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RSM Tenon

HINCKLEY AND BOSWORTH BOROUGH COUNCIL

Internal Audit Progress Report

Finance and Audit Select Committee Meeting – 12th December 2011

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The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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1. INTRODUCTION

- 1.1 The periodic internal audit plan for 2011/12 was approved by the Finance and Audit Select Committee on 14th February 2011. This report summarises the outcome of work completed to date against that plan, and Appendix A provides cumulative data in support of internal audit performance.

2. FINAL REPORTS ISSUED

- 2.1 We have finalised 9 reports since the last Committee meeting; these are in the areas of:

- Risk Management Follow-up;
- IT Contract;
- Corporate Governance;
- Atkins Building – Commercial Income;
- Income and Debtors;
- Creditors;
- Asset Register;
- Payroll;
- General Ledger.

- 2.2 The executive summaries and agreed action plans for recommendations classified as ‘High’ and ‘Medium’ risk are included at Appendix B. Full reports of all recommendations including ‘Low’ risk can be provided upon request. The ‘Low’ risk recommendations are not included in this report, as it is felt that time and attention should be focused on the more significant risks facing the Authority (i.e. ‘High’ and ‘Medium’ recommendations).

3. KEY FINDINGS FROM INTERNAL AUDIT WORK

- 3.1 We have raised 24 recommendations across the 9 reviews that are being presented to this Committee; two recommendations have been classified as 'High' Risk, five recommendations have been classified as 'Medium' Risk and the remaining 17 recommendations have been classified as 'Low' Risk.
- 3.2 The High and Medium Risk recommendations raised as part of the reviews relate to:
- **Risk Management** (Pages 8 - 10) - (Recommendation No.1). At the time of our follow-up audit, the management refresher training had yet to be completed. However, this was undertaken in the last week of November 2011, and is thus no longer outstanding. (Medium Risk)
 - **Risk Management** – (Recommendation No.2) There was lack of evidence that the detailed review of controls to mitigate identified risks had been undertaken in all cases. (High Risk)
 - **Risk Management** – (Recommendation No.3) Further discussion of this area during the follow-up review noted that although resources do not allow regular independent check of all details compiled by managers regarding risks, there is scope for an annual review by the Risk Officer, ideally during the course of the business planning process. (Medium Risk)
 - **Risk Management** – (Recommendation No.4) At the time of the follow-up audit, there had been no further reports to Committee linking risks to the TEN performance and Risk Management system, although we understand that as per the response, the reporting templates have now been adjusted to prompt this. (High Risk)
 - **Atkins Building – Commercial Income** (Pages 17 – 20) – (Recommendation 1) It was confirmed through discussion with the Commercial Estates Surveyor that customers are provided with the Risk Assessment and are notified of limitations such as; room capacity. However, it was confirmed that customers do not sign to confirm they fully understand and will comply with the Risk Assessments presented. (Medium Risk)
 - **Creditors** (Pages 25 – 29) – (Recommendation 1) - Our review of a sample of 30 purchases confirmed that, where applicable, a valid PO was in place that had been authorised in-line with the delegated authority limits. However, we did note that eight of the 30 purchases had a PO raised retrospectively (i.e. after receipt of the invoice from the supplier). There is a risk that spending is occurring without appropriate authorisation. (Medium Risk)
 - **Asset Register** (Pages 30 – 34) – (Recommendation 1) We confirmed that the transfer of information from the spread-sheet to the CIPFA database has taken place for the period ending 2009/10 Asset Register, but no further. This was due to that period being reviewed by external audit. Now that the 2010/11 Fixed Asset Register has been reviewed and agreed by external audit the details of this can be entered onto the CIPFA system. (Medium Risk)

4. WORK IN PROGRESS OR PLANNED

- 4.1 For all remaining audits, commencement dates have been agreed with the auditees and all assignment planning sheets have been issued.
- 4.2 Four audits are in progress. These relate to Data Protection, Housing Benefits, Council Tax, and National Non-Domestic Rates.

5. LIAISON WITH MANAGEMENT AND EXTERNAL AUDIT

- 5.1 Our management staff meets regularly with the Deputy Chief Executive (Corporate Direction), as well as other members of senior management to discuss the progress of the internal audit work.

