

<b>TITLE</b>	<b>Business Assurance Progress Report – October 2012</b>
<b>FOR CONSIDERATION BY</b>	Audit Committee on 28 November 2012
<b>WARD</b>	None Specific
<b>STRATEGIC DIRECTOR</b>	Muir Laurie, Director of Business Assurance & Democratic Services (& Head of Internal Audit)

#### **OUTCOME / BENEFITS TO THE COMMUNITY**

The Business Assurance Progress Report details the Business Assurance activity in the period 23 August to 26 October 2012. This is an update on the progress towards the formation of the Head of Internal Audit statutory opinion which forms part of the Annual Governance Statement. It provides assurance through the Audit Committee to council and the wider public that the council is managing its key risks and identifies any weaknesses identified in the governance, risk management and internal control. This assurance supports the council in the achievement of its vision, priorities, principles and objectives and provides for better and improved outcomes for our residents.

#### **RECOMMENDATION**

The Audit Committee is asked to:

- o Note the Business Assurance Progress Report for October 2012 (attached).

#### **SUMMARY OF REPORT**

The report summarises the work completed by the Business Assurance Internal Audit (IA) and Investigations teams during the 23 August to 26 October 2012 period. It enables the Audit Committee to discharge its oversight function in relation to these activities.

The report provides the opportunity for the Head of Internal Audit to provide details of the work of undertaken this financial year and highlight any areas of weakness the Audit Committee should be aware of.

#### **Background**

The Business Assurance quarterly plans provide details of the planned IA and Investigations activity. This progress report enables the council's Corporate Leadership Team Audit Committee to hold the Head of Internal Audit to account and facilitates the Audit Committee in holding management to account for managing weaknesses identified during the course of IA and investigations activities.

#### **Analysis of Issues**

The Business Assurance Progress Report provides the Audit Committee with assurance over the key governance, risk management and internal controls operating in the council. The Audit Committee should ensure that the coverage, performance and results of Business Assurance activity are clearly communicated to them and any additional assurances are identified by the Audit Committee.

## FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	N/A	Yes	N/A
Next Financial Year (Year 2)	N/A	Yes	N/A
Following Financial Year (Year 3)	N/A	Yes	N/A

### Other financial information relevant to the Recommendation/Decision

Not applicable.

### Cross-Council Implications (how does this decision impact on other Council services and priorities?)

Not applicable.

### Reasons for considering the report in Part 2

Not applicable.

### List of Background Papers

None.

<b>Contact</b> Muir Laurie	<b>Service</b> Business Assurance
<b>Telephone No</b> 0118 974 6508	<b>Email</b> <a href="mailto:muir.laurie@wokingham.gov.uk">muir.laurie@wokingham.gov.uk</a>
<b>Date</b> 26 October 2012	<b>Version No.</b> 2



**WOKINGHAM  
BOROUGH COUNCIL**

◆ **Business Assurance**  
Successfully Improving Governance

**BUSINESS ASSURANCE**

**PROGRESS REPORT**

**2012/13**

**Wokingham Borough Council**

**26 October 2012**

## Contents

The Business Assurance key contacts in connection with this report are:

### **Muir Laurie**

Director of Business Assurance and Democratic Services (and Head of Internal Audit)

T: 07770 415624

E: [muir.laurie@wokingham.gov.uk](mailto:muir.laurie@wokingham.gov.uk)

### **Paul Ohsan Ellis**

Internal Audit Manager (Deputy Head of Internal Audit)

T: 07825 532200

E: [paul.ohsan.ellis@wokingham.gov.uk](mailto:paul.ohsan.ellis@wokingham.gov.uk)

### **Julie Holland**

Investigations Manager

T: 07917 814563

E: [julie.holland@wokingham.gov.uk](mailto:julie.holland@wokingham.gov.uk)

	Page
<b>1. Introduction</b>	<b>3</b>
<b>2. Executive Summary</b>	<b>3</b>
<b>3. Analysis of Business Assurance Activity 23 August to 26 October 2012</b>	<b>4</b>
<b>4. Forward Look</b>	<b>10</b>
<b><u>Appendix A</u> – Detailed Work Undertaken</b>	<b>11</b>
<b><u>Appendix B</u> – Assurance Level Definitions</b>	<b>18</b>
<b><u>Appendix C</u> – Recommendation Priority Levels</b>	<b>19</b>

## 1. INTRODUCTION

- 1.1 This report summarises the main findings arising from the work of Business Assurance (BA) work completed since the last progress report (22 August 2012) until 26 October 2012. There are two main strands to this work; Internal Audit (IA) and Investigations.
- 1.2 IA provides an independent appraisal and consultancy service that underpins good governance, which is essential in helping the council achieve its strategic objectives and realise its vision for the borough of Wokingham. It is also a requirement of the Accounts and Audit (England) Regulations 2011 that the council undertakes an adequate and effective IA of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.
- 1.3 Investigations are responsible for providing a comprehensive range of investigation services to all key stakeholders. Our primary objective is to meet the Chief Finance Officer's statutory obligation to prevent and detect fraud and corruption against the council. This includes benefit fraud, whistleblowing allegations and other types of corporate fraud such as housing tenancy fraud.
- 1.4 The Investigations team also helps to drive improvements in performance across the council by investigating any serious breaches of the council's policies including the staff code of conduct. Other main areas of their work include delivery of the Audit Commission's National Fraud Initiative (NFI) and providing anti-fraud and anti-corruption awareness training to staff and members.
- 1.5 BA would like to take this opportunity to formally record its thanks for the co-operation and support it has received from the management and staff of the council during the period.

