

Borough Council of  
**King's Lynn &  
West Norfolk**



# **RESOURCES AND PERFORMANCE – AUDIT AND RISK COMMITTEE**

**NB: The Resources and Performance Panel meeting will  
immediately follow this meeting (Separate Agenda)**

**Tuesday 31 January 2012  
at 6.00pm**

Committee Suite  
King's Court  
Chapel Street  
King's Lynn  
Norfolk  
PE30 1EX



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Borough Council of  
**King's Lynn &  
West Norfolk**



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23 January 2012

**PLEASE NOTE THAT THE AUDIT AND RISK COMMITTEE WILL BE FOLLOWED BY  
THE RESOURCES AND PERFORMANCE PANEL**

Dear Member

**Resources and Performance – Audit and Risk Committee**

You are invited to attend a meeting of the above-mentioned Committee which will be held on **Tuesday 31 January 2012, at 6.00 pm, in the Committee Suite, King's Court, Chapel Street, King's Lynn**, to discuss the business shown below.

Yours sincerely

Chief Executive

**AGENDA**

**1. Apologies for absence**

To receive any apologies for absence.

**2. Minutes**

To approve the minutes of the Resources and Performance – Audit and Risk Committee meeting held on 4 January 2012 (previously circulated pages 565 to 568).

**3. Declarations of Interest**

Please indicate whether the interest is a personal one only or one which is also prejudicial. A declaration of a personal interest should indicate the nature of the interest and the agenda item to which it relates. In the case of a personal interest, the Member may speak and vote on the matter. If a prejudicial interest is declared, the Member should withdraw from the room whilst the matter is discussed.

4. **Urgent Business Under Standing Order 7**

To consider any business which, by reason of special circumstances, the Chairman proposes to accept as urgent under Section 100(b)(4)(b) of the Local Government Act 1972.

5. **Members Present Pursuant to Standing Order 34**

Members wishing to speak pursuant to Standing Order 34 should inform the Chairman of their intention to do so and on what items they wish to be heard before the meeting commences. Any Member attending the meeting under Standing Order 34 will only be permitted to speak on those items which have been previously notified to the Chairman.

6. **Chairman's Correspondence** (if any)

7. **Matters referred to the Committee from other Council Bodies and responses made to previous Committee recommendations/requests**

To receive comments, and recommendations from other Council bodies, and any responses subsequent to recommendations, which this Committee has previously made. (N.B. some of the relevant Council bodies may meet after dispatch of the agenda).

8. **Internal Audit Strategic Audit Plan 2012/15** (pages 1 to 10)

To receive a report which provides Committee Members with the opportunity to review the proposed Strategic Internal Audit Plan for 2012 – 2015.

9. **Internal Audit Plan 2011/12 – Progress Report for the Quarter October to December 2011** (pages 11 to 19)

To receive a report showing the Internal Audit activity for the quarter October to December against the Strategic Audit Plan 2011/14

10. **Audit and Risk Committee Work Programme** (page 20)

Committee Members are invited to consider the attached Audit and Risk Committee's Work Programme.

11. **Date of Next Meeting**

To note that the next meeting of the Resources and Performance - Audit and Risk Committee will take place on **Tuesday 28 February 2012**.

**To: Panel Members** – Councillors Mrs K Mellish (Chairman), P Beal (Vice-Chairman), J Collingham, D J Collis, J Collop, S Collop, C Crofts, M Hopkins, H Humphrey, J Loveless, A Morrison, D Tyler, G Wareham, A White and T de Winton

**Portfolio Holder:**

Councillor N J Daubney, Leader and Portfolio Holder for Resources

Chief Executive

Deputy Chief Executive and Executive Director, Finance and Resources

All other Executive Directors

Audit Manager

Press

Mr J Rickett, PricewaterhouseCoopers

**AUDIT AND RISK COMMITTEE REPORT**

<b>TYPE OF REPORT:</b> Audit	<b>Portfolio:</b> Performance
<b>Author Name:</b> Kate Littlewood	<b>CONSULTATIONS:</b>  Deputy Chief Executive Management Team Internal Audit Team
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If not for publication, the paragraph of Schedule 12A of the 1972 Local Government Act considered to justify that is paragraph 3.	