6. CHANGES TO OUR PLAN

- 6.1 There have been no changes to the Internal Audit Plan 2011/12 since the last Committee meeting.

APPENDIX A: HINCKLEY AND BOSWORTH BOROUGH COUNCIL – OPERATIONAL PLAN PERFORMANCE 2011/12

Detailed below is a summary of the work undertaken in 2011/12 to date, showing the levels of assurance given and the number of recommendations arising. Reports being considered at this Committee are shown in ***bold and italics***. Definitions with regard to the levels of assurance and the classification of recommendations are provided overleaf.

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	Audit Committee	Audit approach	Audit Days	Assurance level given	Number of Recommendations Made					
										H	M	L	In Total	Agreed	
Work completed to date															
<i>Risk Management Follow-up</i>	<i>15/11/11</i>	<i>N/A</i>	<i>23/11/11</i>	<i>29/11/11</i>	<i>29/11/11</i>	<i>12/12/11</i>	<i>Follow-up</i>	<i>1</i>	<i>ADEQUATE PROGRESS</i>	<i>2</i>	<i>2</i>	<i>0</i>	<i>4</i>	<i>4</i>	
<i>IT Contract</i>	<i>12/09/11</i>	<i>16/09/11</i>	<i>18/10/11</i>	<i>26/10/11</i>	<i>27/10/11</i>	<i>12/12/11</i>	<i>Key Controls</i>	<i>10</i>	<i>GREEN</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	
<i>Corporate Governance</i>	<i>03/10/11</i>	<i>15/10/11</i>	<i>28/10/11</i>	<i>11/11/11</i>	<i>11/11/11</i>	<i>12/12/11</i>	<i>Key Controls</i>	<i>5</i>	<i>GREEN</i>	<i>0</i>	<i>0</i>	<i>4</i>	<i>4</i>	<i>4</i>	
<i>Atkins Building – Commercial Income</i>	<i>03/10/11</i>	<i>14/10/11</i>	<i>17/10/11</i>	<i>02/11/11</i>	<i>08/11/11</i>	<i>12/12/11</i>	<i>Key Controls</i>	<i>5</i>	<i>GREEN</i>	<i>0</i>	<i>1</i>	<i>1</i>	<i>2</i>	<i>2</i>	
<i>Income and Debtors</i>	<i>05/09/11</i>	<i>15/10/11</i>	<i>26/10/11</i>	<i>31/10/11</i>	<i>01/11/11</i>	<i>12/12/11</i>	<i>Key Controls</i>	<i>8</i>	<i>GREEN</i>	<i>0</i>	<i>0</i>	<i>2</i>	<i>2</i>	<i>2</i>	
<i>Creditors</i>	<i>05/09/11</i>	<i>15/10/11</i>	<i>21/10/11</i>	<i>31/10/11</i>	<i>01/11/11</i>	<i>12/12/11</i>	<i>Key Controls</i>	<i>8</i>	<i>GREEN</i>	<i>0</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>3</i>	
<i>Payroll</i>	<i>31/10/11</i>	<i>04/11/11</i>	<i>10/11/11</i>	<i>23/11/11</i>	<i>23/11/11</i>	<i>12/12/11</i>	<i>Key Controls</i>	<i>8</i>	<i>GREEN</i>	<i>0</i>	<i>0</i>	<i>2</i>	<i>2</i>	<i>2</i>	
<i>General Ledger</i>	<i>06/11/11</i>	<i>11/11/11</i>	<i>18/11/11</i>	<i>23/11/11</i>	<i>25/11/11</i>	<i>12/12/11</i>	<i>Key Controls</i>	<i>5</i>	<i>GREEN</i>	<i>0</i>	<i>0</i>	<i>2</i>	<i>2</i>	<i>2</i>	
<i>Asset Register</i>	<i>03/10/11</i>	<i>15/10/11</i>	<i>19/10/11</i>	<i>7/11/11</i>	<i>22/11/11</i>	<i>12/12/11</i>	<i>Key Controls</i>	<i>8</i>	<i>AMBER / GREEN</i>	<i>0</i>	<i>1</i>	<i>5</i>	<i>6</i>	<i>6</i>	
Risk Management	11/07/11	19/08/11	02/09/11	02/09/11	12/09/11	31/10/11	Advisory	5	N/A	8	2	1	11	11	
Health and Safety	18/07/11	04/08/11	07/09/11	13/09/11	13/09/11	31/10/11	Key Controls	8	AMBER / GREEN	0	0	7	7	7	
Project Management	25/07/11	29/08/11	13/09/11	22/09/11	22/09/11	31/10/11	Key Controls	5	AMBER / GREEN	0	2	4	6	6	

