

**ANNUAL REVIEW OF THE EFFECTIVENESS OF THE
SYSTEM OF INTERNAL AUDIT****(Report by the Audit & Risk Manager)****1. INTRODUCTION**

- 1.1 The Accounts & Audit Regulations 2003 (A&AR) require the Council to undertake an annual review of the effectiveness of its system of internal audit. This report informs the Panel of the outcome of that review.

2. SYSTEM OF INTERNAL AUDIT

- 2.1 The Panel at its March 2009 meeting accepted the CIPFA definition of the system of internal audit that was published in January 2009.

The framework of assurance available to satisfy a local authority that the risks to its objectives and the risks inherent in undertaking its work, have been properly identified and are being managed by controls that are adequately designed and effective in operation.

- 2.2 CIPFA consider that the review should examine, as a minimum, the following four key elements and the paragraphs below each item describe how the Council has addressed each one:

a. The process by which the control environment and key controls have been identified - the Council's risk management system.

The Council has a risk management strategy. In summary, Managers are required to identify those risks that will hinder their achievement of the Council's Aims and Objectives. This is done in a structured way against the key activities within the Council's objectives and its service delivery operations. Once a risk has been identified, it is recorded on the risk register and evaluated in terms of likelihood and severity. Controls (if available) to reduce the likelihood or severity of adverse events are identified and recorded and the risk re-evaluated. The evidence available to support the controls is also identified and evaluated.

b. The process by which assurance has been gained over controls – its coverage of the key controls and key assurance providers.

Every six months Managers are required to review the controls entered on the register and give a view (the level of assurance) as to how effective those controls are in managing the risk. The manager's view can be either self-assurance or obtained from a third party (internal/external audit or similar review body).

Risks recorded in the register are reviewed by the Internal Audit & Risk Manager and, where applicable, included in the internal audit strategic plan. The inherent/residual risk, controls and level of assurance are considered by internal audit when the risk area is reviewed. The annual audit plan refers to specific risk register entries. At the conclusion of an internal audit review, any changes to entries on the risk register are discussed with the appropriate Manager and if necessary, changes made to the risk register.

c. The adequacy and effectiveness of the remedial action taken where there are deficits in controls, which will be led by the Corporate Governance Panel and implemented by management.

This Panel considers all external audit reports. It has access via the intranet to all internal audit reports. Reports are submitted twice a year to the Panel by the Internal Audit & Risk Manager that highlight any significant concerns and, where appropriate, management responses. Managers' progress in implementing agreed audit actions is also reported. Poor levels of performance in this area have been previously commented upon by the Panel and the target is now regularly exceeded. The Panel seek assurance, as part of their consideration of the annual governance statement, that controls are operating effectively. This assurance is obtained primarily from the work of internal and external audit.

Significant control weaknesses in the area of procurement were reported to the Panel by the Internal Audit & Risk Manager in September 2009 and included in the Annual Governance Statement. Panel have been updated with the progress made to improve controls.

d. The operation of the audit committee and the internal audit function to current codes and standards.

The Council established the Corporate Governance Panel in 2004. Its terms of reference were reviewed in 2009 and align with current best practice. The Panel undertook a self assessment exercise in August 2008. The results of that process were discussed at the September 2008 Panel meeting. The self assessment was attended by the External Auditor who felt that the Panel, at that time, was generally effective and open to changes that improved assurance and the governance of the Council. The Panel felt that an annual review was not necessary and agreed to a further review in 2011 prior to the approval of the governance statement.

Both the internal audit strategy and terms of reference documents were reviewed during the year and considered by the Panel in June 2010. The internal audit service undertook a self-assessment review against the CIPFA Code of Practice for Internal Audit in 2007 and 2008. The June 2008 review was supplemented by a peer review by Cambridgeshire County Council. Minor issues were identified for improvement. Panel noted the general effectiveness of the service in meeting the requirements of the Code and agreed that the next review of Internal Audit against the Code of Audit Practice be conducted in 2011.

The external auditors also assessed the internal audit service as compliant with the Code in their 2007/08 review. They have reviewed all audit reports issued that cover the period 2009/10 as well as reviewing a number of internal audit files in respect of the Council's key financial systems for the same period. No issues have been raised from these reviews.

They have reported in their 2009/10 Annual Report to those Charged with Governance that "We have reviewed the work of internal audit and concluded that the scope and conduct of internal audit work was appropriate to provide adequate assurance on the effective operation of controls. We have therefore taken assurance from the work of internal audit in our evaluation of controls where appropriate".

3. RISK REGISTER UPDATE

- 3.1 In support of paragraphs 2.2 a & b above, Annex A provides details of the Council's current risk assessment matrix together with information in respect of:
- the reduction in risk achieved through the controls managers have in place for both Corporate and Operational risks (*section 1 & 2*);
 - the changes made to the risk register since the last report to Panel in March 2010 (*section 3*);
 - the assurance levels, as at 31 August, for all "very high" inherent risks (*section 4*); and
 - those risks that have not yet had any controls identified against them and the actions being considered to mitigate them (*section 5*).
- 3.2 The risk management strategy requires the Cabinet to consider each of the very high residual risks to identify whether they should be further mitigated by cost-effective and affordable actions. Cabinet considered the four very high residual risks in July and agreed to accept the current level of residual risk.
- 3.3 423 significant controls are recorded in the register as at 31 August, in respect of 147 individual risk entries, covering both corporate and operational risks. The levels of assurance are as follows.