**Committee:** Resources and Performance – Audit & Risk Committee  
**Date:** 31<sup>st</sup> January 2012  
**Subject:** Strategic Internal Audit Plan 2012-15

<b>Summary</b>	This report provides Committee Members with the opportunity to review the proposed Strategic Internal Audit Plan for 2012-15.
<b>Recommendation</b>	To note the Strategic Internal Audit Plan for 2012-15.

**1.0 Introduction and Background**

- 1.1 According to the Terms of Reference of the Audit and Risk Committee, one of the Core Functions is to review the Internal Audit’s Strategic Audit Plan.
- 1.2 The Strategic Internal Audit Plan 2012-15 is attached to this report as **Appendix 1**. The plan indicates the work proposed by the Audit Manager for Internal Audit function for the next three years. The first year, highlighted in yellow, is defined and although the work can be adjusted if necessary to accommodate any major occurrences during the year, it is usual for the plan to be completed as shown. The next two years are more flexible and simply provide an indication of the work that is anticipated.

**2.0 Purpose of the Audit Plan**

- 2.1 The Strategic Audit Plan is intended to:
- Ensure all identified areas are audited over the life of the plan, taking in to account clients’ audit requirements and the major risks facing the council.
  - Ensure there are adequate resources to undertake the required audits.
  - Provide a basis for monitoring actual performance of the Internal Audit function.

## AGENDA ITEM 8

2.2 The audit work performed to fulfil the plan informs the Audit Manager's opinion that is required in the Annual Governance Statement.

### 3.0 Preparing the Plan

3.1 The plan was produced on the assumption that the Council will continue in its current form and with the risks that have been identified in the Corporate Risk Register. If either of these changes significantly, the plan will need to be reviewed for any impact on the workload and structure of the Internal Audit function. Any proposed amendments to the plan will be reported to the Committee.

3.2 Within the plan there are 9 Core Audits that are considered by the external auditors, PricewaterhouseCooper (PwC), and the Audit Manager to be fundamental and are carried out on an annual basis. These cover systems that are essential to the business of the Council or present a significant risk to the achievement of the strategic objectives. These audits are:

- Council Tax and Non-Domestic Rates
- Creditors and Payments
- General Ledger (incl. Budgetary Control)
- Housing and Council Tax Benefits
- Treasury and Cashflow Management (incl. Bank Reconciliations)
- Payroll
- Sundry Debtors
- Inventories and Asset Management
- Car Parks

3.3 The rest of the plan consists of the audit of other, non-fundamental systems and computer systems that are not integral to other audits. There is some allowance for specific tasks that are known to be required and contingencies for other work that previous experience has shown can arise.

3.4 Before work was started on compiling the plan, the Audit Manager met with each of the Executive Directors to discuss the impact of changes to the structure of the service in the past year and the potential effects of any other expected changes. This helped to establish the audit universe on which to base an assessment of audit needs for the plan. Executive Directors were also asked if there were any particular areas that they wished to have reviewed.

3.5 In addition to the Executive Directors' comments, the Audit Manager also took the following into account:

- Internal Audit's own risk assessment system
- Corporate Risk Register
- PwC comments in the 2010/11 Annual Audit Letter
- Protocol for Liaison between internal and external auditors 2011/12. The Protocol for 2012/13 has not been produced yet, but very little changes from year to year.

## AGENDA ITEM 8

- Date and result of the previous audit.
- Any other reviews relating to specific services.

Service Plans were not available for consideration, but once these have been produced the relevant one will be used by the auditors as each audit arises.

- 3.6 Internal Audit's own risk assessment is based on a scoring mechanism completed by the internal auditor at the end of each audit. Systems are scored for the value and volume of transactions; assessments as to the robustness of the internal controls; potential for change through staff turnover, system change or external influences; and the potential impact of any failure to perform as expected.
- 3.7 The Audit Manager calculates the available audit days by deducting allowances for annual leave, Bank Holidays, training and some management time from the gross number of working days in the year for the staff in the section. This is compared with the number of days required by the draft plan to establish if the resources available are adequate to provide the assurance needed.
- 3.8 Once the plan has been drafted, the Executive Directors are sent the sections relevant to their service to review and either approve or meet with the Audit Manager to discuss further. After approval by all the Executive Directors, the plan is agreed with the Deputy Chief Executive who is the s151 officer.
- 3.9 Both the Audit Manager and the Deputy Chief Executive are satisfied that the resources are sufficient, after the level of contingencies have been adjusted, and that the proposed plan will provide the level of assurance required.
- 3.10 During the course of the year, the Committee may request that additional audits are undertaken or that ones already in the plan are brought forward, and the resulting reports presented at future meetings.