### **Purpose of the Business Assurance Progress Report**

- 1.6 This report presents the council's Chief Executive, Directors and Audit Committee with information on all BA work covered and assurance in this respect during the period 23 August 2012 to 26 October 2012. It also provides an opportunity for the Director of BA and Democratic Services to highlight to the council's Corporate Leadership Team (CLT) and Audit Committee any significant issues that they need be aware of.

## 2. EXECUTIVE SUMMARY

- 2.1 IA finalised the audit of the Town Centre Regeneration Project Management during this period. The review found that controls surrounding the project had been significantly strengthened by the project team but there remained scope for further improvement. The report highlighted the project was on the verge of a transition to the delivery phase and that this would present significant challenges for the project. Despite the good controls in place, the residual risk remains high given the level of inherent risk within projects of such large scale, scope and complexity.
- 2.2 Having been alerted by the Finance Team to concerns about the operation of financial controls at one of the Borough's Children's Centres, the IA and Investigations Teams worked together in investigating the matter. This close collaborative working ensured that all the issues that emerged during the course of the investigation were addressed robustly.
- 2.3 The work of the Investigations Team has led to five successful prosecutions for benefit fraud this period, the court sentences for which have included suspended prison sentences and unpaid work. Further details of the five cases and the outcomes are provided in section 3.2 of this report.

2.4 The scope of the annual self assessment of the effectiveness of IA was expanded to include the work of the Investigations Team for the first time. This concluded that IA was compliant with the Chartered Institute of Internal Auditors (IIA) standards and that there was good assurance over the whole of BA.

2.5 Capacity has been reduced during the period as a consequence of BA continuing to successfully sell IA and Investigation days to other councils from its contingency. There have also been several requests for additional work by management which have been accommodated via the deferral of some other lower risk IA work.

### **3. ANALYSIS OF BUSINESS ASSURANCE ACTIVITY – 23 AUGUST to 26 OCTOBER 2012**

#### **3.1 2012/13 IA Work**

3.1.1 The individual IA reviews carried out in the 1 April to 26 October 2012 period are listed at Appendix A, which details the assurance levels achieved and provides an analysis of recommendations made (in accordance with the recommendation priorities outlined at Appendix C).

3.1.2 There were significant pieces of IA work completed during the period including Service Planning Benchmarking, Town Centre Regeneration and Effectiveness of IA and Counter Fraud Arrangements. Two key financial systems were also completed during this period; Housing Rents and Main Accounting.

3.1.3 Following concerns raised by the Finance Team responsible for monitoring the petty cash imprest account at one of the Borough's Children's Centres, IA reviewed the financial controls surrounding this. The review identified significant weaknesses in the operation of controls. Following the audit the Investigations Team conducted an investigation into a member of staff and as a result management action was subsequently taken.

3.1.4 The Effectiveness of IA and Counter Fraud Arrangements review concluded that IA is effective and complies with the IIA International Standards. The review found that controls are in place to ensure IA deliver risk based audits and use their resources effectively to meet the assurance needs of the council. This review also encompassed the work of the Investigations Team and found that the controls in place are working effectively. This review was completed by a Senior Internal Auditor new to the team with recent private sector experience to increase the objectivity of the review.

3.1.5 The only limited assurance report this period related to the Children's Centre Imprest Account. There were no nil assurance IA reports issued during the period.

#### **3.2 2012/13 Benefits Fraud Investigations**

3.2.1 Between 1 April and 26 October 2012 there have been six successful prosecutions for benefit fraud. One case was reported to the Audit Committee at the September meeting and details of the five new cases are detailed at paras 3.2.2 to 3.2.6.

3.2.2 Mr Sayers was sentenced to 8 weeks custody, suspended for 12 months, and ordered to do 150 hours of unpaid work. Sayers had admitted to the court that he had failed to inform the council that he had vacated his claim address in August 2009, continuing to receive benefit to help pay the rent of the property he was no longer living at. This fraud continued for nearly two years and only came to light when post intended for Sayers was returned to the council, raising the suspicion that Sayers had gone away. The result of Sayer's actions was that he fraudulently received £7,954 he was not entitled to. Sayers was also ordered to pay £250 in costs to the council to cover the expense of investigating his case as well as paying back the overpayment.

- 3.2.3 Mr Burgess pleaded guilty to four charges of benefit fraud. It was discovered that since January 2009, Burgess had been dishonestly failing to inform the council or the DWP of the true amount of money he was earning. At various points Burgess' monthly income was over £5,000. Burgess also possessed bank accounts that both the Council and DWP were unaware of, meaning that he could receive his income without the authorities knowing. His fraudulent actions caused a total loss to the public purse of £11,666, which he will have to repay. For his crimes Burgess was sentenced to a 200 hour community order for 12 months and ordered to pay £800 in costs.
- 3.2.4 A 12 week prison sentence suspended for 12 months has been imposed by Reading Crown Court on Ms Joyce who fraudulently claimed nearly £27,000 in local authority and state benefits. In addition, the Court ordered the following additional requirements to be added to the suspended sentence; supervision for 12 months; 150 hours of unpaid work; alcohol treatment for 6 months and ordered to pay back the overpayment. The offences came to light as the result of a joint investigation by the council and the DWP. The investigation proved that between February 2005 and September 2008 Joyce had failed to tell the council or the DWP that she was living together with her partner.
- 3.2.5 In a joint investigation by the DWP and the council, it was discovered that Miss Bargeman had dishonestly made a false statement in order to obtain benefit. This being that she lived alone, when in fact her partner was resident at the property since the start of the claim. Her fraudulent actions caused a total loss to the public purse of £21,544. For her crimes, Bargeman was convicted and has received a Community Work Order, an eighteen weeks prison sentence suspended for 2 years and ordered to pay back the overpayment.
- 3.2.6 Mr Latchman admitted charges of dishonestly making false statements and representations for the purpose of claiming housing and council tax benefit. He put in claims for fictional properties in Wokingham and Reading and an investigation by both councils found he fraudulently claimed £3,813. Mr Latchman was sentenced to a community and supervision order for six months by the court and ordered to pay £300 court costs as well as pay back the overpayment.