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	Audit Committee	Audit approach	Audit Days	Assurance level given	Number of Recommendations Made				
										H	M	L	In Total	Agreed
Key Performance Indicators	01/08/11	05/08/11	17/08/11	08/09/11	08/09/11	31/10/11	Key Controls	5	AMBER / GREEN	0	2	4	6	6
Planning	12/09/11	16/09/11	27/09/11	12/10/10	12/10/11	31/10/11	Key Controls	6	GREEN	0	1	1	2	2
Housing Allocations & Voids	05/09/11	09/09/11	28/09/11	05/10/11	11/10/11	31/10/11	Key Controls	7	GREEN	0	0	2	2	2
Homelessness	12/09/11	16/09/11	27/09/11	14/10/11	14/10/11	31/10/11	Key Controls	6	AMBER / GREEN	0	3	4	7	7
Treasury Management	12/09/11	16/09/11	26/09/11	17/10/11	17/10/11	31/10/11	Key Controls	6	GREEN	0	0	5	5	5
IT Strategy Review	12/09/11	23/09/11	10/10/11	18/10/11	18/10/11	31/10/11	Key Controls	6	GREEN	0	0	2	2	2
Budgetary Control and Budget Setting	11/07/11	15/07/11	25/07/11	11/08/11	11/08/11	12/09/11	Key Controls	8	GREEN	0	0	1	1	1
Rent Collection and Arrears	11/07/11	22/07/11	08/08/11	10/08/11	11/08/11	12/09/11	Key Controls	5	GREEN	0	0	0	0	0
Community Safety	25/07/11	29/08/11	17/08/11	19/08/11	22/08/11	12/09/11	Key Controls	5	AMBER / GREEN	0	2	2	4	4
Enforcement	01/08/11	05/08/11	17/08/11	24/08/11	24/08/11	12/09/11	Key Controls	6	AMBER / RED	1	2	3	6	5
Car parks	09/05/11	16/05/11	02/05/11	16/06/11	16/06/11	25/07/11	Key Controls	6	GREEN	0	3	0	3	3
Trade Waste (new VAT allowances)	31/05/11	08/06/11	16/06/11	27/06/11	28/06/11	25/07/11	Key Controls	6	GREEN	0	0	2	2	2
Performance Management	06/06/11	10/06/11	22/06/11	01/07/11	01/07/11	25/07/11	Key Controls	6	GREEN	0	0	3	3	3
Local Development Framework	16/05/11	23/06/11	N/A	N/A	4/07/11	25/07/11	Key Controls	5	GREEN	0	0	0	0	0

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	Audit Committee	Audit approach	Audit Days	Assurance level given	Number of Recommendations Made				
										H	M	L	In Total	Agreed
Financial Regulations	31/05/11	23/06/11	03/07/11	14/07/11	18/07/11	25/07/11	Key Controls	4	GREEN	0	3	1	4	4
Master Plan	16/05/11	24/06/11	05/07/11	14/07/11	18/07/11	25/07/11	Key Controls	5	GREEN	0	0	1	1	1
Supporting people / Wardens	13/06/11	17/06/11	7/07/11	13/07/11	14/07/11	25/07/11	Key Controls	6	GREEN	0	2	0	2	2
TOTALS TO DATE:								174		11	27	61	99	98

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	Audit Committee	Audit approach	Audit Days	Assurance level given	Number of Recommendations Made					
										H	M	L	In Total	Agreed	
<i>Work in progress or yet to start (including reports still in draft)</i>															
Housing Benefit (shared service)*	07/11/11							70*							
Council Tax (shared service)*	28/11/11							-*							
NNDR (shared service)*	28/11/11							-*							
Data Protection	21/11/11							6							
Public Consultations / Citizens Panel	12/12/11							6							
Housing Repairs	05/12/11							10							
VAT	19/12/11							8							
Contracts Review	On-going							10							
Counter Fraud	TBC							10							
Follow Up	On-going							9							
Spot Checks (Bank Accounts at Sheltered Housing Schemes)	On-going							5							
Audit Management	N/A							25							
TOTAL								159							

NB * Shared Service Revenues and Benefits Reviews Days – 70 = total number of days for combined review of three audit areas, Council Tax, NNDR, and Housing Benefits. Final costs are to be apportioned between each of the three District Councils.