### **4.0 Changes to audit lines**

- 4.1 As part of the plan preparation some audit lines were discontinued and new ones added. A summary of the changes is given below.
- 4.2 The Core Audits 'C10 - NORA/Joint Venture' and 'C11 - Waterside Regeneration' were replaced by a new audit within Development and Regeneration, '509 – Major Development Schemes'. It was considered that this more appropriately reflected the current position in terms of the major regeneration projects.
- 4.3 A new line has been added, '714 – Local Authority Company/ Trust' in anticipation of the new leisure arrangements.
- 4.4 Several lines have been closed as they are no longer relevant:
- 'C12 – Growth Point' was closed as this funding has now been spent.



## **AGENDA ITEM 8**

- '108 – Petty Cash' is checked during relevant audits.
- '502 – Historic Building Grants' are no longer available.
- '510 – Building Control' is now part of CNC Building Control and is audited by the South Norfolk Audit Consortium.
- '712 – Arts and Education' is expected to achieve Trust status within 2012-13.
- '713 – Concessionary Travel' now rests with Norfolk County Council.

### **5.0 Outcomes**

5.1 As in 2011/12, the Audit Manager will continue to produce quarterly monitoring reports indicating:

- the audit work completed in the quarter
- the results of Follow-ups carried out, especially any issues outstanding
- work ongoing and work intended for the next quarter
- Progress against the Audit Plan
- Results against the Performance Indicators

5.2 This will enable Members to monitor progress against the agreed annual plan and identify any specific reports of interest to be brought to the next meeting.

<u>Project Code</u>	<u>REFERENCE</u>	<u>Service</u>	2012-13 est	2013-14 est	2014-15 est
<b>CORE AUDITS</b>					
C01	Council Tax & NNDR	F&R	24	24	24
C02	Creditors & Payments incl use of BACS	F&R	18	18	18
C03	General Ledger (Incl Budgetary Control)	F&R	18	18	18
C04	Housing & Council Tax Benefits incl use of BACS	F&R	24	24	24
C05	Treasury& Cashflow Management (Incl Bank Recs)	F&R	24	24	24
C06	Payroll (incl members expenses)	CS	15	15	15
C07	Sundry Debtors incl use of BACS	F&R	18	18	18
C08	Inventories & Asset Management (esp. Property)	F&R	15	15	15
C09	NORA - Joint Venture	D&R	0		
C10	Waterside Regeneration Scheme	D&R	0		
C11	Growth Point	D&R	0		
C12	Car Parks (KL & Hunstanton).	L&PS	10	10	10
<b>TOTAL - CORE AUDITS</b>			<b>166</b>	<b>166</b>	<b>166</b>
<b>OTHER AUDITS</b>					
<b>FINANCE &amp; RESOURCES</b>					
101	Energy Conservation & Management	F&R	5		
102	Rental Income (Including Ind Rents, Beach Huts and Allotments)	F&R	7		
106	Capital Programme	F&R			11
107	Car Leasing	F&R	5		
108	Petty Cash	F&R			
110	Grant Claims	F&R		5	
111	Insurance & Risk Management	F&R	7		
112	Procurement	F&R	10		
116	VAT	F&R		5	
117	<i>Was AGS - with Debbie</i>	F&R			
118	Corporate Scanning Unit	F&R			4
119	Housing Benefit - BEU	F&R			11
120	Business Continuity incl ICT Disaster Recovery	F&R	10		
<b>CENTRAL SERVICES</b>					
301	Data Protection & Freedom of Information	CS	5		
302	Land Charges	CS		11	
303	Public Relations	CS			8
304	Health & Safety	CS			10
309	West Norfolk Partnership	CS		15	
310	Performance Management	CS	5	5	
311	Civic Expenses incl Mayoral transport	CS		5	
312	Electoral Registration/ Expenses	CS		5	
313	Printing	CS	5		