Total No of Controls	Assurance Level			
	Substantial	Adequate	Limited	None
423	256	148	19	0
	61%	35%	4%	0%

All the assurances associated with those controls have been updated in the last nine months and 96% within six months.

4. ANNUAL INTERNAL AUDIT REPORT

- 4.1 In support of paragraphs 2.2 c & d above, Annex B provides details of the work of the internal audit service in the period ending 31 August, including:
- the delivery of the annual audit plan, audit reports issued and issues of concern (*section 6*);
 - implementation of agreed actions (*section 7*);
 - internal audit's performance (*section 8*).
- 4.2 In accordance with the CIPFA Code of Audit Practice for Internal Audit in the United Kingdom, the Internal Audit Manager is required to provide an annual opinion on the overall adequacy and effectiveness of the Council's internal control and governance processes. This opinion is based upon the work carried out by Internal Audit during the relevant period (Annex B) and, for the first time, the assurances made available by external assessors and similar providers (Annex C).

Audit Opinion

It is my opinion, that Huntingdonshire District Council's internal control environment and systems of internal control, provide **limited** assurance over the effective exercise of its functions.

In respect of those systems that refer to, or are substantially related to, internal financial control, it is my opinion that the controls operated by management are **adequate**.

Any system of internal control can only provide reasonable, rather than absolute assurance that assets are safeguarded, transactions are authorised and properly recorded and material errors or irregularities are either prevented or would be detected within a reasonable period of time.

David Harwood
Audit & Risk Manager

September 2010

The definitions of limited and adequate are given at the end of Section 6 in Annex B

5. CONCLUSION

- 5.1 The Audit & Risk Manager has reviewed the assurance entries. Like all systems, these only provide a snap-shot in time and do not guarantee that the controls will continue to operate. No specific gaps in assurance have been identified.
- 5.2 The Panel should be satisfied that the system of internal audit process is working as expected and that the process by which assurance has been gained over controls is effective and that evidence is readily available to show that the controls are operating as intended. Where weaknesses have been identified they have been reported to management and in the majority of cases action has already been taken to address the shortfalls.

6. RECOMMENDATION

That the Panel take the information and the Audit and Risk Manager's opinion contained in this report into account when considering the Corporate Governance statement later on the Agenda.

BACKGROUND INFORMATION

The Risk Management Strategy and Register
The Accounts & Audit Regulations 2003
Internal Audit Reports
Internal Audit Performance Management Information

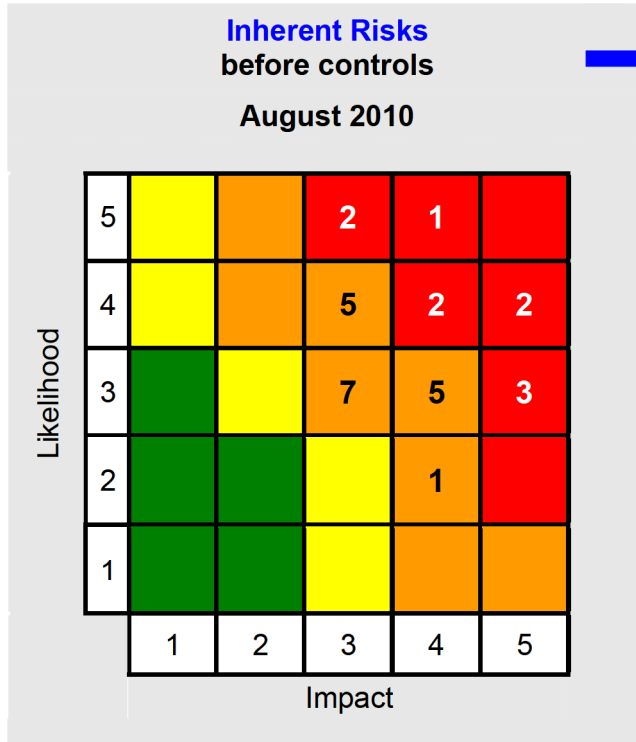
Contact Officer: David Harwood, Audit & Risk Manager ☎ **01480 388115**

Risk Assessment Matrix.

Likelihood / Frequency	Almost Certain	5	Medium	High	Very High	Very High	Very High
	Likely	4	Medium	High	High	Very High	Very High
	Occasional	3	Low	Medium	High	High	Very High
	Unlikely	2	Low	Low	Medium	High	Very High
	Improbable	1	Low	Low	Medium	High	High
			1	2	3	4	5
			Trivial	Minor	Significant	Major	Critical
			Impact				

