Item 6 Appendix A

MELTON BOROUGH COUNCIL
INTERNAL AUDIT ANNUAL REPORT
2015/16

Head of Internal Audit: Rachel Ashley-Caunt

1. Background

1.1 The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to provide an annual Internal Audit opinion and report that can be used by the organisation to inform its annual governance statement. The Standards specify that the report must contain:

- an Internal Audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment);
- a summary of the audit work from which the opinion is derived and any work by other assurance providers upon which reliance is placed; and
- a statement on the extent of conformance with the Standards including progress against the improvement plan resulting from any external assessments.

2. Head of Internal Audit Opinion 2015/16

2.1 This report provides a summary of the work carried out by the Internal Audit service during 2015/16 and the results of these assignments. Based upon the work undertaken by Internal Audit during the year, the Head of Internal Audit's overall opinion on Melton Borough Council's system of internal control is that:

Sufficient 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 operating effectively in practice. The level of assurance, therefore, remains at a consistent level from 2014/15.

Controls relating to those key financial systems which were reviewed during the year were concluded to be generally at a level of Sufficient Assurance.

The overall proportion of reports providing Limited Assurance opinions is higher than in 2014/15, as shown in Table 1, and these did highlight some areas of weakness in the internal controls at the time of the audits. In all cases where a Limited Assurance report has been issued, however, management have agreed and implemented high priority action plans to promptly address the findings and strengthen controls.

The implementation of audit recommendations during the year has been strong, with 96% of actions from 2015/16 reports which were due for implementation being completed during the year.

No systems of controls can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

The basis for this opinion is derived from an assessment of the range of individual opinions arising from assignments from the risk-based Internal Audit 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 any control weaknesses. A summary of Audit Opinions is shown in Table 1:

Table 1 – Summary of Audit Opinions 2015/16:

Area	Substantial	Sufficient	Limited	No
Financial Systems	1	1	1	-
IT	-	1	1	0
Service Delivery	1	3	2	0
Total	**2**	**5**	**4**	**0**
Summary	**18%**	**46%**	**36%**	**0%**
with 2014/15 Comparison	**(12%)**	**(63%)**	**(25%)**	**(0%)**

3. Review of Audit Coverage

3.1 Audit Opinion on Individual Audits

The Committee is reminded that the following assurance opinions can be assigned:

Table 2 – Assurance Categories:

Level of Assurance	Definition
Substantial	There is a robust framework of controls making it likely that service objectives will be delivered. Controls are applied continuously and consistently with only infrequent minor lapses.
Sufficient	The control framework includes key controls that promote the delivery of service objectives. Controls are applied but there are lapses and/or inconsistencies.
Limited	There is a risk that objectives will not be achieved due to the absence of key internal controls. There have been significant and extensive breakdowns in the application of key controls.
No	There is an absence of basic controls resulting in inability to deliver service objectives. The fundamental controls are not being operated or complied with.

Audit reports issued in 2015/16, other than those relating to consultancy support, resulted in the provision of one of these audit opinions. All individual reports represented in this Annual Report are final reports and, as such, the findings have been agreed with management, together with the accompanying action plans.

3.2 Summary of Audit Work

3.2.1 Table 3 details the assurance levels resulting from all audits undertaken in 2015/16 and the date of the Committee meeting at which a summary of the report was presented.

Table 3 – Summary of Audit Opinions 2015/16:

Audit Area	Audit Opinion	Committee Date
Financial		
Key Financial System Controls	Sufficient	June 2016
Debtors System and Debt Recovery	Limited	April 2016
Procurement Cards	Substantial	June 2015
IT		
IT Helpdesk	Sufficient	November 2015
IT Roles and Responsibilities	Limited	June 2016
Service Delivery		
Housing Repairs	Sufficient	June 2016
Intensive Housing Management Scheme	Substantial	April 2016
Industrial Estates	Limited	February 2016
Statutory Inspections Regime (Communal Areas)	Sufficient	February 2016
Wheels to Work	Sufficient	November 2015
Health and Safety	Limited	September 2015

3.2.2 Outlined in Appendix 1 is a summary of each of these audits that has been finalised during the year. The Committee should note that the majority of these findings have previously been reported as part of the defined cycle of update reports provided to the Governance Committee.

3.2.3 Where a Limited Assurance opinion has been given, a detailed overview of the findings has been provided to the Committee and hard copies of the reports have been made available to Members. Where Limited Assurance has been given, an update on progress made by April 2016 to address the issues identified has been provided in Appendix 1, where possible. The Internal Audit team continues to monitor implementation of all outstanding actions.

3.3 Implementation of Internal Audit Recommendations

3.3.1 Internal Audit follow up on progress made against all recommendations arising from completed assignments to ensure that they have been fully and promptly implemented. Internal Audit trace follow up action and attend the Council's Management Team meeting on a quarterly basis to provide updates on implementation. The Head of Internal Audit provides a summary at each Governance Committee on the progress made and actions outstanding. Details of the implementation rate for audit recommendations during 2015/16 are provided in Table 4.