<u>Project Code</u>	<u>REFERENCE</u>	<u>Service</u>	2012-13 est	2013-14 est	2014-15 est
314	Personnel Systems (Flexitime, App't & Recruitment, Training, Codes of Conduct, etc.)	CS			10
315	Legal Services	CS			10
316	Annual Governance Statement	CS	3	3	3
317	Customer Information Centre/ CRM	CS		8	
<b>DEVELOPMENT &amp; REGENERATION</b>					
501	Development Control Income Systems	D&R		10	
502	Historic Building Grants	D&R			
503	Planning Enforcement	D&R		7	
504	Discharge of Conditions	D&R		7	
505	s106	D&R	10		
506	Street naming and numbering	D&R			10
507	LLPG	D&R			10
508	Economic Regeneration	D&R	5		
509	Major Development Schemes	D&R	10		
510	Building Control	D&R			
<b>LEISURE &amp; PUBLIC SPACE</b>					
702	Cleansing	L&PS		10	
703	Refuse & Recycling	L&PS	5	10	
704	Grounds (incl Hire)	L&PS	7		
705	Sports Centres, Swimming Pools & Resort Services	L&PS		18	
706	Markets	L&PS	3		
707	Sports Development	L&PS			3
708	Community Centres	L&PS			6
709	Theatres	L&PS		12	
710	Tourism Facilities - Kings Lynn and Hunstanton.	L&PS			6
711	Town Hall	L&PS			5
712	Arts & Education	L&PS			
713	Concessionary Travel	L&PS			
714	Local Authority Company/ Trust	L&PS	10		
<b>ENVIRONMENTAL HEALTH &amp; HOUSING</b>					
802	Emergency Planning	EH&H			8
804	Cemeteries and Crematorium	EH&H			8
808	Housing Standards	EH&H	10		
809	Care & Repair Agency	EH&H		10	
810	Comm. Safety & Neighbourhood Nuisance	EH&H			10
811	Environmental Quality	EH&H	10		5
812	Food Safety/ Health & Safety	EH&H	7		
813	Housing Needs	EH&H		10	
814	Administration & Systems	EH&H	5		
815	Licensing	EH&H			8
<b>ICT</b>					
P01	General IT Controls incl Networks	F&R	20	10	

<u>Project Code</u>	<u>REFERENCE</u>	<u>Service</u>	2012-13 est	2013-14 est	2014-15 est
P06	Revenues System (SX3/ iWORLD) - Shared services	F&R	15		
P17	Change Control	F&R		5	
P19	Cash Receipting & PCI Compliance	F&R			
P20	Website Management - combines Intranet and Internet Dev & Usage	F&R			10
P21	GIS	F&R	10	10	
P22	Wireless network	F&R	10		
P23	Document Management	F&R	10		
P24	Information Management	F&R	10	10	
<b>TOTAL - OTHER AUDITS</b>			<b>219</b>	<b>191</b>	<b>156</b>
<b>TOTAL REGULARITY AUDITS</b>			<b>385</b>	<b>357</b>	<b>322</b>
<b>Consultancy &amp; Miscellaneous</b>					
M01	PRP Calculations			1	1
M02	Procurement etc.				
M03	Financial Regulations				
M04	Contract Standing Orders				
M07	Audit Committee		15	10	10
M12	National Fraud Initiative		10	10	10
	PCI/DSS Compliance				
M19	Anti-Fraud & Anti-Corruption Strategy etc.		5	5	5
	Contingency		15	10	10
<b>SUB TOTAL</b>			<b>45</b>	<b>36</b>	<b>36</b>
<b>Other Contingencies</b>					
	Contract Audit			10	10
	Fraud & Irregularity		10	20	20
	Ad Hoc		10	20	20
	Follow-ups		10	15	15
<b>SUB TOTAL</b>			<b>30</b>	<b>65</b>	<b>65</b>
<b>TOTAL - NON REGULARITY</b>			<b>75</b>	<b>101</b>	<b>101</b>
<b>TOTAL ALLOCATED DAYS</b>			<b>460</b>	<b>458</b>	<b>423</b>
<b>Percentage Core Audits of total</b>			36%	36%	39%
<b>TOTAL AVAILABLE DAYS</b>			460		
Shortfall				0	



## **Internal Audit Strategy 2012-13**

### **1. Strategy Statement**

The overall strategy of Internal Audit is to produce and deliver a risk based annual audit plan to provide the Council with an independent opinion on the level of assurance that can be placed upon their internal control environments, and to make recommendations to improve them.