### 3.3 2012/13 Corporate Investigations

- 3.3.1 There have been six corporate investigation referrals during the period:
- one case relates to a misuse of a concessionary bus pass, which is ongoing;
  - two cases relate to Direct Payments and are ongoing;
  - one case was investigated and no further action taken;
  - one case was investigated and management action taken;
  - one case is ongoing.

### 3.4 Deferred IA Reviews

- 3.4.1 Two medium risk IA reviews have been deferred during this period. The Grounds Maintenance review has been deferred to quarter 4 following delays to the implementation of the new contract. This will enable the new ways of working to be implemented prior to the IA review taking place.
- 3.4.2 The other deferred IA review is the operation of the Environmental Health and Licensing Shared Service. The Strategic Director of Neighbourhoods has requested that this is deferred until August 2013 because the team is aware of issues during the early stages of this arrangement and believe that the IA review would not add sufficient value at this time.

### 3.5 Key Performance Indicators

#### 3.5.1 KPI 1 - Client Satisfaction Score

*The client satisfaction score out of 100% based on client feedback from post engagement questionnaires.*

There have been a small number of post engagement questionnaires in this period that have not previously been reported on. The overall cumulative client satisfaction is **79.6%** for internal audits in 2012/13. This is particularly high because of outstanding feedback on the Main Accounting audit. The benchmark target is **67%** which equates to 'agree' against the four key criteria that comprised the previous performance indicators. Above this figure requires 'strongly agree' to one or more of the statements.

#### 3.5.2 KPI 2 – Improvements to the Control Environment

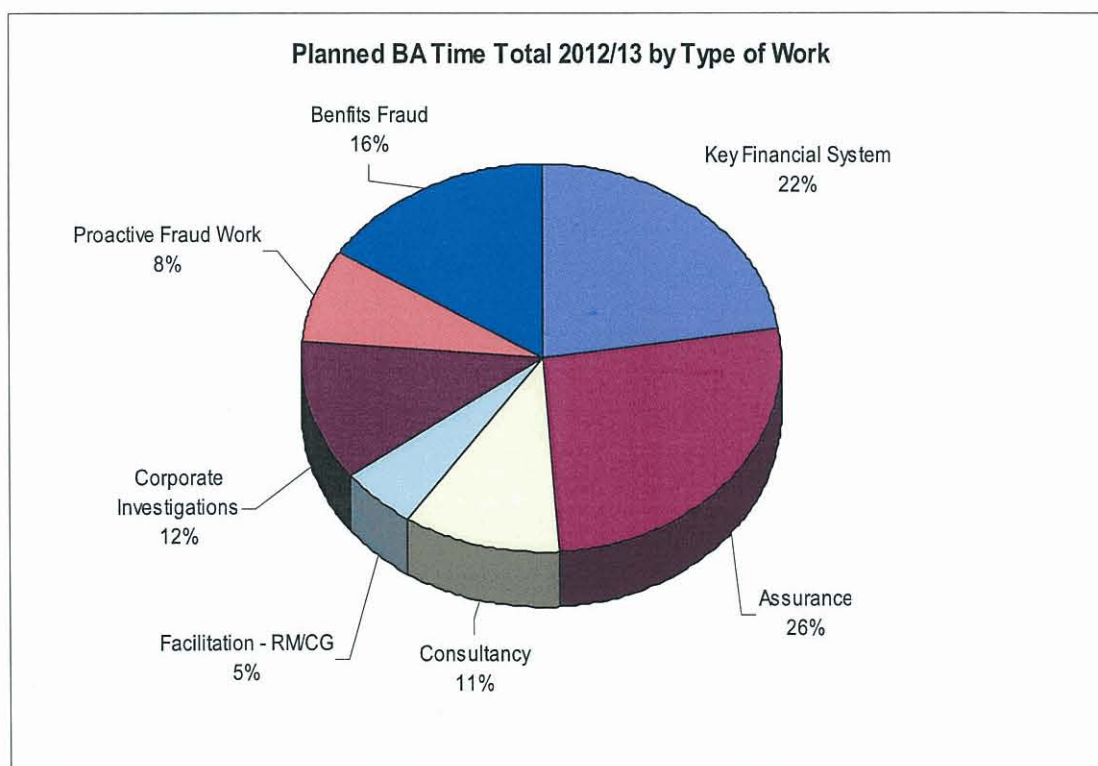
*Internal control and risk management improvements recommended to management not accepted or implemented.*

There were 147 recommendations made in reports that were finalised in the period from the 1 April to 26 October 2012. **100%** of these were accepted by management. There was limited follow up activity completed in this period against the 2011/12 and 2012/13 IA recommendations and consequently there is no IA data available for this period on the implementation of IA recommendations.