Table 4 - Implementation of Audit Recommendations 2015/16:

	Category 'High' recommendations	Category 'Medium' recommendations	Category 'Low' recommendations	Total
Agreed and Implemented	13	16	16	45 (63%)
Agreed and not yet due for implementation	8	9	8	25 (35%)
Agreed and due within last 3 months, but not implemented	0	1	0	1 (1%)
Agreed and due over 3 months ago, but not implemented	0	1	0	1 (1%)

TOTAL	**21**	**27**	**24**	**72** **(100%)**

3.3.2 In addition to those actions outstanding from 2015/16 audit reports, a further two actions remain overdue in relation to audit reports issued in 2012/13 and 2013/14. A summary of all overdue recommendations is provided in Table 5:

Table 5 - Summary of Overdue Recommendations as at 31st March 2016

		High		Medium		Low	
Audit Title	**Year reported**	**Over 3 months**	**Under 3 months**	**Over 3 months**	**Under 3 months**	**Over 3 months**	**Under 3 months**
Main Accounting (Business Continuity Plans)	2012/13	1					
Waste & Recycling Service	2013/14						1
Health and Safety	2015/16			1			
Wheels to Work	2015/16				1		
Totals		**1**	**0**	**1**	**1**	**0**	**1**

3.3.3 The level of implementation is reported to the Governance Committee throughout the year. The content of the Progress Reports was also reviewed during 2015/16 to ensure that these provide members of the Committee with further details on the implementation of actions.

3.4 Internal Audit Contribution

3.4.1 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 assist the Council in new areas of work.

3.4.2 Delivery of 2015/16 Audit Plan

The Council commissioned 235 days from the Internal Audit Consortium to deliver the 2015/16 Audit Plan.

The team delivered a total of **233** days to Melton Borough Council in achieving the 2015/16 Audit Plan. This involved completion of the planned audit assignments, client

liaison, support, management, liaison, reporting and training for the Governance Committee and provision of ad hoc advice and support.

A breakdown of days commissioned and delivered is provided in Table 6, this demonstrates that the days commissioned for productive delivery of assignments were fully delivered and savings were achieved on management time.

Table 6 - Overview of days delivered by the Internal Audit team

Time commissioned in Audit Plan	Commissioned	Delivered
Productive days for Audit Assignment delivery	179	**184.6**
Productive days for supporting the Council (management support and liaison, Committee attendance, Committee liaison and training, ad hoc queries, audit planning 2016/17)	35	**29.2**
Management and Development of the Consortium	21	**19.5**
Totals	**235**	**233**

The Internal Audit team had delivered **100%** of the agreed assignments within the 2015/16 Audit Plan to at least draft report stage by 31st March 2016, against a target of at least 90%.

3.4.3 Internal Audit Contribution in Wider Areas

Key additional areas of Internal Audit contribution to the Council in 2015/16 are set out in Table 7:

Table 7 – Internal Audit Contribution

Area of Activity	Benefit to the Council
Delivering testing on key controls in consultation with External Audit to assist them in forming their opinion on the Annual Accounts and maintaining good working relationships with the external auditors.	Reduce audit burden, saving costs.
Provision of training to members of the Governance Committee.	The Governance Committee is more effective in its role as an assurance provider.
Delivering staff briefing session on gifts and	Provide all staff with an understanding of the ethical policies and how declarations

Area of Activity	Benefit to the Council
hospitality and declarations of interest.	should be made. Thereby, embedding a zero tolerance culture to fraud and corruption.
Consultancy support on Transformation Programme for Revenues and Benefits.	Independent review and challenge on the delivery of the programme and sharing of good practice and areas for development.
Ad hoc advice on financial system controls.	To assist in identifying and highlighting potential risks and control weaknesses and strengthen internal controls.
Consultancy review of the use of the electronic records system for the processing of Planning Applications.	Highlighted a number of areas for consideration and potential efficiencies which have been used to inform the ongoing Transformation programme.
Benchmarking review of financial transparency and compliance with the Transparency Code.	Provided assurance over the transparency of the Council's budget setting, budget monitoring and financial management arrangements and compliance with good practice and legislation.

4. Performance Indicators

4.1 Internal Audit maintains several key performance indicators (KPIs) to enable ongoing monitoring by the Welland Internal Audit Board and Committees. Outturns against these indicators in relation to work delivered for Melton Borough Council are provided in Table 8:

Table 8 – Internal Audit KPIs 2015/16

Indicator description	Target	Actual
Delivery of the agreed annual Internal Audit Plan – Audit Days	235	**233**
Delivery of the agreed annual Internal Audit Plan to at least draft report stage by 31st March 2016	90%	**100%**
Customer Feedback – rating on a scale of 1 to 4 (average) Where: 1 = Poor, 2 = Satisfactory, 3 = Good and 4 = Outstanding	3.6	**3.42**

5. Professional Standards

5.1 The 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; and
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

5.3 A detailed self-assessment against the PSIAS has been completed by the Head of Internal Audit, a copy of which is provided in Appendix 2. The outcome of the assessment was that the activities of the Internal Audit service are in general conformance with the Standards.