The Annual Strategic Plan is prepared, taking into account the Corporate Strategy and various risk assessments, and presented to the Audit and Risk Committee for consideration and endorsement on an annual basis.

### **2. Definition of Internal Audit**

*'Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.'*  
Chartered Institute of Internal Auditors (CIIA)

*'Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.'*

Chartered Institute of Public Finance Accountants (CIPFA), 2006

### **3. Statutory Basis**

The requirement for an internal audit function is implied by section 151 of the Local Government Act 1972.

The Accounts and Audit Regulations 2003, regulation 6 specifically requires that local authorities *'...shall maintain an adequate and effective system of Internal Audit of its accounting records and of its system of internal control in accordance with proper internal audit practices...'*

The regulations recognise the 'CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom' (the Code) as proper practice in relation to internal audit in local authorities. As such the Internal Audit service will be provided in line with the Code.

#### **4. Internal Audit Objectives and Outcomes**

The objectives of the Internal Audit service are defined in the Terms of Reference. In achieving the objectives, the main outcomes from the work of Internal Audit will be:

- Delivery of the Strategic Audit Plan, taking into account necessary changes for unplanned work or revised priorities.
- Issue of audit reports at the conclusion of each audit in accordance with the agreed publication list.
- Delivery of quarterly progress reports to the Audit and Risk Committee
- Provide an opinion on the control environment ,to support the completion of the Annual Governance Statement, which incorporates those internal control aspects required by the Accounts and Audit Regulations 2003 (as amended)
- Provision of ad hoc advice on risk management, control and governance processes.
- Assist managers with the investigation of suspected financial irregularity, fraud or corruption, except Benefit Fraud investigations, in accordance with the Anti-fraud and Anti-corruption Strategy.

#### **5. Key Performance Indicators**

<b>PI Ref</b>	<b>Indicator</b>	<b>Target</b>
AUD 1	Delivery of the Audit Plan	95%
AUD 2	Productive time	68%
AUD 3	Audit Questionnaires returned with satisfactory scores	100%

#### **6. Annual Audit Opinion**

Internal Audit's role is to understand the key risks to the Council and to examine and evaluate the adequacy and effectiveness of its systems of risk management, governance and internal control. Each year the Audit Manager will provide her opinion on the effectiveness of the internal control environment to the Audit and Risk Committee. It will be influenced by the individual opinions provided for each piece of audit work undertaken and the progress made by managers in implementing previously agreed actions. The opinion will be supported by sufficient, reliable and relevant evidence.

## **7. Risk Assessment**

The Strategic Audit Plan will be based on an assessment of risk in the Council taking in to account the following:

- Internal Audit's own risk assessment system completed at the end of each audit.
- Corporate Risk Register
- External audit comments
- Date and result of previous audits.
- Any other reviews relating to specific services.

## **8. Resources**

The internal audit service will be provided by an in-house team consisting of an Audit Manager, Senior Auditor and Auditor. The team will be appropriately qualified by the Chartered Institute of Internal Auditors (CIIA) or the Chartered Institute of Public Finance Accountants (CIPFA) or alternative recognised accounting body, and will operate according to the professional standards and ethics of the qualifying body.

In addition to the in-house team, provision is made in the budget for the use of an external provider to undertake specialist audits if necessary.

To maintain the skills and knowledge levels required, training assessments of the team will be carried out on an annual basis as part of the Council's appraisal process. The Audit Manager will be responsible for prioritising the identified needs and ensure that the most effective use is made of the available training resources.

## **9. Audit and Risk Committee**

The Terms of Reference relating to the Audit and Risk Committee include a requirement to review and approve, but not direct the Internal Audit Strategy. It is intended that this Strategy will be reviewed on an annual basis and the results presented to the Committee for approval along with the Audit Strategic Plan.