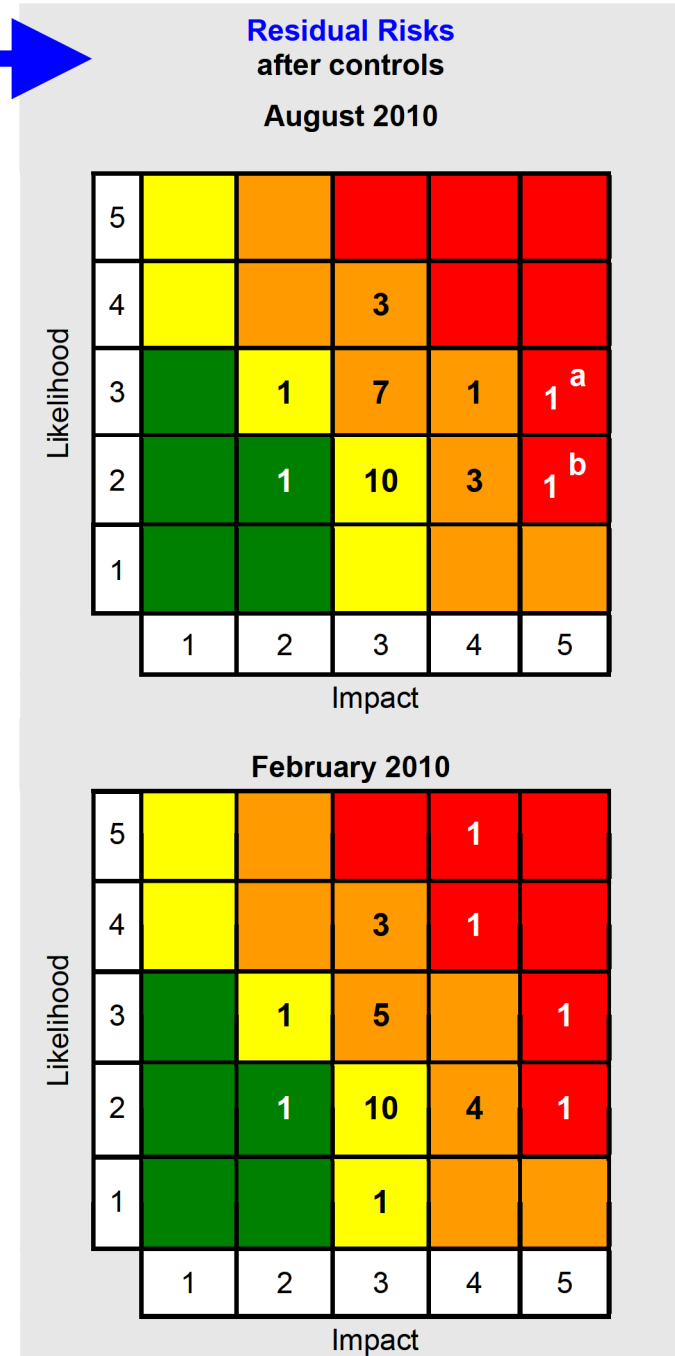
Note: Health & Safety risks are plotted against the smaller inset matrix.

Corporate Risks



Residual risk scores rely on the identified controls working effectively.

CGP and COMT rely on internal audit and managers' 'assurance' statements to judge whether this is the case.

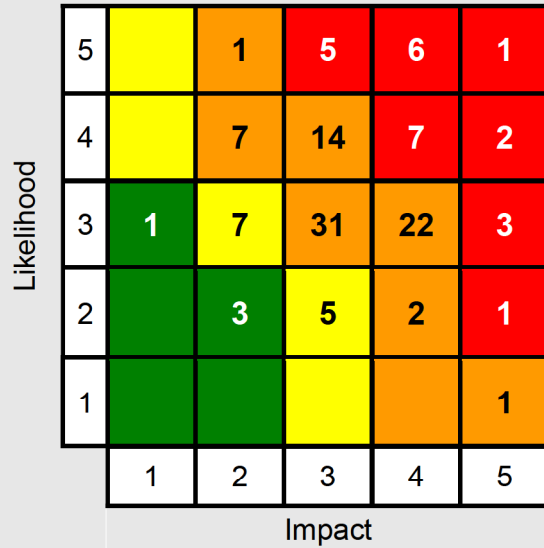


	'Very High' Residual Risks	Feb 2010	Aug 2010	Accepted by Cabinet
130 a	Failure to achieve financial savings			July 2010
47 b	Investment decisions not appropriate			July 2010

Operational Risks

section 2

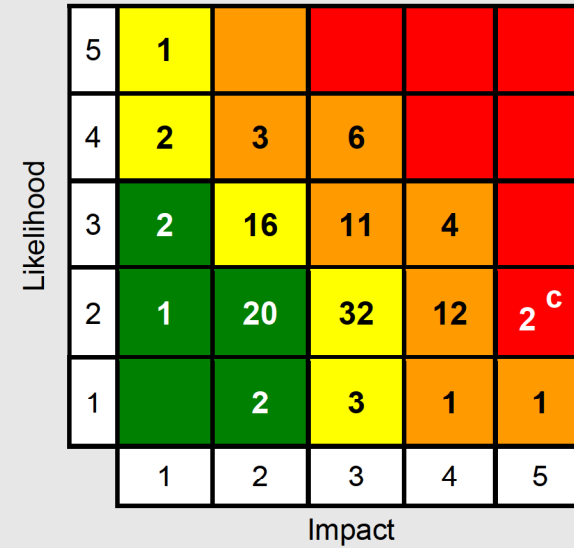
**Inherent Risks
before controls
August 2010**



Residual risk scores rely on the identified controls working effectively.