APPENDIX B: HINCKLEY AND BOSWORTH BOROUGH COUNCIL – EXECUTIVE SUMMARIES AND ACTION PLANS

RISK MANAGEMENT FOLLOW-UP

1. EXECUTIVE SUMMARY

1.1 INTRODUCTION

An Internal Audit review of the Council's Risk Maturity was undertaken in August 2011, and a Final report was issued in September 2011. The report contained eleven recommendations, of which eight were categorised as 'High', two as 'Medium' and one as 'Low'.

Due to the seriousness of the findings, it was agreed at the Finance and Audit Services Select Committee 31st October 2011 that a special follow-up audit should be undertaken to review progress made by Hinckley and Bosworth Borough Council to implement the previous internal audit recommendations. It was also important to re-visit this area, as the audit opinion of risk may influence or be used to inform the Annual Head of Internal Audit opinion.

According to management responses to the original audit, all recommendations should have been implemented by the end of October 2011. Overall we noted that eight recommendations have been fully implemented, two are in the process of being implemented, and one has yet to require full implementation. We have also made one further medium risk recommendation regarding the introduction of independent review of risks during the annual business planning process. Whilst we have reiterated the recommendations that have yet to be fully implemented, we would note that there is clear evidence that the Council has made good progress in each of these areas, but that full completion is largely dependent on the completion of the senior management training (for the purposes of this Committee report, we would note that this training was completed in the last week of November 2011) and subsequent further management review of details for all risks.

Staff members responsible for the implementation of recommendations were interviewed to determine the status of agreed actions. Where appropriate, audit testing has been completed to assess the level of compliance with this status and the controls in place.

1.2 CONCLUSION

Taking account of the issues identified in the remainder of the report and in line with our definitions set out in Appendix A, in our opinion Hinckley and Bosworth Borough Council has demonstrated adequate progress in implementing actions agreed to address internal audit recommendations.

There are no high or medium recommendations that we consider to be receiving inadequate management attention.

We have reiterated recommendations where these have not yet been fully implemented. We have made one additional recommendation, and this is detailed in the action plan.

1.3 LIMITATIONS TO THE SCOPE OF THE AUDIT

This review only examined actions taken in relation to the recommendations agreed in the earlier full Risk Management review reported in September 2011, and did not review the whole risk maturity control framework. Therefore, we are not providing assurance on the entire risk and control framework.

This review did not comment on whether individual risks were appropriately managed, or whether the organisation had identified all of the risks and opportunities facing it.

We do not endorse a particular means of risk management. It remains the responsibility of management to agree and manage information needs and to determine what works most effectively for the organisation.

Where testing has been undertaken, our samples have been selected over the period since actions were implemented or controls enhanced.

Our work does not provide any guarantee or absolute assurance against material errors, loss or fraud.

2 ACTION PLAN

The priority of the recommendations made is as follows:

Priority	Description
High	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Medium	
Low	
Suggestion	These are not formal recommendations that impact our overall opinion, but used to highlight a suggestion or idea that management may want to consider.