#### 3.5.3 KPI 3 - Where the work of BA is focused

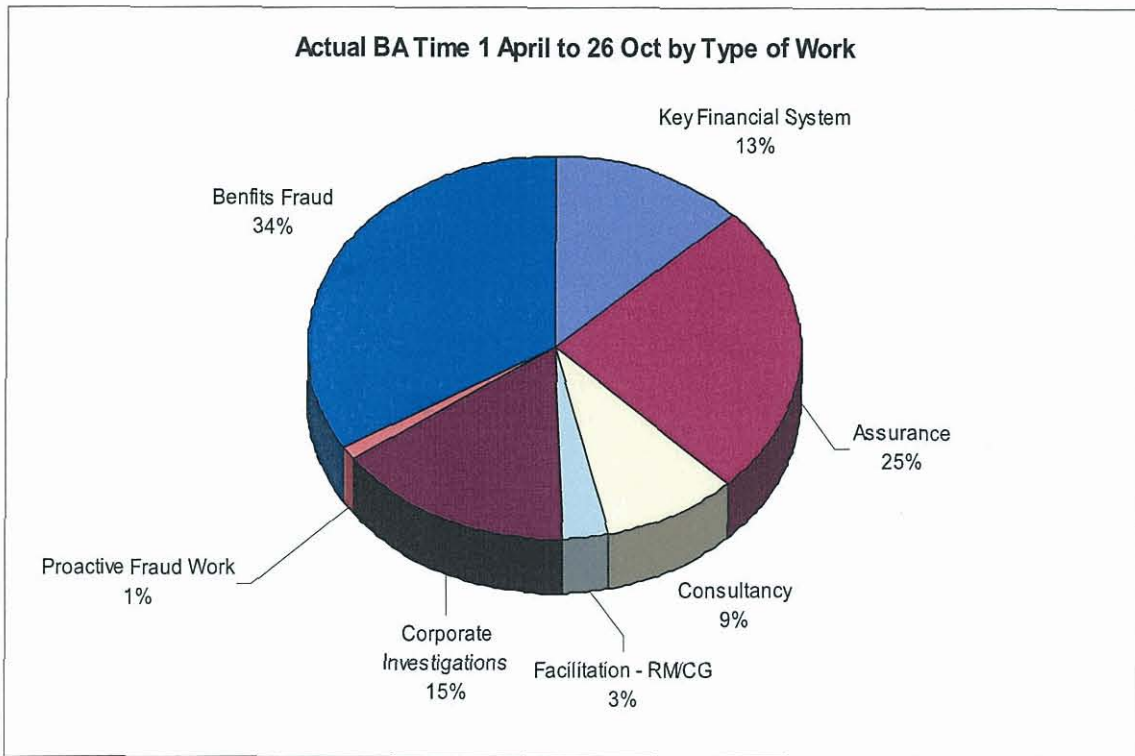
*Comparison of planned and actual focus of the BA by type of work undertaken.*

- The two charts below detail the distribution of days by type of BA work. This enables CLT and the Audit Committee to maintain an overview of where resources are being used. It is worth noting that both charts detail BA work at WBC and exclude any work provided to other local authorities.

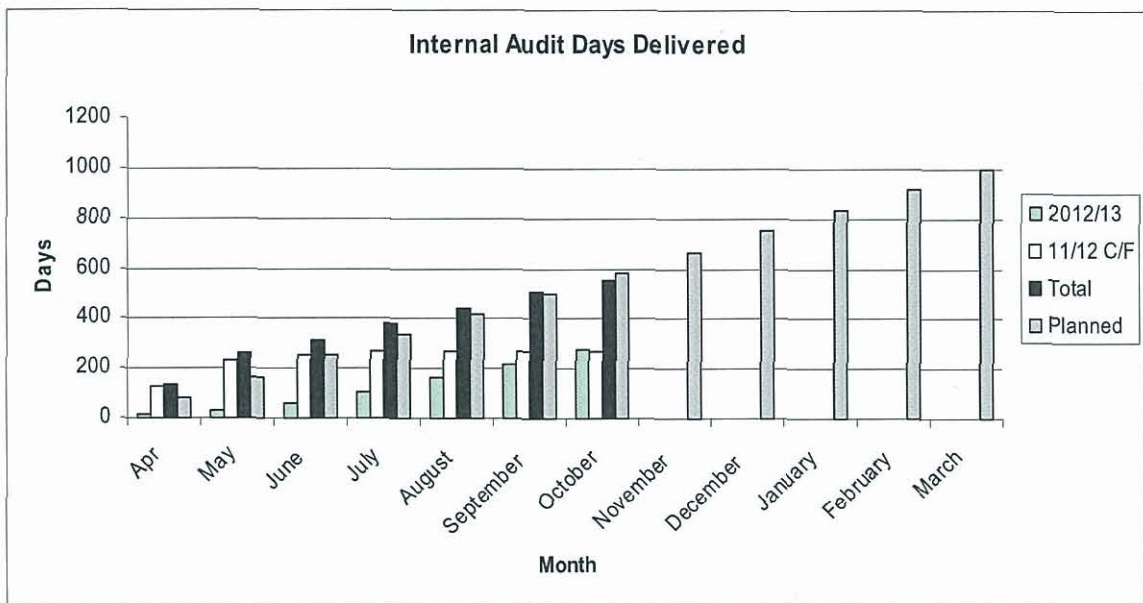




- o There was more time spent on benefits fraud and corporate investigations than planned in this period. This had an impact on the time spent on proactive fraud work. This is because of the vacancy in the benefits fraud team although significant planning has been completed for proactive activities in quarter 3 and 4.