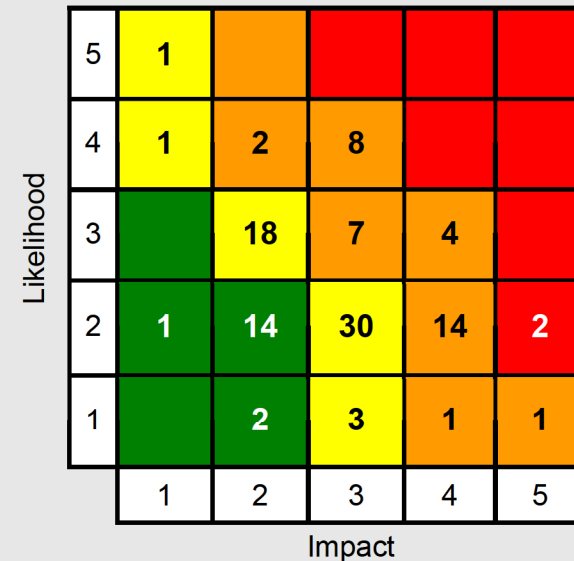
CGP and COMT rely on internal audit and managers' 'assurance' statements to judge whether this is the case.

**Residual Risks
after controls
August 2010**



total
119

February 2010



Total
109

+ 10

	'Very High' Residual Risks	Feb 2010	Aug 2010	Accepted by Cabinet
15 c	ICT security is breached			July 2010
58 c	Information or data is lost			July 2010

**Summary of Risk Register Amendments
1 March – 31 August 2010**

section 3

	Additions	Deletions	Total
Corporate	0	- 1	- 1
Operational	11	- 1	10

Corporate

Risk Ref	Risk Title	Deleted	Inherent Risk Priority	Residual Risk Priority
131	Failure to produce water cycle study that prioritises growth areas.	01/07/10	Very High	Medium

Operational

Risk Ref	Risk Title	Created	Inherent Risk Priority	Residual Risk Priority
211	Milder, wetter winters and frequency of intense downpours of rain result in the district being unable to cope with the increased rainfall and the speed of run-off leading to localised surface water and fluvial flooding.	05/03/10	High	High
212	Higher wind speeds and storminess causes widespread damage and disruption across the District.	05/03/10	Low	Low
213	Prolonged periods of increased average temperatures, leading to summer heat waves impacting upon people and the environment.	05/03/10	Low	Low
214	Warmer, wetter winters and hotter summers with reduced rainfall resulting in an increased likelihood of subsidence and ground heave.	05/03/10	Low	Low
215	Warmer summer weather and outdoor lifestyle increases the scope for outdoor activity leading to an increase in tourism and increased opportunity for leisure. [opportunities as well as risks are included in the register]	05/03/10	Low	Low
216	A significant interruption to ResourceLink may lead to salaries not being paid correctly or on time.	09/03/10	Medium	Low

**Summary of Risk Register Amendments
1 March – 31 August 2010**

section 3

Risk Ref	Risk Title	Created	Inherent Risk Priority	Residual Risk Priority
217	Personal data is not processed in accordance with the rights of data subjects, and the Council's Notification of processing purposes to the Information Commissioner under the Data Protection Act, resulting in complaints or litigation against the Council	14/06/10	Very High	High
219	Working practices and time may not be monitored leading to errors not being identified and non-compliance with the Working-time Directive and other legislative regulations	17/06/10	High	Medium
220	International Financial Reporting Standards (IFRS) is not fully adopted and complied with leading to the accounts not being certified	23/06/10	High	Medium
221	Failure to maintain building could result in disrepair and consequent injury/death to staff, customer or contractor and adverse effects.	12/08/10	High	Medium
222	Increased risk that key staff are attracted by improving opportunities in the private sector as the public sector becomes more uncertain and under increasing financial constraints.	12/08/10	High	Medium

		Deleted		
5	The Council does not deliver the new HQ within budget or the timescales agreed.	01/07/10	Very High	Medium

Assurance Details

section 4

Corporate Objective	Risk No	Inherent Risk	No of Controls	Residual Risk	Assurance Level				Assurance Provider		Area of Panel Assurance ¹	Assurance shortfall	Risk Type	
					Substantial	Adequate	Limited	None	Management	Other			Corporate	Operational
A clean, 'green' and attractive place														
Loss of vehicle fleet operating licence	192		3		3					3				✓
Council Carbon Management Plan	205		1		1					1				✓
Failure to deliver environmental policy/strategy	30		7			4	3			7	a		✓	
Climate change strategy	146		2				2			2	a		✓	
Developing communities sustainably														
Changes to house prices	52		2			1	1			2			✓	
Housing that meets individuals' needs														
Increasing Housing Benefit claims	143		1		1						1	h		✓
Emergency re-housing of expatriates	149		2			2				2			✓	
Increased homelessness	148		1			1				1			✓	
Secure GSCx disconnected unable to process HB	155		1			1				1	c		✓	
To improve our systems and practices														
ICT security breached	15		8		6	2				8		g		✓
Theft	140		4		4					4		g		✓
Power loss to main servers	177		6		4	2				6				✓
Fraud occurs	75		6		3	3				6		g		✓
Breach of Data Protection Act	217		4		2	2				2	2			✓
Corporate Objectives not achieved	12		3		2		1			2	1	a	✓	
Loss of access/structure: Pathfinder House	145		3		2	1				3		g		✓
Project management ineffective	48		3		2	1				3		e		✓
Unencrypted data is sent externally	122		3			2	1			2	1	g		✓
Increasing insurance premiums	126		3		1	1	1			3				✓
Sensitive HB info e-sent via insecurely means	191		1		1					1				✓

¹ The areas that Panel require specific assurance upon are listed at the end of this section.