**The next date for review will be – March 2013.**

**AUDIT AND RISK COMMITTEE REPORT**

<b>TYPE OF REPORT:</b> Audit	<b>Portfolio:</b> Performance
<b>Author Name:</b> Kate Littlewood	<b>CONSULTATIONS:</b>
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<b>OPEN</b>	

**Committee:** Resources and Performance – Audit & Risk Committee  
**Date:** 31<sup>st</sup> January 2012  
**Subject:** Internal Audit Plan 2011/12 –progress report for the quarter October to December 2011

<b>Summary</b>	This report shows the Internal Audit activity for the quarter October to December against the Strategic Audit Plan 2011/14.
<b>Recommendation</b>	To note the report.

**1.0 INTRODUCTION AND BACKGROUND**

- 1.1 The CIPFA Code of Practice for Internal Audit in Local Government requires Internal Audit to have an annual plan. Performance against the plan should be monitored by the Audit Manager and reported during the year to the Audit and Risk Committee. The Code also requires the Audit Manager to record the findings, conclusions and recommendations arising from the audits undertaken and to obtain assurances that recommendations are being implemented. This report satisfies these requirements.
- 1.2 The Strategic Audit Plan 2011-14, endorsed by the Audit and Risk Committee on 3<sup>rd</sup> March 2011, set out the work Internal Audit expected to carry out during the year 2011-12.

**2.0 Audit work in the quarter October to December 2011**

- 2.1 On completion of each audit a formal report is issued to the relevant line managers, the Executive Director and Portfolio Holder. Copies are also sent to the Chief Executive and the Chief Accountant. The report contains an action plan, with target dates, that has been agreed with the managers to address the observations and recommendations raised by Internal Audit. This forms the basis of the follow-up audit, which is carried out approximately six months later to assess progress in implementing the agreed actions. The exceptions to this are the Core Audits where the follow-ups are combined with the next annual audit of that area.



### 2.2 *Reports issued during the quarter*

The following audits have been completed during the last quarter and reports issued as described above:

- Public Relations and Staff Communication
- Licensing
- **Creditors and Payments**
- **Treasury and Cashflow Management**
- General IT Controls incl Networks
- Car Parks – Civil Parking Enforcement
- **Payroll incl Members' expenses**
- **Council Tax and National Non-Domestic Rates (NNDR)**
- Sports Development - GEAR
- Community Centres
- Legal Services
- Tourism Facilities follow-up
- Personnel Systems (Flexitime) follow-up
- Personnel Systems (Training) follow-up

Those shown in bold are core audits. A summary of the reports is attached as **Appendix 1** and the full versions are available to members of the Audit & Risk Committee on InSite.

### 2.3 *Work ongoing*

The following audits were ongoing at the end of the quarter and will be reported to the Committee in the next quarterly report.

- **Housing and Council Tax Benefits**
- **Sundry Debtors**

### 2.4 *Other work carried out in the quarter*

Apart from the standard audits, Internal Audit also undertook other work during the last quarter including the following:

- Ongoing review of Risk Management procedures.
- Ongoing work on the data matches arising from the National Fraud Initiative 2010 and submission of additional data.
- Some review work for the Wash Estuary Strategy Group
- Preparing the Strategic Audit Plan 2012-15
- PCI-DSS Compliance

### 2.5 *Changes to planned work*

An additional audit will be carried out in February 2012 to review the progress against the Health and Safety Action Plan for the implementation of the Health, Safety and Welfare General Policy 2011. The work can be absorbed in to the existing plan by re-arranging some existing audits that are due.

**3.0 Performance Indicators**

3.1 Delivery of the Audit Plan – a target of 95% has been set to take in to account any work that may overlap at year end and also to allow for any additional work that may arise during the year. The table below summarises the position against the approved Audit Plan 2011/12.

<b>2011/12 Status of Audits</b>	<b>Audit days used</b>	<b>Percentage of Plan (in days)</b>
Completed and reported	246	67%
In Progress	42	11%
Outstanding	82	22%
<b>Total Planned Audits</b>	<b>370</b>	100%

The total figure includes the additional time allocated to the Health and Safety audit referred to in 2.5 above. All the audits planned for the quarter were either completed or close to completion as expected.