3.5.4 KPI 4 - Delivery of Internal Audit Days

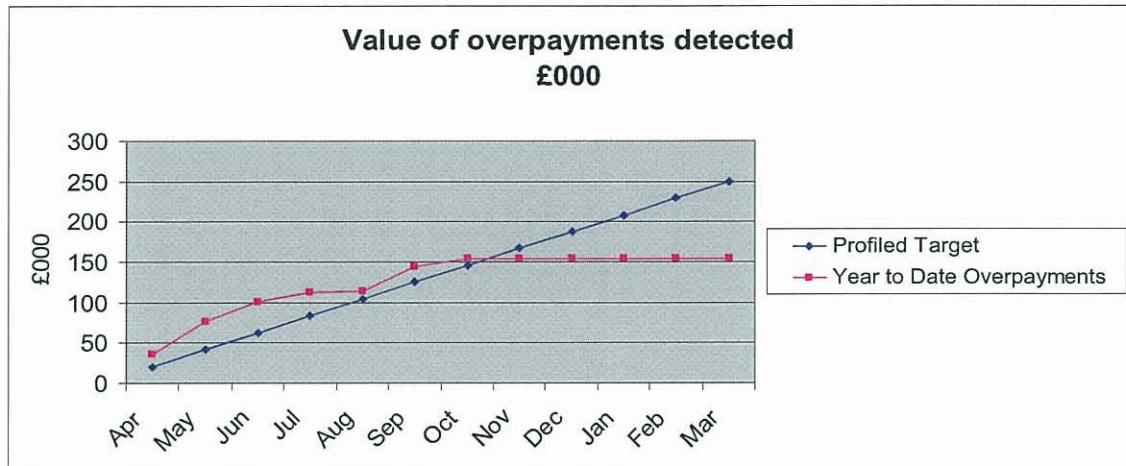


- o BA has a target to deliver 1,000 IA days. 800 of these days are required for planned IA activity and 200 days are contingency to be used on emerging risks during the course of the year. Work provided to other local authorities is allocated out of contingency.

### 3.5.5 KPI 5 - Benefit Overpayments

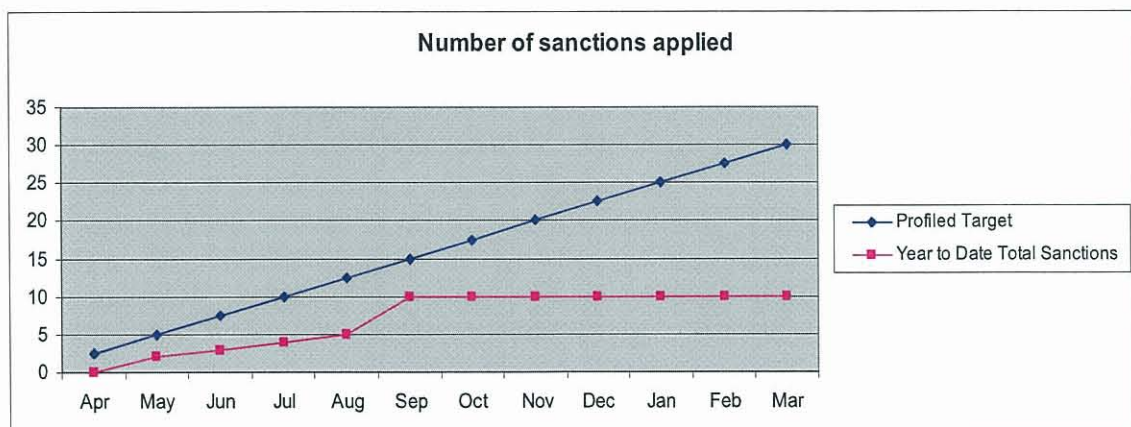
The annual target for identifying overpaid benefits (this can be due to either fraud or error) is £250,000 for 2012/13.

- A total of £154,991 of overpaid benefits has been identified by Business Assurance, against the target of £146,000 for the year to date. £41,732 of these have been identified in the period, the graph below highlights this. When reviewing the existing cases there are a number which will result in a significant overpayment and may result in multiple sanctions, this will be shown in the Business Assurance Progress Report to the Audit Committee at its meeting in February 2013.



### 3.5.6 KPI 6 - Sanctions Applied

- Where evidence indicates an offence has been committed in benefit fraud investigations, the offender can be offered:
  - a formal caution (a warning, but the offence must be admitted); or
  - an administrative penalty (which is a 30% fine on top of any overpaid benefit identified); or
  - the Council will prosecute (for more serious cases).
- These are referred to as 'sanctions' and Business Assurance has a target of achieving 30 sanctions per year. From 1 April 2012 to 26 October 2012 a total of 10 sanctions have been applied, against a target of 15. Within the period (23 August 2012 to 26 October 2012) a total of 6 were applied. In total, 54 fraud investigations were completed in the period 23 August and 26 October 2012/13.



- o The target for sanctions has not been met for this reporting period. This was mainly as a result of the team working on a backlog of cases with reduced staff resources focused on benefit fraud during the early part of the year. The staff vacancy was filled during July 2012, with Zac O'Neil joining the team as a Senior Investigations Officer. His role will be focused initially on benefit investigations which will have a positive impact on performance against this target in the remaining part of the year.