Appendix 1: Summary of Internal Audit Work Undertaken for 2015/16

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
Financial Systems			
Financial System Key Controls	Sufficient	The audit focussed on user access to the financial system, general ledger processes, supplier master data maintenance and council tax and NNDR payments.	Testing confirmed that key controls over the general ledger process were operating effectively. All reconciliations reviewed by Internal Audit had been independently reviewed and agreed to supporting documentation however improvements to the timeliness of bank reconciliations could be made. Furthermore, new general ledger codes and journals were approved in accordance with Council procedures. The approval limits for journals had however been set at considerably high limits of £10m and £50m and the Council should consider reducing these limits to provide a more robust control. Oracle user roles and permissions needed to be reviewed and amended to ensure that access was restricted and segregation of duty conflicts could be minimised. Due to the way in which user roles had been set up in Oracle, many users had additional access rights that were not required for them to perform their roles and which could potentially put the Council at risk of fraudulent activities due to a lack of segregation of duties. Documentation supporting changes to the supplier master file had improved since the 2014/15 Internal Audit review of Creditors. The Council remained unable to produce exception reports at the time of audit however good progress was being made in discussions with the system provider. All NNDR reliefs and Council Tax exemptions and discounts reviewed by Internal Audit had been calculated correctly and agreed to supporting documentation or had been reviewed/inspected in the last 12 months.
Debtors System and	Limited	To provide assurance over the key controls within the Debtors system	The Account Receivables (AR) module of Oracle was implemented in November 2014. The audit highlighted that since the system went live some key

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
Debt Recovery		and review whether the controls are fit for purpose and operating effectively in practice. Covering: • System Access to create, edit and delete debtor master data • Segregation of duties between key tasks • Setting up and approval of a new debtor (i.e. customer) • Creating a debtor invoice • Creating a credit note and cancelling debtor invoices • Receipt of monies and cash allocation • Aged debt reviews • Compliance with debt recovery procedures • Aged debt write offs • Debtor Control Account Reconciliations • Policies and procedures relating to the management of debtors	functionalities of the Oracle AR module had not been operating and some were not operating effectively. Oracle was not set up to produce reminder letters and the Council did not have sufficient resources to manually produce such letters to those owing the Council money. As a result, most debtors were not informed when payments become overdue. This had contributed to high levels of sundry debt. On 11th January 2016 the Council had sundry debt of £1,117,097 of which 35% had been overdue for more than a year. Furthermore, the Council was not identifying and reporting upon disputed invoices in the Oracle system and there was no routine production and review of reports detailing unidentified cash payments. Despite issues surrounding the Oracle functionalities, the Council had been focussing debt recovery efforts on the top 25 debtors as well as systematically reviewing and recovering debts by service area. Performance indicators were in place to review and monitor the Council's debt recovery process and results showed that aged debt had reduced since 2014/15. Sample testing of debtor invoices, credit notes, cash allocation and write offs all demonstrated proficient, effective procedures and compliance with Council policy. It was also noted that sufficient guidance notes/procedures were in place to enable the debtors function to operate effectively. **Update at April 2016:** • **A solution has been developed to allow the revenues team to run monthly suspense reports.** • **Automated reminder letters are now being run in the live system.** • **Weekly report is produced that highlights all invoices in dispute.**
Financial Governance	Consultancy	This was a joint benchmarking review which was delivered concurrently to	The review concluded that the Council publishes extensive information related to its budget setting and monitoring, in addition to setting out its working

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
and Transparency		Rutland County Council, Melton Borough Council and East Northamptonshire Council (participating Councils). The data published by the five Welland authorities, plus an additional five authorities, was reviewed to provide meaningful comparative information.	financial balances, anticipated future financing and charging policy. The Council transparently sets out its financial plans and the pressures and risks related to those plans. Budget monitoring reports are published quarterly and provide extensive coverage and commentary on financial developments across the Council. For these reasons, Internal Audit assessed the Council as providing a **High** level of transparency relating to its budget setting and monitoring. The Council demonstrated **Full** compliance with all mandatory elements of the Transparency Code. In addition, Melton Borough Council had published 67% of the additional voluntary data as recommended by the Transparency Code. In the benchmarking exercise, Melton ranked as publishing a higher percentage of voluntary data than all other Councils in the group of ten, except Corby Borough Council which also published 67% of this additional information. The information was published on time and was located with relative ease on the Council's website.
Procurement Cards	Substantial	The audit was designed to provide assurance that the Council has robust procedures in place to manage the following three risk areas related to the use of procurement cards: unauthorised access to cards; fraudulent or inappropriate use of cards by staff; and inability to accurately monitor and report expenditure on procurement cards.	A review of the control environment and sample testing of compliance provided assurance that the Council's procurement cards were well managed and controls were operating effectively to address the identified risks. Expenditure on the cards was subject to appropriate evidencing, review and authorisation, and sample testing confirmed that spending had been accurately recorded on transaction summaries, including coding to appropriate accounting codes. Security measures and guidance were found to be robust both in relation to the issuing of cards to staff and procedures to prevent, detect and report any suspected fraud.
IT			