Assurance Details

section 4

Corporate Objective	Risk No	Inherent Risk	No of Controls	Residual Risk	Assurance Level				Assurance Provider		Area of Panel Assurance ¹	Assurance shortfall	Risk Type	
					Substantial	Adequate	Limited	None	Management	Other			Corporate	Operational
Strict Government Connect rules restrict flexibility	163		1		1				1					✓
Information or data is lost	58		4			2	2		2	2	g			✓
Service recovery/business continuity ineffective	6		3			3			3		g			✓
Assets not properly maintained	186		3			3			3					✓
Ineffective site security	32		3			3			3		g			✓
Partnerships are not effective	74		3			3			3		k	✓		
e-marketplace delayed	164		1			1			1					✓
To learn and develop														
Reliance on key IT staff	25		6		3	3			6		g			✓
Staff training & development	2		3		3				3					✓
Bailiff contract (Health & Safety)	31		3		1	2			3					✓
To maintain sound finances														
Investment decisions not appropriate	47		9		9				8	1	d		✓	
Failure to achieve financial savings	130		3		3				3		d		✓	
Budget estimates are inaccurate	24		3		2	1			3		d			✓
Reduced land charges income	153		1		1				1					✓
S106 Agreements are not monitored	208		2			2			2					✓

- a. Delivery of the Council's corporate objectives
- b. The effectiveness of the Constitution
- c. Ability to identify, assess and respond to legislation, meeting statutory obligations
- d. Effectiveness of financial management arrangements
- e. Robustness of the performance management system
- f. The effectiveness of the risk management strategy
- g. Robust systems of internal control & the effectiveness of key controls
- h. Actions plans to address significant weaknesses are prepared, acted & reported on
- j. Adequacy of the internal audit service
- k. Partnerships are efficient and effectively delivering service objectives

Risk Register entries : No Controls

section 5

Risk Ref	Risk Title	Inherent Risk Priority	Residual Risk Priority	Actions being considered
Head of Environmental Management				
154	Lack of skilled/trained staff and funds mean failure to deliver expanding environmental agenda	High	High	Identify skills required & target resource to key environmental areas and projects.
214	Warmer, wetter winters and hotter summers with reduced rainfall resulting in an increased likelihood of subsidence and ground heave.	Low	Low	<p>Complete regular inspections and maintenance of the existing HDC tree stock to try to reduce potential damage from subsidence.</p> <p>Sufficient consideration to be given to the location and species of new tree planting, ensuring they are at a sufficient distance from existing buildings and infrastructure to reduce subsidence risk.</p> <p>Does any new major project or development which includes landscaping give due consideration to the suitability of trees and shrubs to reduce subsidence risk?</p> <p>Is there a programme in place to identify buildings susceptible to subsidence risk?</p> <p>Is there a schedule of regular maintenance checks to identify any damage?</p> <p>Is preventative work carried out where required?</p>
215	Warmer summer weather and outdoor lifestyle increases the scope for outdoor activity leading to an increase in tourism and increased opportunity for leisure	Low	Low	Opportunities to promote development in and around the market towns
Head of Planning Services				
152	Economic downturn and the related potential shortfall in anticipated developer activity due to reduced market liquidity and availability of credit undermines the delivery of new homes, new employment opportunities and community facilities.	High	High	None

INTERNAL AUDIT SERVICE : ANNUAL AUDIT REPORT

1. Delivery of Audit Plan: August 2009 to July 2010

- 1.1 The internal audit plan, approved by the Director of Commerce & Technology, contained 34 audit reviews. The audit plan is not a static document but is amended to reflect changing circumstances. A number of changes were made during the year. This resulted in five audits being omitted from the plan (arts & cultural services [loss of the service], the delivery of the environmental strategy including the Green House project [a review in this area was carried out by the external auditors as part of the Use of Resources assessment], post implementation reviews, wireless networks and ICT security and data loss, but replaced by reviews of the revenue and benefits IT system and supermarket car park cost recovery.
- 1.2 31 audits have been undertaken against the 34 planned. Staffing issues (maternity leave and retirement) as reported to the Panel in June, coupled with the Council's financial position, meant that the use of agency staff to complete the plan were considered but discounted. The three areas that have not been reviewed have been carried forward to future years.
- 1.3 Of the 31 audits undertaken, all but 3 have been completed to the draft reporting stage. These are CCTV, budgetary control and management information and supermarket car park cost recovery.
- 1.4 The Internal Audit & Risk Manager has had no constraints placed upon him in respect of overall audit coverage, audit methodology or delivery of the audit plan.