### **3.6 Additional Business Assurance Work**

- 3.6.1 As reported in the previous progress report, a case of misuse of a Blue Badge was identified by the Investigations Team. This case was prosecuted by the Police within this period. Mr White was found by the court to have "made a false representation to make gain for self or another, or cause loss to another". Mr White pleaded guilty and was ordered to pay a guilty fine of £170, costs of £85 and a victim surcharge of £15.
- 3.6.2 In addition to the Children's Centre petty cash imprest account detailed at 3.1.3, IA has completed the certification of the Transport Capital Block Grant (worth £3.6m). IA was requested by the Chief Executive to assist the Service Planning Process by working with selected Heads of Service on benchmarking elements of their service plan. It is planned to perform some complementary work to this in suggesting improvements to the wider service planning process.
- 3.6.3 IA has also provided project assurance to the waste project and on a periodic basis will continue to do so until the end of the project.
- 3.6.4 At the request of the Learning and Development team, the Business Assurance Investigations Team has developed an 'Investigations and Consequences' training package as part of a service specific induction.

### **3.7 Business Assurance Key Developments**

- 3.7.1 The Business Assurance initiative 'Fraud Awareness Week' will happen in week commencing 26 November. This will include training workshops that will be offered to all staff. There will also be a poster campaign to help raise awareness of the whistleblowing process and benefits fraud work carried out by Business Assurance.
- 3.7.2 The Investigations Team continues to generate income for the council by working at Oxfordshire County Council, albeit at lesser levels than previously. The IA team continues to work with Bracknell Forest Borough Council for 2012/13 on a number of audits. The Business Assurance ability to generate income through these income streams has enabled the team to continue to deliver savings in its overall budget. Some of the key benefits to the council of this are sharing fixed costs and retaining highly skilled staff.

## **4. FORWARD LOOK**

- 4.1 Government reforms to the way that benefits are funded, including the retention of overpayments, mean that work is underway in assessing the impact of increasing the council's resources on benefit fraud to deliver greater savings in retained benefits. If the costs incurred are less than fraudulent benefit detected then this would deliver a net overall financial gain to the council.
- 4.2 Since the last Business Assurance progress report, plans have been developed for a number of proactive fraud activities. There will be a tenancy fraud drive in collaboration with the Chartered Institute of Housing which will include local Housing Associations; this will be the first of its kind in the Borough.

- 4.3 A further two initiatives on Blue Badge fraud are planned before Christmas in collaboration with the Police and other WBC partners.
- 4.4 The Business Assurance Strategy is being consulted on, and the final version is due to be presented to the Committee in February.
- 4.5 Significant IA work is underway on following-up all 2011/12 IA recommendations and the results of this will be reported at the February Audit Committee meeting.
- 4.6 There are no other matters that the Director of Business Assurance and Democratic Services needs to bring to CLT or the Audit Committee's attention at this time.

**Muir Laurie ACCA CMIIA MAAT**

**Director of Business Assurance & Democratic Services (& Head of Internal Audit)**

**26 October 2012**

**DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2012/13****Key:**

- o VH = Very High
- o H = High
- o M = Medium
- o L = Low
- o NP = Notable Practice
- o ToR = Terms of Reference
- o BAC = Business Assurance Contingency (ad-hoc requests for work, etc)

**Residual 2011/12 IA Reviews (completed after 31 March 2012)**

IA Ref.	IA Review Area	Timing	Status as at 26 October 2012	Assurance Level	Priority					PAQ Received?
					VH	H	M	L	NP	
064	Cashiers	Q4	Final report issued 3 April 2012	Good	-	1	-	-	-	Yes
047	Debtors	Q3	Final report issued 5 April 2012	Reasonable	-	1	4	-	1	Yes
063	Bank Reconciliations	Q4	Final report issued 16 April 2012	Good	-	-	-	1	-	Yes
075	Schools - Financial Management (including Internal Control)	Q4	Final report issued 20 April 2012	Reasonable	-	5	9	1	-	Yes
014	Governance Arrangements for Local Authority Trading Companies: WEL	Q1	Final report issued 4 May 2012	Reasonable	-	2	4	6	-	Yes
014a	Governance Arrangements for Local Authority Trading Companies: Optalis	Q1	Final report issued 4 May 2012	Reasonable	-	1	7	6	1	Yes
038	Governance Arrangements for Local Authority Trading Companies: WHL	Q2	Final report issued 4 May 2012	Reasonable	-	2	7	6	-	Yes
058	Performance Management	Q4	Final memo issued 4 May 2012	N/A	-	-	-	-	-	N/A
068	Treasury Management	Q4	Final report issued 16 May 2012	Good	-	-	3	1	-	Yes
082	Council Tax and NNDR	Q4	Final report issued 16 May 2012	Good	-	-	1	-	1	Yes

(Ctd)

IA Ref.	IA Review Area	Timing	Status as at 26 October 2012	Assurance Level	Priority					PAQ Received?
					VH	H	M	L	NP	
062	BACS	Q4	Final report issued 28 May 2012	Good	-	-	1	-	-	Yes
065	Budgetary Control	Q4	Final report issued 29 May 2012	Good	-	-	-	4	-	Yes
033	Information Governance	Q2	Final report issued 18 June 2012	Reasonable	-	-	6	1	2	Yes
066	Capital Accounting and Fixed Asset Register (including Capital Planning and Allocations)	Q4	Final report issued 19 June 2012	Reasonable	-	-	5	3	-	Yes
061	Corporate Governance	Q4	Final report issued 31 July 2012	Reasonable	-	4	7	2	-	Not yet
027	Payments Kiosk	Q2	Draft report issued 15 March 2012 but Management response delayed; Final report issued 17 August 2012	Reasonable	-	2	-	-	1	Yes