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
IT Helpdesk	Sufficient	The audit was designed to provide assurance that the Council has robust procedures in place to manage the following five risks related to the IT Helpdesk: lack of incident reporting and classification; ineffective incident and problem management; inappropriate incident and problem closure; lack of Service Level Agreement (SLA) and reporting requirements; and failure to maximise use of "First Time Fixes".	The review confirmed an SLA to be in place for the IT helpdesk which formed the basis for continuous performance monitoring and review. A number of key performance indicators (KPIs) were in place and subject to regular review. Verification checks were being performed by the ICT Manager to provide assurance over the accuracy of the monthly performance data provided and in particular, the use of 'suspension' of resolution times due to delays outside of the ICT team's control was subject to regular review. Internal Audit testing in relation to this risk did not highlight any use of suspensions to 'stop the clock' on resolution times where this did not appear reasonable, but did identify that the circumstances in which incidents may be suspended had not been formally agreed between the Council and the provider. Testing confirmed procedures to be in place and operating effectively to ensure that ICT helpdesk incidents were suitably categorised, prioritised, logged and closed in accordance with the SLA. A clear, automated escalation process was operating to ensure that calls that were not resolved in accordance with targets were highlighted to senior service provider officers and clearly identified on the helpdesk system. It was recommended that an aged performance report be produced and challenged at performance review meetings to seek assurance over actions taken. Some areas for further improvement were highlighted in relation to pro-active use of the helpdesk information and service. This included making use of helpdesk data to identify any recurring issues which may benefit from a corporate solution and reduce future incidents. There was also scope to encourage wider use of the "First Time Fix" service.
IT Roles and Responsibilities	Limited	In order to provide assurance over the design and effectiveness of IT roles and responsibilities and highlight	Internal Audit's review highlighted that the recording of IT incidents and change requests required improvement. Testing found a number of cases where incidents and changes had been incorrectly categorised. In one instance a

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
		lessons learnt for the future contract, the ICT Manager identified some areas of concern where assurance was required. It was requested that the audit focus upon staff roles, responsibilities and processes relating to: priority 1 and 2 incidents, new users, remote access, privileged user accounts and change request procedures.	priority one incident was incorrectly logged as a priority two which resulted in Steria failing to notify the client promptly and produce a Major Incident Report. The Council had a relatively high number of users with privileged user accounts which provide an escalated level of access to the IT platforms which should be limited to those responsible for IT technologies. A review found that four members of the Human Resources team had incorrectly been granted privileged user access. Furthermore, SopraSteria confirmed that detailed activity logs for privileged user accounts were not produced, therefore Internal Audit and the Council could not verify that these accounts were being used for appropriate purposes and such access was not being misused. Internal Audit also found that a high number of people had been accessing the Council's remote desktop without an authenticating token e.g. vasco token. Between September 2015 and February 2016, remote access was granted more than 1,800 times without this security control. In these cases, the IT support staff had granted the users access, however verification of the user or line manager approval was not obtained or evidenced. Processes for ensuring the Acceptable Usage Policy was read and understood and an approval process for granting remote access tokens needed to be established and communicated to all employees. **Update at April 2016:** • **Actions are being progressed with SopraSteria Account Manager.** • **Activity logs are retained for privileged accounts but only to PSN Standards. Detailed logs can be considered but will need to be procured. This is to be discussed with Senior Management for decision.**
Service Delivery			
Housing Repairs	Sufficient	To provide assurance over the	Roles and responsibilities for management and administration of the contract

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
		arrangements in place for the management of housing repairs across the district and the timeliness, quality and value for money of the services delivered.	are clear. Staff in the Housing Repairs team are highly experienced and procedures are well established and clearly understood. The resilience of the service could be strengthened by ensuring all procedures are clearly documented. Quality monitoring in respect of responsive repairs relies largely on comprehensive and regular tenant satisfaction surveys undertaken by the Tenants Forum Executive Committee (TFEC). At the time of audit, staffing vacancies meant there were no routine post-repair inspections carried out by technically qualified staff, although plans were in place to introduce inspections in future. Overall financial management and reporting arrangements are sound and the Council has a good track record of managing spending within the overall repairs budget in recent years. There is, however, a relatively high proportion of responsive repair jobs that are classified as emergency or urgent and a high proportion of jobs with variation orders. This indicates a need for further work to improve the process of accurately diagnosing and prioritising repairs. Controls for managing and monitoring variation orders are weak and testing found several cases were there was a lack of evidence of prior approval by the Council. Review of capital works was outside the scope of this audit but Internal Audit is aware that a range of capital contracts has recently been established as part of the development of a more strategic and planned approach to repairs and maintenance in future. There is scope to develop more formal processes for analysing responsive repairs to inform the planned repair programme.
Intensive Housing Management Scheme	Substantial	To provide assurance that the Council has put in place appropriate controls, which balance the risks and the	At the time of audit, there were approximately 610 users of the intensive housing management service. The scheme involves the provision of the Lifeline service and visits to each service user's home, the frequency of which is based