3.2 Audit Questionnaires returned with satisfactory scores – Satisfaction questionnaires are issued with the final report to the Executive Director for completion and return to the Audit Manager. Of the 23 questionnaires issued this year, 16 have been returned, of which 95% had satisfactory scores. The 5% with lower scores arose from two audits for the same line manager, who has since met with the Audit Manager to discuss the scoring. He emphasised that he had no issues with the conduct or knowledge of the auditor concerned, but had expected to be more actively involved in the process.

3.3 Productive Time – a target of 70% for the full year has been set. This is the total amount of time available in terms of working days throughout the year, less holiday entitlements, an allowance for training, and any administration and management time required for the normal running of the team. In this quarter productive time has been 68% as a result of work not directly connected with the delivery of this year’s audit plan as outlined in paragraph 2.4. The production of the Strategic Audit Plan for 2012-15 has taken more time this year due to the changes to the establishment resulting from the service reviews.

**4.0 Work planned for the next quarter January to March 2012**

4.1 As well as completing the ongoing work listed in para. 2.3, the following audits are planned for the next quarter:

<b>Audit Title</b>	<b>Days</b>	<b>Date</b>
<b>Car Parks</b>	10	Jan
Town Hall	5	Jan
<b>Inventories and Asset Management</b>	15	Feb
<b>General Ledger (Incl Budgetary Control)</b>	18	Jan
Health and Safety	10	Feb
Capital Programme	7	Feb

## AGENDA ITEM 9

<b>Audit Title</b>	<b>Days</b>	<b>Date</b>
Scanning Process	4	Feb
Refuse and Recycling	10	Feb
Annual Governance Statement	3	Mar

4.2 Audits shown in bold are Core Audits. These are audits that are carried out every year due to the significant nature of the systems concerned. They are also ones that the external auditors would be looking at as part of the annual financial audit they perform.

4.3 An allocation of time is not given to individual follow-up audits. Instead a total amount of 15 days is allowed in the audit plan each year for this work.

### **5.0 Conclusion**

Progress to date is satisfactory and at this point nothing has arisen to suggest that the plan will not be completed within the year, subject to any adjustments reported to the Committee in the quarterly progress reports.

**Notes to support the summary in Appendix 1**

The following tables provide an explanation of the terms used to grade the recommendations contained in the final audit reports, and the overall opinion attributed as the result of each audit.

**Recommendations**

The observations and recommendations are allocated a grading High, Medium or Low as defined below:

High	Major risk requiring action by the time the final report is issued.
Medium	Medium risk requiring action within six months of the issue of the draft report.
Low	Matters of limited risk. Action should be taken as resources permit.

Please note - 'Low' recommendations are not summarised in this report due to the insignificant nature of the issue.

**Audit Opinion**

At the conclusion of the audit an overall audit opinion is formed for the audit area. The definition for each level of assurance is given below.

Full Assurance	A sound system of internal control that is likely to achieve the system objectives, and which is operating effectively in practice.
Substantial Assurance	A sound system of internal control, but there are a few weaknesses that could put achievement of system objectives at risk.
Limited Assurance	A system of internal control with a number of weaknesses likely to undermine achievement of system objectives, and which is vulnerable to abuse or error.
No Assurance	A fundamentally flawed system of internal control that is unlikely to achieve system objectives and is vulnerable to serious abuse or error.

Audits completed in Q3 2011-12	Overall Opinion
<p><u>Public Relations and Staff Communication</u>                      Report published in October 2011.                      2 Medium and 3 Low recommendations. The Medium recommendations relate to the need to develop a Communications Strategy, and establishing training for the CIC Manager on the media duties she may be expected to perform in the event of an emergency.</p>	<p>Substantial Assurance</p>
<p><u>Licensing</u>                      Report published in October 2011.                      3 Medium recommendations relating to ensuring with Accountancy that the correct fees for CRB monitoring have been reported to Cabinet; confirm the correct accounts numbers have been entered against clients in the Lalpac system; and referring potential reporting anomalies to Lalpac software providers for investigation.</p>	<p>Full Assurance</p>
<p><u>Creditors and Payments</u>                      Report published in October 2011.                      2 Medium recommendations relating to system authorisation levels being reviewed and reconciled to manual Authorised Signatory Lists at least annually; and the need for Accountancy to decide what level, if any, tolerances can be applied to invoice payments where these vary from purchase orders.</p>	<p>Substantial Assurance</p>
<p><u>Treasury and Cashflow Management</u>                      Report published in November 2011.                      1 High, 3 Medium and 1 Low recommendations.                      The High recommendation concerned comparing the interest gained on a loan and the interest paid on any resulting overdraft. Procedures have now been changed to work as closely as possible to a zero balance.                      The Medium recommendations concern simplifying the Bank reconciliation processes; obtaining authorised signatories for precept payments; and updating the signatories who are authorised to sign instruments on behalf of the Council.</p>	<p>Substantial Assurance</p>