2. Internal Audit Reports issued

- 2.1 A summary of the audit reports issued during the period 1 September 2009 to 31 August 2010 are listed in the table below.

Audit area	Level of assurance				Agreed action status		
	Substantial	Adequate	Limited	Little	Red	Amber	The risk identified has been accepted by the Manager ¹
Key Financial Systems							
Customer Services : Income & Receipting	✓✓				---	---	
Council Tax	✓✓				0	1	
NNDR	✓✓				0	1	
Main Accounting System	✓✓				0	2	
Housing Benefits		✓			---	---	
Loans & Investments		✓			0	5	
Payroll & HR				xx	5	4	1
Other systems reviews							
Housing Benefit Fraud & NFI	✓✓				---	---	
Local Transport Issues	✓✓				0	3	
Street Cleaning	✓✓				0	3	
Economic Development	✓✓				0	3	
Staff Training & Development		✓			0	5	
Bank Reconciliation		✓			0	5	
Purchasing & Corporate Cards		✓			0	5	

section 6

Audit area	Level of assurance				Agreed action status		
	Substantial	Adequate	Limited	Little	Red	Amber	The risk identified has been accepted by the Manager ¹
Feedback Procedures		✓			0	6	
Staff Allowances		✓			0	6	
Staff Travel & Subsistence ²			✗		0	7	
Freedom of Information & Data Protection		✓			0	7	
Equality		✓			0	8	
One Leisure		✓			0	11	
Information Management		✓			0	14	
Printing		✓			1	5	
Improvement in Procurement Practice			✗		0	3	
Cashable Efficiency Savings NI 179			✗		0	4	
Service Developed ICT systems ²			✗		1	3	
Staff Work/Life Balance			✗		1	6	
National Performance Indicators ²			✗		3	0	
Quotation Selection Procedures				✗✗	4	0	
Job Evaluation ²				✗✗	6	2	
Computer Audit							
Data Consistency		✓			0	1	
The Green Agenda		✓			0	2	
Software Licensing		✓			0	2	
Revenue & Benefits Application		✓			0	3	
Telecoms/VOiP contract		✓			0	7	
Network Infrastructure			✗		3	13	

¹ There are occasions when a risk identified during an audit is acknowledged and accepted by a Manager and they decide that no further action is required. The right hand column of this table records any such instances.

² Draft report issued as at 31 August 2010.

All the audit reports listed in the table above can be accessed by Members via the Internal Audit intranet site.

- 2.2 In addition to the reviews listed above, examinations have also been completed of a number of final accounts submitted for payment in respect of building and civil engineering contracts. These identified overpayments of £14k. £3k has been recovered. £11k is unlikely to be recovered in full, as it was paid in error to a company who were in administration. The Council is registered as an unsecured creditor in respect of this debt.

Code of Procurement

- 2.3 Following the highlighting of issues in my 2009 annual report, the Panel requested reassurance from the Directors of Commerce & Technology and Central Services that steps would be taken to improve the level of compliance with the provisions of the Code of Procurement. A report on the improvements to be made was presented to the December 2009 Panel meeting.

A further review of compliance with the Code was conducted in June 2010. This showed that breaches of the Code are still occurring. The majority of the breaches relate to the award of work after seeking one quotation only without obtaining the permission of the Director of Central Services. Having reviewed

section 6

these breaches, and considered the reasons why the decisions were made, it is my view that a number of these would have been accepted for single pricing by the Director. There have been no breaches identified similar in scale or magnitude to those reported upon last year.

After conducting the review and noting the comments received, I am satisfied that compliance with the Code is improving, notwithstanding the single tender/quotation breaches identified. Three actions have been agreed to further improve compliance.

Data encryption

- 2.4 The Information Commissioner has the ability to fine organisations up to £500k for serious breaches of the Data Protection Act. As Panel will recall 15 laptops were stolen from Pathfinder House in 2009 following a burglary. Since that date, one further laptop has been lost. Internal audit made a number of recommendations to improve both data and building security. Whilst the majority of the recommendations have been introduced, one of the most important, regarding the introduction of data encryption is still outstanding.

It was reported to Panel last year, that the encryption of laptops and all portable IT devices would be completed by February 2010. This did not happen due to problems with the encryption software. These issues have apparently been solved and encryption is expected to be completed by December. Until encryption has been introduced there remains the risks that personal data may be compromised if a laptop or data stick is lost or stolen.

Fraud issues

- 2.5 Whilst internal audit completed a piece of work in 2009 that verified employees on the payroll, no reports are issued to managers to allow them to undertake their own checks. Controlling the accuracy of the payroll to reduce the opportunity for fraud is a key issue. This matter was raised in the Payroll reports issued in December 2007 and July 2010. HR have agreed that by the end of September 2010 managers will receive establishment information at regular intervals for review purposes.
- 2.6 In addition to delivery of the audit plan a number of fraud based reviews and initiatives have been undertaken – these include preparing and reviewing information received from the national fraud data matching initiative, reviewing whistleblowing concerns raised and the issue of a guide to the Council's anti-fraud and corruption framework.

Guidance has also been provided on an ad-hoc basis on a wide variety of control and fraud issues.

