality	Completed

Corporate / Cross Cutting Issues – Planned Audits	Progress as at 31st March 2014
Corporate Targets	Completed
Corporate Governance / Assurance Statement	Input to working group
Financial Advice / Working Groups	On going
Procurement/Contract monitoring	Completed
Risk Management	In Progress
Sickness Absence	Completed
Inventories	Completed
Data Protection	In Progress
Transparency Agenda	Completed

Client Officer / SMT Issues	Progress as at 31st March 2014
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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INTERNAL AUDIT CONSORTIUM**BOLSOVER DISTRICT COUNCIL****Progress Against Improvement Plan**

Standards	Compliance	Current	Action Required	Progress as at 31/03/2014
Does the Chief Executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the Chief Audit Executive (Head of the Internal Audit Consortium)?	N	Currently undertaken by the Head of Finance. Indirectly actioned via the annual review of the effectiveness of Internal Audit	None at this time	N/A
Is feedback sought from the Chair of the Audit Committee for the Chief Audit Executive's (Head of Internal Audit) performance appraisal?	N	Currently undertaken by the Head of Finance. Indirectly via the annual review of the effectiveness of Internal Audit	The Head of Finance to discuss with the Chair of the Audit Committee if there are any issues that require raising prior to the Head of Audit's EPD	EPD due July 2014

Standards	Compliance	Current	Action Required	Progress as at 31/03/2014
Does the Chief Audit Executive (CAE) ensure that up-to-date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes?	P	There are job descriptions etc for all posts however following a grading appeal by Auditors the Auditor job description is being reviewed.	Auditors job description to be reviewed	Completed
Has the CAE established policies and procedures to guide staff in performing their duties in a manner that conforms to the PSIAS?	P	The audit manual guides staff in performing their duties in a consistent way with the CIPFA code of practice 2006. Last reviewed June 2010.	Audit manual to be reviewed and updated to reflect the PSIAS	Completed
Has the CAE developed and implemented retention requirements for all types of engagement records?	P	The audit manual defines retention requirements which are reviewed on an ongoing basis to ensure they remain in line with current good practice.	Retention requirements in respect of audit documents need to be subject to regular review. All staff will be reminded of the requirement to review their manual and electronic records to ensure that they are retained in accordance with retention requirements	Completed

Standards	Compliance	Current	Action Required	Progress as at 31/03/2014
Has an external assessment been carried out, or is planned to be carried out at least once every five years?	Y/N	Not undertaken as yet	An external assessment must be carried out by April 2018	Not Due Yet
Has the CAE established a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action?	P	System of following up at quarterly directorate and service head meetings is being trialled	To embed a system of following up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action	Completed