	Recommendation	Categorisation	Accepted Y/N	Management Comment	Implementation Date	Manager Responsible
1	The Council should develop a risk management training and awareness programme to ensure that all staff / Members are aware of and understand the principles laid down in the Risk Management Strategy.	Medium	Y	Management training has now been completed based on the revised Risk Strategy and changes within the TEN system.	Complete	LH

	Recommendation	Categorisation	Accepted Y/N	Management Comment	Implementation Date	Manager Responsible
2	Risk owners should undertake a review of all controls and action plans to ensure the controls in place are relevant and effective to manage the risk and also all actions are up to date and assigned to an action owner	High	Y	This has formed part of the training, we have explained the importance of full reviews of controls and action plans	December 2011	LH and Service Managers
3	<u>(New Recommendation)</u> The Council should ensure that during the annual business planning process, risks compiled by managers are reviewed, checked, and up-dated as necessary by an independent officer. However, managers should note that this exercise should be undertaken only as an addition to their own, regular reviews, and should not be relied upon as a fall-back check.	Medium	Y	Risk reviews have been incorporated into Service Improvement Plans and a new Tab has been inserted into each SIP action so that risk is considered alongside each project	Complete in terms of the TEN system – March 2011 for new Service Improvement Plans	LH and Service Managers
4	All risks identified on papers to committees and groups should be linked back to the “TEN” system to ensure they are managed effectively by a risk owner.	High	Y	There has been a change to the report template prompting this	Complete	LH

IT CONTRACT

1. EXECUTIVE SUMMARY

1.1 INTRODUCTION

An audit of the IT services contract performance was undertaken as part of the approved internal audit periodic plan for 2011/12.

The Council have a fully outsourced ICT Services contract through Steria; support services delivered include hardware and software, business applications and server management and support.

The IT Managed Services contract was awarded to Steria in 2006, with the contract being agreed on a fixed-term contract basis. The contractual terms have been renegotiated on two occasions in 2008 and 2011; the contract is due to expire in 2016.

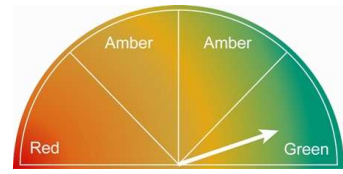
There is a Service Level Agreement (SLA) in place which forms the basis of the contract with Steria and sets out how Steria are to provide on-going support for a range of IT services within the Council and the required quality of the service, particularly in terms of response and resolution times.

Monitoring the Service Level Agreement ensures that the performance of the contract can be assessed objectively, against the key performance indicators (KPI's) included in the agreement. Quarterly reports of performance against the KPIs are produced by Steria and are presented at quarterly contract meetings between the parties which facilitates the regular review and monitoring of performance improvement.

The audit was designed to assess the controls in place to manage the following objectives and risks:

Objective	The IT Services contract is appropriately resourced, organised and administered to meet the requirements of the Council.
Risk	<p>Roles, responsibilities and expectations of each party (including overall fees and any additional costs) are not clearly defined in a Service Level Agreement, leading to miscommunication and poor service;</p> <p>Relationship owners/key contacts have not been defined, increasing the time to resolve problems;</p> <p>Objective KPIs or metrics have not been agreed, limiting the ability to monitor service standards against expectations; and</p> <p>Problems/issues are not addressed in a timely manner as per agreed Service Level Agreements (SLAs).</p>

1.2 CONCLUSION



Taking account of the issues identified, the Council can take substantial assurance that the controls upon which it relies to manage this area is suitably designed and consistently applied.

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review. The key findings from this review are as follows:

Design of control framework

We have found the following well-designed control.

- HBBC has an agreed Service Level Agreement in place with Steria with appropriate arrangements for the on-going monitoring of performance against agreed KPIs.

Application of and compliance with control framework

We have identified the following examples of consistently applied controls:

- Key contacts on behalf of HBBC and Steria have been identified within the contract.
- The SLA clearly states the agreed minimum performance targets. These are contained in 'Schedule 2-16 Special Term D' document which incorporates the KPI structure and the 14 agreed key performance indicators.
- KPIs are included within regular service reports for HBBC, Blaby District Council and Oadby & Wigston Borough Council.
- Regular contract review meetings take place to discuss and monitor progress made against the contractual KPI's in place.
- IT related issues are raised and logged within the Steria IT Helpdesk and issues are prioritised within the Helpdesk system in line with the SLAs in place between HBBC and Steria.