**2012/13 Planned IA Reviews**

IA Ref.	IA Review Area	Timing	Status as at 26 October 2012	Assurance Level	Priority					PAQ Received?
					VH	H	M	L	NP	
001	Property	Q1	Fieldwork delayed due to other BA priorities; now due for completion in Q3	-	-	-	-	-	-	-
002	Town Centre Regeneration – Project Management	Q1	Final report issued 4 September 2012	Reasonable	-	3	3	-	-	N/A
003	Corporate Governance	Q1	Deferred by CEO to link into new performance management framework. Consultancy work on Effectiveness of Joint Board completed instead. Now due for completion in Q4	-	-	-	-	-	-	-
004	Organisational Change	Q1	Project Board role discharged	-	-	-	-	-	-	-

(Ctd)

IA Ref.	IA Review Area	Timing	Status as at 26 October 2012	Assurance Level	Priority					PAQ Received?
					VH	H	M	L	NP	
005	Housing Rents	Q1	Final report issued 12 October 2012	Reasonable	-	4	6	8	1	Not yet
006	Main Accounting	Q1	Final report issued 3 September 2012	Good	-	-	1	3	-	Yes
007	Legal Shared Services	Q1	Deferred by Management until Q3 due to Scrutiny review	-	-	-	-	-	-	-
008	S106 Infrastructure Delivery	Q1	Opening meeting held - fieldwork due to commence in November	-	-	-	-	-	-	-
009	Third Sector Commissioning	Q1	Final report issued 22 August 2012	-	-	-	-	-	-	Yes
010	Appraisals	Q1	Draft report issued 18 September 2012	-	-	-	-	-	-	-
011	Facilitation – Risk Management Group	Q1	RM Group meeting held on 22 May 2012	-	-	-	-	-	-	-
012	Facilitation – Corporate Risk Register	Q1	Corporate Risk Register presented to June Audit Committee	-	-	-	-	-	-	-
013	Facilitation – Annual Governance Statement	Q1	AGS presented to Audit Committee at its meeting of 28 June 2012	-	-	-	-	-	-	-
INV01	Corporate Investigations	Q1	Details at para 3.3	-	-	-	-	-	-	-
INV02	Benefits Fraud	Q1	Details at para 3.2	-	-	-	-	-	-	-
INV03	Proactive Fraud Prevention	Q1	Blue Badge Fraud – details at para 3.6	-	-	-	-	-	-	-
017	Consultancy on Fosters Project Governance	Q2	Draft report issued 26 October 2012							
018	Recharges	Q2	Draft report issued 30 October 2012							
019	Scrutiny Arrangements	Q2	ToR issued 7 September 2012							
020	ICT Management of Joiners and Leavers	Q2	Fieldwork in progress							
021	Grounds Maintenance	Q2	Deferred to Q4 2012/13							

88

(Ctd)

IA Ref.	IA Review Area	Timing	Status as at 26 October 2012	Assurance Level	Priority					PAQ Received?
					VH	H	M	L	NP	
022	Environmental Health and Licensing Shared Service	Q2	Deferred to August 2013 at Management's request							
023	Leisure Connection/Services	Q2	Fieldwork in progress							
024	Adult Social Care - Personal Budgets & Direct Payments	Q2	Deferred to Q4 2012/13							
025	Public Health Transition	Q2	Not yet started							
026	Service Planning	Q2	ToR being drafted							
027	Procurement Benchmarking	Q2	Fieldwork in progress							
028	Framework - Project Management	Q2	ToR issued 29 October 2012							
029	Organisational Change Programme Board	Q2	Internal Audit work concluded							
030	Performance Management Project Board	Q2	Internal Audit work completed for Q2							
031	Housing Benefits	Q2	Fieldwork in Progress							
032	Children's Centres - Data Quality	Q2	Fieldwork in Progress							
033	Key Control Review of Top Three Council Risks	Q2	Fieldwork in Progress							
034	WISE Replacement Project	Q2	Internal Audit work commenced							
035	Effectiveness of Internal Audit & Counter Fraud Arrangements	Q2	Final Report issued on 18 October 2012 (scope expanded to include Investigations)	Good	-	1	7	8	-	Yes
036	Risk Management Facilitation	Q2	RM Group meeting cancelled due to leave. Work completed via email and review.							

68



(Ctd)

06

IA Ref.	IA Review Area	Timing	Status as at 26 October 2012	Assurance Level	Priority					PAQ Received?
					VH	H	M	L	NP	
037	Corporate Risk Register	Q2	Corporate Risk Register presented to September Audit Committee							
INV04	Corporate Investigations	Q2	Details at para 3.3							
INV05	Benefits Fraud	Q2	Details at para 3.2							
INV06	Proactive Fraud Prevention	Q2	Details at para 3.6 and 3.7							
040	Debtors	Q3	ToR issued 29 October 2012							
041	Creditors	Q3								
042	Payroll	Q3								
043	Cashiers	Q3								
044	Council Tax & NNDR	Q3								
045	Treasury Management	Q3								
046	Service Planning Assessment	Q3	ToR being drafted							
047	Information Security Awareness	Q3								
048	Youth Service - Management Data	Q3								
049	Children's Services Income Generation	Q3								
050	Section 106 - Infrastructure Delivery (Deferred from Q1)	Q3								
051	Transition Planning (Children to Adults)	Q3								
052	Review of Lean Programme	Q4								
053	Review of Major Projects Governance	Q4								
054	Capital Accounting	Q4								

(Ctd)