Issues outstanding from previous years

- 2.7 Audit reviews that have had either an assurance opinion of 'limited' or 'little' in previous years are listed in the table below together with a summary of the progress made towards implementing the agreed actions.

The right hand column of the table shows a revised assurance opinion, based upon the action that has been taken by the manager and evidence from the follow-up work that has been completed. The revised opinion is only a guide to the potential improvement that would be expected, if the audit was repeated and all other system controls remained effective.

Original level assurance	Agreed Action Status		Audit area and follow-up findings	'Potential' level of assurance
	Red	Amber		
<i>Limited</i>	1	0	Internet Monitoring 2007-08 The red action is outstanding. Monitoring software is due to be replaced by March 2011 which should allow the action to be introduced.	➔ <i>Limited</i>
<i>Limited</i>	1	5	Income Generation - External Grant Funding All 6 actions have been introduced.	↑ <i>Adequate</i>
<i>Limited</i>	1	5	IT Project Management All 6 actions have been introduced.	↑ <i>Adequate</i>
<i>Limited</i>	2	4	ICT Strategy All 6 actions have been introduced.	↑ <i>Adequate</i>
<i>Limited</i>	4	2	Business Continuity & Disaster Recovery All 6 actions have been introduced.	↑ <i>Adequate</i>
<i>Limited</i>	3	13	Network Infrastructure All 13 actions have been introduced.	↑ <i>Adequate</i>

Improving the Internal Audit Opinion

2.8 Subject to no significant additional issues emerging, moving from the “limited” assurance opinion included within the main report to “adequate” assurance would require the following:

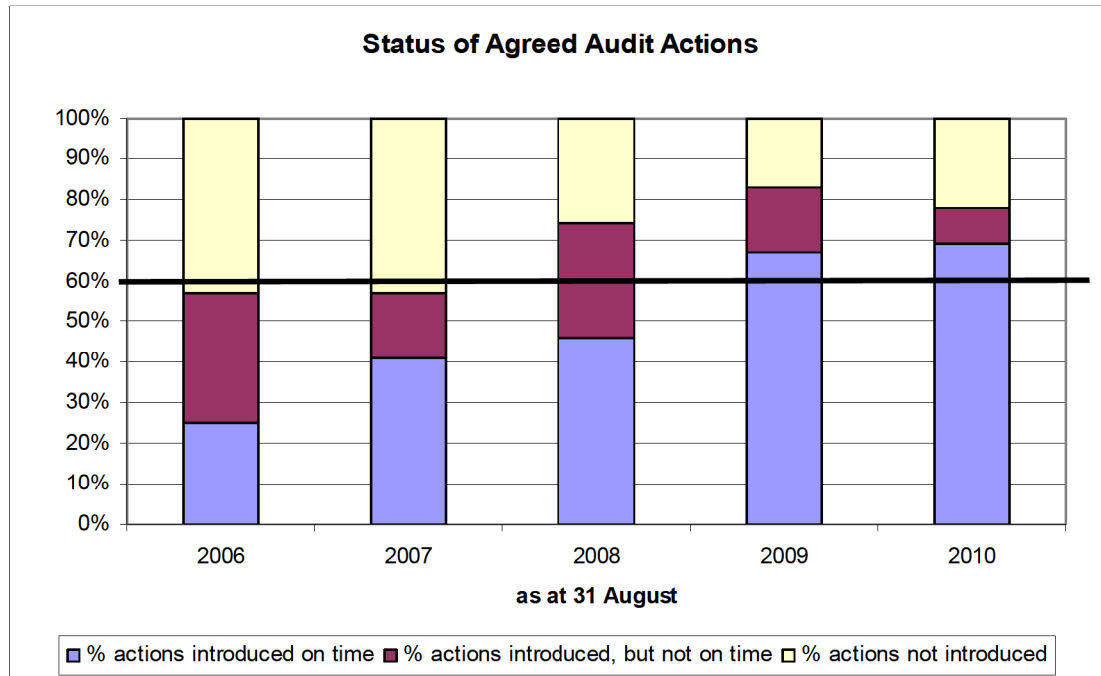
- Continued compliance with the Code of Procurement
- Encryption of laptops and portable IT devices
- Regular issue of establishment information to managers for checking and agreement

Assurance definitions : for information

<i>Substantial Assurance</i>	✓✓	<i>There are no weaknesses in the level of internal control for managing the material inherent risks within the system. Testing shows that controls are being applied consistently and system objectives are being achieved efficiently, effectively and economically apart from any excessive controls which are identified in the report.</i>
<i>Adequate Assurance</i>	✓	<i>There are minor weaknesses in the level of control for managing the material inherent risks within the system. Some control failings have been identified from the systems evaluation and testing which need to be corrected. The control failings do not put at risk achievement of the system's objectives.</i>
<i>Limited Assurance</i>	✗	<i>There are weaknesses in the level of internal control for managing the material inherent risks within the system. Too many control failings have been identified from the systems evaluation and testing. These failings show that the system is clearly at risk of not being able to meet its objectives and significant improvements are required to improve the adequacy and effectiveness of control.</i>
<i>Little Assurance</i>	✗✗	<i>There are major, fundamental weaknesses in the level of control for managing the material inherent risks within the system. The weaknesses identified from the systems evaluation and testing are such that the system is open to substantial and significant error or abuse and is not capable of meeting its objectives.</i>

3. Implementation of Agreed Actions

3.1 Management Team have set a target of 60% of agreed actions should be implemented on time, based on a rolling 12 month approach. The figures for the year ending 31 August 2010 are shown below.