1.3 SCOPE OF THE REVIEW

To evaluate the adequacy of risk management and control within this area and the extent to which controls have been applied, with a view to providing an opinion. Control activities are put in place to ensure that risks to the achievement of Hinckley & Bosworth Borough Council's objectives are managed effectively. When planning the audit, the following areas for consideration and limitations were agreed:

Areas that this audit focused on:

- Service Level Agreement in relation to the expected service standards;
- Roles and responsibilities of each party;
- Resource allocations;
- Key Performance Indicators (KPIs);
- Performance monitoring in relation to reports and meetings;
- Arrangements for reviewing service; and
- Problem management and reporting.

Limitations to the scope of the audit:

- The arrangements for authorising changes to the IT Infrastructure were examined, but compliance testing was not undertaken as part of the scope of this review.
- Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

The approach taken for this audit was a Key-Controls Audit.

1.4 RECOMMENDATIONS SUMMARY

No recommendations were made arising from this audit.

1.5 ADDITIONAL FEEDBACK**Good Practice Identified During the Audit**

HBBC IT staff review the Steria IT incident logs on a monthly basis to ensure accurate incidents are being recorded.

2 ACTION PLAN

There were no recommendations arising from this audit.

CORPORATE GOVERNANCE

1. EXECUTIVE SUMMARY

1.1 INTRODUCTION

An audit of Corporate Governance was undertaken as part of the approved internal audit periodic plan for 2011/12.

This audit focussed on the controls surrounding the induction and on-going training of the 34 current Members, to ensure that they are fully aware of their roles and responsibilities, and that they are suitably equipped to fulfil such roles, especially with regards to membership of and contribution to the Committee structure.

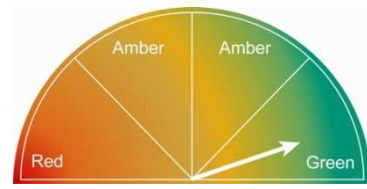
The audit noted that in the last twelve months, both Members and Council Officers have worked to improve arrangements in these areas, with the Member Steering group making a number of suggestions and recommendations. As a result, the induction process for new members was reviewed prior to the last elections, and training has been made mandatory in areas of Finance (for all Members) and Planning/Licensing (for Planning/Licensing Committee Members). A review of training records shows that Members are co-operating fully with the training programme, although a number of Members have yet to attend the Finance training.

The audit also reviewed the implementation of the Modern.Gov system. This is intended to ‘fully automate processes, reduce risk and ensure openness and transparency in production and publication of information’. The system incurred an initial capital cost of £17,500, with further annual running costs of £6,250, but is forecast to realise savings within three years.

The audit was designed to assess the controls in place to manage the following objectives and risks:

Objective	The Council operates an effective programme of Governance that complies with documented guidance and regulations.
Risk	Insufficient preparation for Members prior to taking up their responsibilities

1.2 CONCLUSION



Taking account of the issues identified, the Council can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review. The key findings from this review are as follows:

Effectiveness

- The introduction of the Modern.Gov system is forecast to realise savings to the Council within three years of its initial acquisition.

Design of control framework

- Roles, responsibilities and all other relevant details relating to the Council's Committees and the Members are clearly and easily available to the general public via the internet.
- Members are fully informed of their roles and responsibilities by the provision of a Members handbook, and associated induction training. Thereafter further training is also provided in specialist areas.
- Finance training is mandatory for all Members, as is training on planning related issues for all members of the Planning committee.
- The Modern.Gov system has been introduced with the aim to 'fully automate processes, reduce risk and ensure openness and transparency in production and publication of information'.

Application of and compliance with control framework

- Documented training records show that all new Members of the Council have undergone induction training.
- Testing noted that all Members of the Planning Committee have attended a training session in this area since the last elections. However, 18 out of 34 Members have yet to attend Finance training in 2011.

1.3 SCOPE OF THE REVIEW

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively. When planning the audit, the following controls for review and limitations were agreed:

Limitations to the scope of the audit:

- We will undertake an assessment of the adequacy of aspects of the control framework and we will undertake limited testing to confirm its operation in practice.
- Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist

The approach taken for this audit was a Risk-Based Audit.