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
		resources required, to ensure the Intensive Housing Management Service is delivered to a high standard and within the funding available.	upon the individual's needs. Sample testing confirmed that records were generally held to record visits and these demonstrated an awareness of the individual's wellbeing as well as required property repairs and support. It was noted that any housing repair needs which were noted on the sample of records had been input onto the housing system and resulted in the completion of repair work, including emergency same day repairs where required. In sample testing, there was evidence on file to demonstrate that 87% of the service users had received a frequency of visits which was consistent with their requirements. For the remaining servicer users, visit records were not on file and, as such, this could not be confirmed at the time of testing. There is currently no regular independent monitoring of the frequency of visits against those agreed and it is recommended that this be introduced. The intensive housing management scheme has an agreed budget allocation, the majority of which is funded from the Housing Revenue Account. Given the loss of one-off funding from the County Council and potential inflation increases in future years, the budget for the service will need to remain subject to regular monitoring and review. In relation to invoices paid by the Council for the Lifeline service, it was recommended that the Council request further supporting details for each invoice, such as number of users and period covered, to provide assurance over the accuracy of charging and compliance with the fees and charges set out in the agreement.
Industrial Estates	Limited	To provide assurance over procedures in place for managing this responsibility since these were brought back in-house.	Since 1st January 2015 there had been no tenancy applications, therefore Internal Audit sought assurance that sufficient in house processes had been designed for administering new tenancy applications. Whilst officers had access to example templates and processes, the Council was unable to provide

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
		Covering: • Commercial lease negotiations and agreements; • Tenancy application, checks and administration processes; • Invoicing (including rent, service charges & insurance); • Landlord responsibilities for the maintenance of commercially let properties; and • Income collection and debt recovery processes.	evidence that established procedures were in place. These procedures would include pre tenancy checks i.e. credit/trade reference checks and identification verification. The rental values of Snowhill units are heavily influenced by the current property market and the audit confirmed that the Council has a sound approach in setting commercial rents and negotiating lease agreements, however documentary evidence to demonstrate this was lacking in places. Audit trails for the review and approval of leases were not available for review. Conditions surveys on each of the Snow hill units were undertaken in September 2012 and identified areas of repair ranging from 'essential' to 'desirable'. Officers asserted that a five year plan for allocated spend on repairs and maintenance was in operation however documentary evidence to confirm that repair work had taken place and inspections were carried out were not available at the time of the audit. The Council's leases are signed 'in counterpart', whereby each party will sign one copy of the lease. The lease is then completed and the part signed by the tenant is sent to the landlord and the landlord's signed part is sent to the tenant. As such, it is not standard procedure for the Council to hold a completed lease signed by both parties. This is accepted legal practice, and the leases are not invalidated by the fact that there is only one seal/signature on the document. One lease was highlighted which did not have a signed agreement on file. The audit highlighted areas of good practice over invoicing and recovery of debt. Tenants were promptly invoiced in accordance with agreed lease agreements. **Update at April 2016:**

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
			• **New policies/procedures have been provided by LGSS Property Services and are now in place – including lease renewals, applications and surveys.** • **LGSS are undertaking lease renewals of properties and liaising with legal to ensure proper execution of leases.** • **Application form has been prepared which requires photographic ID, references, financial checks and formal approval.** • **For the one unit without a lease, terms have now been agreed and a new lease agreement will be in place from 1st July 2016.**
Statutory Inspections (Communal Areas)	Sufficient	The audit was designed to provide assurance that the Council has put into place appropriate controls to ensure the safe use of communal areas. Covering requirements of: • Management of Health and Safety at Work Regulations; • Fire Regulations; • Gas Safety Regulations; • Electricity Work Act; • Control of Asbestos at Work Regulations; and • Disability Discrimination Act	The audit review confirmed that the Council had appropriately designed inspection regimes in place which covered general fund property, housing and parks and open spaces. Inspections were being completed in line with established regimes; although it was noted in the case of housing that the current regime had only been in place for two months. The frequency of inspections was based upon assessments of the frequency of usage and general condition of the property or area. Sample testing confirmed that statutory fire, gas, electricity, asbestos and water hygiene risk assessments had been consistently completed, where required. Furthermore, evidence was available to demonstrate that periodic monitoring and safety checks were being carried out in the manner expected. The audit review also highlighted that, whilst general fund property inspections were being completed until September 2015, following the resignation of the Building Facilities Manager these inspections had ceased. As such, there was a risk of non-compliance with the inspection regime for the remainder of 2015/16. Sample testing had also highlighted that disability access assessments had not been completed for any of the selected locations. **Update at April 2016:** • **Disability access assessments have been commissioned and an action plan**