Audits completed in Q3 2011-12	Overall Opinion
<p><u>General IT Controls incl Networks</u>            Report published in November 2011            2 Medium recommendations relating to finalising and publishing ICT Security Policies with PCI-DSS amendments, and addressing gaps in PCI-DSS compliance.</p>	Substantial Assurance
<p><u>Car Parks – Civil Parking Enforcement</u>            Report published in November 2011.            3 Medium recommendations relating to ensuring appropriate road marking is maintained; review and revision of the Car Parking Orders/ maps; and establishing a timetable for the production of policies, procedures and reports.</p>	Substantial Assurance
<p><u>Payroll incl Members' Expenses</u>            Report published in December 2011.            5 Medium recommendations relating to:</p> <ol style="list-style-type: none"> <li>1. Ensuring Termination of Employment forms are signed by the employee.</li> <li>2. Quarterly reports on staffing levels to be checked and signed by each Executive Director.</li> <li>3. Superseded Authorised Signatory Lists to be marked as such.</li> <li>4. The 3-month rule for Members Expenses should be enforced, especially at tax year end.</li> <li>5. Ensure duplicate claims for Members expenses are identified before submitting to payroll.</li> </ol>	Substantial Assurance
<p><u>Council Tax and NNDR</u>            Report published in December 2011.            1 Medium recommendation relating to the need to review, revise and reissue procedure manuals.</p>	Full Assurance
<p><u>Sports Development – GEAR</u>            Report published in December 2011.            1 Medium and 1 Low recommendations. The Medium recommendation refers to the need for the organiser to have a valid CRB check.</p>	Substantial Assurance

Audits completed in Q3 2011-12	Overall Opinion
<p><u>Community Centres</u>                      Report published in December 2011.                      3 Medium recommendations relating to completing the audit trail of income for the Hunstanton Community Centre (HCC); updating the Asset Register for HCC; and obtaining copies of insurance documents from hirers for sports activities.</p>	<p>Substantial Assurance</p>
<p><u>Legal Services</u>                      Report published in December 2011.                      1 Medium recommendation relating to an invoice payment and cost coding. This was completed during the audit.</p>	<p>Substantial Assurance</p>

Follow-up audits completed in Q3 2011-12	Original report	Follow-up progress
<u>Tourism Facilities</u> The report issued in June 2011 included 7 Medium recommendations. Of these 6 have been implemented satisfactorily and the final one is ongoing.	June 2011 Full Assurance	December 2011 Good
<u>Personnel Systems – Flexitime</u> The report issued in August 2011 included 2 Medium recommendations. Both have either been implemented or are ongoing satisfactorily.	August 2011 Substantial Assurance	December 2011 Good
<u>Personnel Systems - Training</u> The report issued in August 2011 included 1 Medium recommendation, which has been implemented.	August 2011 Full Assurance	December 2011 Good



AUDIT AND RISK COMMITTEE – WORK PROGRAMME 2011/2012

**28 February 2012**

- Annual Certification Report – Council's grant claims and returns – Mr J Rickett from PWC will present the report

**27 March 2012**

- 2010/2011 Statement of Accounts under IFRS – restating
- Business Continuity – annual update
- Protocol for liaison between internal and external audit 2012/2013 (external)
- BCKL&WN Audit Plan 2012/2013 (external)

**24 April 2012**

- Internal Audit Plan 2012/2013 – quarterly progress report for January to March 2012
- Review of the Effectiveness of the Audit and Risk Committee
- Corporate Risk Monitoring Report (October 2011 to March 2011)
- Review of the Effectiveness of Internal Audit Service