Summary of the Actions Database as at 31 August 2010

	Status of Action						TOTAL
	Introduced on time		Introduced Late		Not introduced		
Red Action	16		0		1		17
Amber Action	97		15		34		146
Total	113		15		35		163
% age	69%		9%		22%		
	<i>Red</i>	<i>Amber</i>	<i>Red</i>	<i>Amber</i>	<i>Red</i>	<i>Amber</i>	
Central Services	6	33	0	4	0	16	59
Commerce & Technology	10	63	0	10	1	11	95
Operational Services	0	1	0	1	0	7	9
Total	16	97	0	15	1	34	163

3.2 A sample of actions that have been reported as being completed are checked annually to see that the action introduced sufficiently addresses the risk that has been identified.

If during the review of actions introduced it is found that the action taken does not fully deal with the risk then the action that has been taken to address the risk identified is discussed with the appropriate manager and if necessary, changes to the database are made to reflect the actual position.

3.3 One 'red' action has not yet been implemented, which is detailed below.

Audit	Head of Service	Action Agreed	Agreed Implementation Date	Head of Service's statement re current position
Asset Register	Head of Financial Services	The Information Manager would prepare a project/plan to include all of the Authority's assets within the CAPS Uniform system. This software system would address residual risks (actions) 1, 2, 4, and 5.	30/04/2010	<p>Following investigation by IMD there is no business case for converting all asset records to Uniform. The closure of the 2010/11 final accounts under the new IFRS accounting rules will highlight what records will be required in the future and will clarify what new systems or modifications to existing systems will be necessary for the future.</p> <p>Review to be completed by Accountancy Manager in light of 2010/11 accounts closure by 30 September 2011.</p>

4. Internal Audit Performance

4.1 External audit view of internal audit

Target : Adequate or better
Achieved: Satisfied

The external auditor continues to be satisfied with the work of the internal audit service.

4.2 Customer Satisfaction

Target: 85% or more of customers rating service quality as good or better.
Achieved: 12 months to August 2010 - 100%

At the conclusion of all audits, managers are requested to complete an end of audit survey form and give an opinion on the value of the audit. The options available are – excellent, very good, good, fair and poor. Target information is calculated on a rolling twelve month basis rather than by financial year.

The Head of Financial Services has also undertaken his annual customer satisfaction survey with senior managers. The April 2010 figure showed 69% (88% previous year) of managers felt audit provided a good or very good service. The scoring mechanism changed this year with the category below Good changing from average to acceptable. It is suspected that this may have resulted in some of last year's "goods" changing to acceptable.

4.3 Service delivery targets

Target: 80% or more of service delivery targets achieved.
Achieved: 12 months to August 2010 – 73%

There are four elements to this target which all relate to the progress of individual audits and the reporting process:

- Complete audit fieldwork by the date stated on the audit brief
- Issue draft audit reports within 15 working days of completing fieldwork
- Meet with customer and receive response allowing draft report to progress to final within 15 working days of issuing draft report
- Issue final audit report within 5 working days of receiving full response

Performance indicators are prepared monthly. The targets are also reflected in staff's key performance development targets within the annual appraisal process. Achievement of the targets requires internal audit staff to develop and maintain good working partnerships and the customer's co-operation throughout the period of the audit.

4.4 Service Developments

A review of the internal audit service against the Cipfa Code of Practice is planned. e-learning fraud material is to be prepared to support the ethics and fraud booklet. Continuous auditing of systems susceptible to fraud is to be investigated.

External Assurance

Date	Report from	Area covered	Assessment
2009			
September	EMQC Ltd	Sawtry & Ramsey Community Information Centres	Both CiC's meet the Customer Service Excellence Standard.
October	Ofsted	One Leisure: Sawtry	Registration on the childcare register to continue.
November	Ofsted	One Leisure: St Ives	Registration on the childcare register to continue.
December	EMQC Ltd	Call Centre	Call Centre meets the Charter Mark Standard.
	Deloitte LLP	Government Connect Network Infrastructure	34 security weaknesses identified. Nine are high priority, nine medium, 16 low.
2010			
January	Ofsted	One Leisure : Ramsey	Registration on the childcare register to continue.
February	RoSPA	One Leisure – all sites	“Gold” level for Occupational Health and Safety.
March	Grant Thornton	Information Systems Controls	Review to assess the adequacy of the design of general security administration and program maintenance controls over information systems. Where controls are adequate they were not commented upon. 3 issues raised and action agreed.
July	BSI	Building Control	Quality Management system. Areas assessed were found to be effective. No areas of non-conformity were identified.
September	Grant Thornton	Value for Money 2009/10	Unqualified opinion.
		ISA 260 : Audit of Accounts 2009-10	Unqualified opinion on the Council's financial statements.
	Siemens Enterprise Communications Limited	GCSX Code of Connection Re-assessment	6 month extension for retaining the GCSX connection.