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
			is in place to address the findings. • **An officer has been allocated responsibility for the inspection regime for general fund properties and this should now remain on track.** • **An action tracker is now in use to record any actions arising from general fund property inspections, with timescales for resolution and a reminder system.** • **The inspection regime for HRA properties is due to be reinstated in June 2016 following a recruitment exercise.**
Wheels to Work	Sufficient	To provide assurance over the procedures followed in running the Wheels to Work service and the controls in place, including recovering payment of excesses where an insurance claim is made. Covering: • Application process • Eligibility checks • CBT Training • Inventory checks and servicing • Purchase order creation/approval/processing • Invoice creation/approval/processing • Debt recovery process • Insurance claims • Promotional & Marketing activities • Budget Monitoring	Participant feedback received by Internal Audit clearly indicates that the Wheels to Work scheme provides a customer focussed service that supports the community. The programme was funded for 2015/16 with grants from Leicestershire County Council, Leicester City Council, Department for Work and Pensions (DWP) and Rutland County Council. The health and safety of riders is a key priority for the team and controls exist to ensure that riders are insured, provided with suitable health and safety equipment and vehicles are road worthy and taxed. Internal Audit reviewed twenty individuals enrolled on the scheme and found robust controls to be in place for checking the eligibility of participants and ensuring riders were fully aware of their responsibilities through issuing checklists and signing up to agreements. The process for recovering debt from riders required improvement. At the time of the audit the total of overdue debt was £35,315 (276 accounts), £25,906 of which dated back to 2010-2014. Technical Issues with the finance system (Oracle) between November 2014 and February 2015 had resulted in delays in issuing invoices and producing aged debt reports to assist with the debt collection process. Individuals were also not being consistently invoiced for the £250 insurance excess where an accident occurred and the rider was at fault.

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
Health and Safety	Limited	To provide assurance over the Council's compliance with regulatory and legislative requirements in relation to employee health and safety. Covering: • Health & safety policies and procedures • Health & safety training • Employer's liability insurance • First Aiders • Legislation updates • Risk Assessments and controls covering the following areas: - Electrical safety - Fire safety - Harmful substances (COSHH) - Workplace safety - Workers e.g. lone workers, contractors, home working, new and expectant mothers, potentially violent people (PVP) • Recording and reporting of accidents/incidents/near misses • Health & Safety Groups/Committees • RIDDOR (Reporting of injuries,	Based upon the audit testing, it is concluded that the Council had a well-designed control framework and appropriate policies and procedures for managing health and safety in the workplace; however the application of these controls was inconsistent and in certain areas some key controls had not been applied. Internal Audit visited four Council buildings (Phoenix House, Snowhill, the Edge and Parkside) and found that evidence of key health and safety controls such as fire alarm testing, evacuation drills, fire warden training, risk assessments, Control of Substances Hazardous to Health (COSHH) assessments and first aider records and training was not consistently available or up to date. Furthermore, due to reporting issues with the online learning tool (MIKE), the Council would be unable to demonstrate that all employees had received appropriate health and safety training and completed the required assessments. Without sufficient evidence that health and safety controls are operating effectively, the Council is at risk of potential reputational damage and possible fines from the Health and Safety Executive should an accident/incident occur involving one of the Council's employees. **Update at April 2016:** • **Updated list of fire wardens completed and displayed with a copy in the log book.** • **Fire Evacuation Drill for Phoenix House conducted and to be completed on regular basis.** • **Revised register of risk assessments has been sent to Tier 3 managers for formal completion, and will be reviewed at each safety committee meeting.** • **Health and Safety policy has been reviewed.** • **First aiders have been reviewed.**

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
		diseases and dangerous occurrences)	• **Fire warden appointed at Snow Hill.** • **One action remains outstanding – in relation to an annual statement which is to be included in the Annual Governance Statement for 2015/16.**

Appendix 2: Self-Assessment against the Public Sector Internal Audit Standards (PSIAS)

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
1000 – Purpose, Authority & Responsibility	1010	Recognition of the Definition of Internal Auditing, the Code of Ethics and the Standards in the Internal Audit Charter	✓			The Internal Audit Charter reflects the mandatory nature of the relevant Standards.
1100 – Independence and Objectivity	1100	Organisational Independence	✓			Head of Internal Audit reports directly to the Audit Committee and has unfettered access to the Chief Executive, Chair of the Governance Committee and Section 151 Officer.
	1111	Direct Interaction with the Board	✓			Head of Internal Audit reports directly to the Governance Committee.
	1120	Individual Objectivity	✓			All members of the Internal Audit team are required to complete a Declaration of Interest form at the start of the financial year and any conflicts of interest are avoided in work allocations.
	1130	Impairment to Independence or Objectivity	✓			Approval sought from Audit Committees before undertaking any significant consulting services not already included in Audit Plans.
1200 – Proficiency and Professional Care	1210	Proficiency	✓			Head of Internal Audit is CCAB qualified and all Audit Managers hold professional qualifications and are suitably experienced for the role. Trainees and Auditors are undertaking training including final stages IIA exams.
	1220	Due Professional Care	✓			Experienced Audit staff exercise due professional care when planning and undertaking assignments. Scope of assignment is clarified within