IA Ref.	IA Review Area	Timing	Status as at 26 October 2012	Assurance Level	Priority					PAQ Received?
					VH	H	M	L	NP	
055	Budgetary Control & Financial Reporting	Q4								
056	VAT	Q4								
057	BACS	Q4								
058	Material Schools	Q4								
059	Corporate Governance	Q4								
060	Information Governance	Q4								
061	Review of Risk Management	Q4								
062	Annual Governance Statement 2012/13 Facilitation	Q4								
063	Bank Reconciliations	Q4								
064	Procurement Model	Q4								
065	Recruitment - Reference Checks	Q4								
066	Children's Services Resource Panel	Q4								
067	Schools Financial Value Standard	Q4								
068	WISE Replacement Project	Q4								
069	Technology Futures Programme - Project Assurance/ Project Advice	Q4								
070	Internal Audit Follow-ups	Q4								
071	Risk Management Facilitation	Q4								
072	Corporate Risk Register	Q4								

91

(Ctd)

IA Ref.	IA Review Area	Timing	Status as at 26 October 2012	Assurance Level	Priority					PAQ Received?
					VH	H	M	L	NP	
073	Performance Management Project Board	Q4								
INV07	Investigations	Q4								
INV08	Benefits Fraud	Q4								
INV09	Proactive Fraud Prevention	Q4								
BAC 1	Troubled Families Grant	Q1	Initial verification of eligibility of families identified							
BAC 2	Children's Centre Imprest Reconciliation	Q2	Draft memo issued 5 October 2012							
BAC 3	Waste Collection Implementation	Q2	Final report issued 3 August 2012	-	-	-	-	-	-	N/A
BAC 4	Waste Collection – Project Assurance	Q2	Memo issued 29 October 2012							
BAC 5	Transport Capital Block Funding Grant	Q3	Grant verification audit underway							
BAC 6	Tender Opening Memo	Q2	Final memo issued 16 October 2012	-	-	-	-	-	-	N/A
BAC 7	Service Planning Benchmarking	Q2	Final memo issued 27 September 2012	-	-	-	-	-	-	N/A

Total 2012/13 IA recommendations raised as at 26 October 2012

-	8	17	19	1
---	---	----	----	---

**INTERNAL AUDIT ASSURANCE LEVELS AND DEFINITIONS**

In our professional opinion the IA assurance levels and definitions are:

<b>Assurance Level</b>	<b>Definition</b>
<b>Outstanding</b>	There is outstanding management of the key risks to the council objectives. There is significant innovation or high levels of user satisfaction. There are examples of best practice. There is an appropriate control environment with due regard to the Council's risk appetite. There is positive assurance that objectives will be achieved.
<b>Good</b>	There is a good level of assurance over the management of the key risks to the council objectives. The control environment <sup>1</sup> is robust with no major weaknesses in design or operation. There is good assurance that objectives will be achieved.
<b>Reasonable</b>	There is a reasonable level of assurance over the management of the key risks to the council objectives. The control environment <sup>1</sup> is in need of improvement in either design or operation. There is a misalignment of the level of residual risk to the objectives and the designated risk appetite. There remains a risk that objectives will not be achieved.
<b>Limited</b>	There is a limited level of assurance over the management of the key risks to the council objectives. The control environment <sup>1</sup> has significant weaknesses in either design and/or operation. The level of residual risk to the objectives is not aligned to the relevant risk appetite. There is a significant risk that objectives will not be achieved.
<b>No</b>	There is no assurance to be derived from the management of key risks to the council objectives. There is an absence of several key elements of the control environment <sup>1</sup> in design and/or operation. There are extensive improvements to be made. There is a substantial variance between the risk appetite <sup>2</sup> and the residual risk <sup>3</sup> to objectives. There is a high risk that objectives will not be achieved.

1. **Control Environment** - The control environment comprises the systems of governance, risk management and internal control. The key elements of the control environment include:

- establishing and monitoring the achievement of the authority's objectives;
- the facilitation of policy and decision-making;
- ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the authority, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties;
- ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty;
- the financial management of the authority and the reporting of financial management; and
- the performance management of the authority and the reporting of performance management.

2. **Risk Appetite** - The amount of risk that the Council is prepared to accept, tolerate, or be exposed to at any point in time.

3. **Residual Risk** - The risk remaining after management takes action to reduce the impact and likelihood of an adverse event, including control activities in responding to a risk.

**APPENDIX C****INTERNAL AUDIT RECOMMENDATION PRIORITY RATINGS AND DEFINITIONS**

In our professional opinion the priority ratings and definitions of IA recommendations are:

<b>Priority</b>	<b>Definition</b>
<b>Very High</b> ●	The recommendation relates to a highly significant threat or opportunity that impacts directly on the council's corporate objectives. The action required is to mitigate a serious risk to the council. In particular it has a critical impact on the council's reputation, statutory compliance, finances or strategic priorities. The risk requires immediate senior management attention.
<b>High</b> ●	The recommendation relates to a significant threat or opportunity that impacts the council's corporate objectives. The action required is to mitigate a substantial risk to the council. In particular it has an impact on the council's reputation, statutory compliance, finances or key corporate objectives. The risk requires senior management attention.
<b>Medium</b>	The recommendation relates to a potentially significant threat or opportunity that impacts on either corporate or operational objectives. The action required is to mitigate a moderate level of risk to the council. In particular an adverse impact on the department's reputation, adherence to council policy, the departmental budget or service plan objectives. The risk requires management attention.
<b>Low</b> ●	The recommendation relates to a minor threat or opportunity that impacts on operational objectives. The action required is to mitigate a minor risk to the council as a whole. This may be compliance with best practice or minimal impacts on the service's reputation, adherence to local procedures, local budget or Section objectives. The risk maybe tolerable in the medium to short term.
<b>Notable Practice</b> ●	The activity reflects current best management practice or is an innovative response to the management of risk within the council. The practice should be shared with others.