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
						detailed audit planning record and the limitations to the scope and assurance provided are documented within audit planning records, audit reports and progress reports. All audit planning records are approved by the Head of Internal Audit before work commences.
	1230	Continuing Professional Development	✓			Staff attendance at training and development opportunities. All Audit Managers must satisfy professional body CPD requirements.
1300 – Quality Assurance & Improvement Programme	1310	Requirements of the Quality Assurance and Improvement Programme	✓			External assessment completed in 2013 and annual internal self-assessment conducted by Head of Internal Audit, which is included in the Annual Report.
	1311	Internal Assessments	✓			Ongoing monitoring of performance at monthly individual supervision meetings, team meetings and post audit completion discussions. Customer Satisfaction Questionnaires (CSQs) requested from clients for each assignment and responses summarised for Audit Committees. Head of Internal Audit meets with senior management on regular basis and seeks feedback on value of the Internal Audit service and areas for development.
	1312	External Assessments	✓			External assessment conducted in 2013 by independent, professional company to assess against compliance with PSIAS. No further external assessment due until 2018.
	1320	Reporting on Quality Assurance and Improvement Programme	✓			The outcome of the external assessment and progress against the resulting improvement plan were reported to the Welland Board (where all Welland S151 officers are members) and to Audit Committees. All actions from the improvement plan were signed off

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
						by the Welland Board. Annual self-assessment against PSIAS included within Head of Internal Audit's Annual Report – to be presented to the Welland Board and Audit Committees.
	1321	Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'	✓			Based upon completion of improvement plan and ongoing assessment and quality assurance processes, results support compliance with Standards and Code of Ethics.
	1322	Disclosure of Non-conformance	✓			Instances of non-conformance identified in 2013 were reported to the Board and Committees following the external assessment. Progress against the improvement plan to address all areas of non-conformance was reported to Committees and management until all actions were signed off.
2000 – Managing the Internal Audit Activity	2010	Planning	✓			Process for development of risk based audit plans was presented to each Audit Committee for approval. Plans were developed with input from senior management and Committee members. Audit planning process is documented in Internal Audit Charter.
	2020	Communication and Approval	✓			Any changes to the approved Audit Plans during the financial year are communicated to the Audit Committee and subject to agreed approval mechanisms in accordance with the delegated decision making arrangements.
	2030	Resource Management	✓			Resources reviewed on an ongoing basis to ensure these are appropriate, sufficient and effectively deployed. Team includes four

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
						professionally qualified, experienced Audit Mangers. Any concerns on adverse impact on provision of the audit opinion would be raised by the Head of Internal Audit in Annual Report.
	2040	Policies and Procedures	✓			Audit manual, charter and practice notes revised as part of improvement plan to ensure compliance with Standards.
	2050	Coordination	✓			Other sources of assurance are considered and reviewed as part of the Audit Planning process to avoid any duplication with other assurance providers.
	2060	Reporting to Senior Management and the Board	✓			The Head of Internal Audit attends meetings with senior management and Audit Committees on a regular basis. Progress reports are presented at every Audit Committee meeting and details of assurance levels are provided with focus upon those of Limited Assurance opinions. The content of the progress reports was reviewed during 2015 and the Governance Committee now receives a detailed breakdown of the implementation of audit actions and full details of all actions which have been overdue for more than three months and classed as 'high' or 'medium' priority. The Committee also now receives the Executive Summary of all finalised audit reports and has access to all audit reports for any Limited Assurance opinions given, which are provided as hard copies in the Members' room.
2100 – Nature of	2110	Governance	✓			Audit team provides independent advice on drafting of governance related policies and attends governance groups, where applicable.

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
Work						Audit findings on risks and controls are presented to the Audit Committee and senior management with recommendations on areas for improvement. As appropriate, the Internal Audit team contributes to the development of the Annual Governance Statement. IT Governance reviews included in rolling IT Audit plan.
	2120	Risk Management	✓			Internal Audit refer to the organisation's risk registers during Annual Planning exercises and provide training to committee members on risk management and the 'three lines of defence' to support effective review. Risks relating to the organisation's governance, operations and information systems, as well as fraud risks, form part of individual audit assignments, as stated in the audit planning records and audit reports. The Internal Audit planning process for 2016/17 included review of risk management systems and procedures and as stated in the PSIAS 'Internal Audit gather the information to support this assessment during multiple engagements The results of these engagements, when viewed together, provide an understanding of the organisation's risk management processes and their effectiveness'. As such, the outcome of the various risk based assignments within the Audit Plans provide an understanding of the effectiveness of the Council's risk management procedures which can be raised with

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
						senior management and the Committee. Auditors are alert to other significant risks when undertaking any consulting engagements and give advice and make recommendations but it is the responsibility of management to implement these actions.
	2130	Control	✓			In accordance with the risk based approach to Internal Audit assignments, the adequacy and effectiveness of controls are evaluated and reported upon on each audit assignment. The audit report template clearly provides an assurance rating for both design and compliance for each control.
2200 – Engagement Planning	2201	Planning Considerations	✓			An audit planning record is issued and subject to formal approval for all audits. This outlines the scope, objectives, timescales, resource allocations, access requirements and limitations to scope for the assignment. This is reviewed and approved by the Head of Internal Audit before issuing to the client. Any consultancy engagement is also subject to documented, agreed scope, objectives and respective responsibilities of the auditor and the client.
	2210	Engagement Objectives	✓			Audit planning records are agreed for each engagement following preliminary discussions on risks with the audit clients and with input and review from Head of Internal Audit. Value for money considerations are included in the scope as appropriate.

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
	2220	Engagement Scope	✓			Detailed audit planning records are provided for all assignments establish the objectives, resources and access to systems, records, personnel and premises, as appropriate.
	2230	Engagement Resource Allocation	✓			Audit planning records state the number of audit days allocated to the assignment and the Audit Manager should agree a scope which is achievable within the resource available. The Head of Internal Audit reviews and approves all audit planning records before issuing to clients to ensure scope is appropriate and consistent with resource allocation.
2300 – Performing the Engagement	2310	Identifying Information	✓			Audit Managers ensure that sufficient, reliable and relevant information is used for audit assignments. File reviews conducted by Head of Internal Audit to confirm quality of evidence and basis for conclusions.
	2320	Analysis and Evaluation	✓			Reviews of electronic working papers conducted by Head of Internal Audit to confirm quality of evidence and basis for conclusions. Clearance meetings held with clients to discuss findings and basis for conclusions and provide opportunity to confirm accuracy of findings.
	2330	Documenting Information	✓			Retention of evidence to support conclusions and engagement results is saved on the audit software and network folders, where access is limited to Audit staff. Any hard copy evidence is scanned onto the network and software and destroyed via confidential waste. Practice note states 'Rutland County Council is the Consortium's employing body and the Consortium operates in line with the

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
						Council's Document Retention Policy'.
	2340	Engagement Supervision	✓			Monthly supervision meetings held with each member of Audit team to discuss progress made with each assignment, any issues encountered, workload and priorities for the month ahead. All audit reports are reviewed by the Head of Internal Audit and evidence is retained on file. All working papers are reviewed by the Head of Internal Audit (unless completed by an Auditor and fully reviewed by Audit Manager). Evidence of the review is held on the audit software with full audit trail.
2400 – Communicating Results	2410	Criteria for Communicating	✓			Internal Audit reports state the objectives, scope, conclusions, recommendations and agreed action plans.
	2420	Quality of Communications	✓			Head of Internal Audit review of reports ensures these are accurate, objective, clear, concise, constructive, complete and timely.
	2421	Errors and Omissions	✓			No incidents recalled of any significant errors or omissions in reports. Any such incidents would be suitably escalated for resolution.
	2430	Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'	✓			Based upon completion of the improvement plan arising from the external assessment and the internal self-assessment, results support this statement.
	2431	Engagement Disclosure of Non-conformance	✓			Not applicable.

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
	2440	Disseminating Results	✓			The final reports issued on all assignments are provided to all individuals named on the circulation list, approved at the commencement of the audit. Any circulation to parties in addition to those listed on the audit planning record will be agreed with the Head of Internal Audit and senior management. Copies of final audit reports are available to committee members by requesting from the Head of Internal Audit or s151 Officer. The progress reports presented at each committee meeting include the outcome of each assignment, in relation to the assurance rating and the key matters arising.
	2450	Overall Opinions	✓			The Head of Internal Audit provides an annual Internal Audit opinion which should inform the Council's governance statement. This report includes an opinion, a summary of work that supports that opinion and a statement on conformance with PSIAS.
	2500	Monitoring Progress	✓			There is an established process in place at each of the councils within the Consortium for the follow-up of progress made by management in implementing the agreed actions. Internal Audit monitor and report to the Committee on the progress made. The content of the progress reports was reviewed during 2015 and the Audit & Risk Committee now receives a detailed breakdown of the implementation of audit actions and full details of all actions which have been overdue for more than three months and classed as 'high' or 'medium' priority.

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
						The Committee also now receives the full Executive Summary of all audit reports finalised during the period and full audit reports for any assignments receiving a rating of Limited or No Assurance.
	2600	Communicating the Acceptance of Risks	✓			Where an identified risk is accepted by management this is reflected in the audit report. Where the risk is subsequently accepted because the agreed action is no longer feasible this would be discussed with senior management and details and context would be reported to the Committee. If the Head of Internal Audit had concerns about the level of risk accepted by management this would be reported to the Committee.

Conclusion:

Based upon the self-assessment completed by the Head of Internal Audit on 4th April 2016, the Welland Internal Audit Consortium is operating in general compliance with the Public Sector Internal Audit Standards (PSIAS).