1.4 RECOMMENDATIONS SUMMARY

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

Our recommendations address the design and application of the control framework as follows:

	Priority		
	High	Medium	Low
Design of control framework	0	0	2
Application of control framework	0	0	2
Total	0	0	4

The recommendations address the risks within the scope of the audit as set out below:

Risk	Priority		
	High	Medium	Low
Insufficient preparation for Members prior to taking up their responsibilities	0	0	4
Total	0	0	4

Recommendations implemented since the previous audit in this area:

Date of previous audit: July 2010			
Assurance:	High	Medium	Low
Number of recommendations made during previous audit	0	1	0
Number of recommendations implemented	0	1	0
Recommendations not yet fully implemented:	0	0	0

2 ACTION PLAN – No 'High' or 'Medium' Risk Recommendations were raised as part of this review.

ATKINS BUILDING – COMMERCIAL INCOME

1. EXECUTIVE SUMMARY

1.1 INTRODUCTION

An audit of Atkins Building – Commercial Income was undertaken as part of the approved internal audit periodic plan for 2011/12.

The Atkins Building is a Grade Two listed building which was refurbished and was opened on the 28th September 2010. There are three members of staff who are responsible for the running and maintenance of the Atkins building. The Atkins Building currently houses six meeting rooms for customers to hire and utilise, and houses eighteen tenants on three floors.

The Atkins Building has a range of tenants including; Creative Hinckley, Café Impressions and Leicester City Council. The building is open to external business and promotes Atkins tenants to utilise other areas within the building for a discounted rate. There is a 76% occupancy rate within the building and is receiving £141,000 in rent.

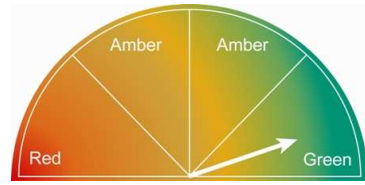
Due to the Atkins building being open for a year, the Council has utilised other resources in order to produce a budget forecast. Completing research through analysing costs from contractors, using comparative information from other competitors and also using the running costs analysis from Hinckley's Contact Centre budget forecasts have been determined. Regular meetings with the Accounts department are held to monitor the monthly budgeting. The Atkins building is currently within budget by £7,416.

If a tenant requires a property, a process is followed whereby a meeting and a tour is arranged. If the tenant is interested an offer letter is provided and consequently a lease is signed prior to usage of the space acquired. The Legal Services and the Revenues and Benefits Officers are notified of the new tenant and the rent charge. If a customer is requiring the use of the other facilities such as, the meeting rooms, the various rates are provided to the customer along with information including the risk assessments. Customers pay via invoices produced from the Debtors team on a monthly basis.

The audit was designed to assess the controls in place to manage the following objectives and risks:

Objective	To manage the usage of space and facilities within the Atkins Building in the most efficient and economically beneficial manner.
Risk	Available space within the Atkins building is not managed effectively, resulting in a loss of potential income to the Council.

1.2 CONCLUSION



Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review. The key findings from this review are as follows:

Effectiveness

- Marketing the facilities of the Atkins Building is currently on hold due to a recruitment process. Once the vacancy has been filled the Estates team can continue with marketing the facilities available.

Design of control framework

- There is no evidence of the customer being provided with Risk Assessment information.

Application of and compliance with control framework

- There are procedures in place for fire risk's and contractors however there are no procedures in place in regards to completing tasks should a member of staff be of absent for a period of time.
- There are monthly budgetary monitoring meetings between the Finance department and the Atkins Estates staff.
- Testing a sample of customers, illustrated that invoices were being raised by the Debtors team to external customers and tenants within the Atkins Building.
- All actions required to be completed within the Fire Risk Assessment was completed immediately.

1.3 SCOPE OF THE REVIEW

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively. When planning the audit, the following controls for review and limitations were agreed:

Control activities relied upon:

- Risk Assessments
- Lease Documentation
- Income from commercial activities
- Budgetary Monitoring and expenditure

Limitations to the scope of the audit:

- We will undertake an assessment of the adequacy of aspects of the control framework and we will undertake limited testing to confirm its operation in practice.
- Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

1.4 RECOMMENDATIONS SUMMARY

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

Our recommendations address the design and application of the control framework as follows:

	Priority		
	High	Medium	Low
Design of control framework	0	1	1
Application of control framework	0	0	0
Total	0	1	1

The recommendations address the risks within the scope of the audit as set out below:

Risk	Priority		
	High	Medium	Low
Available space within the Atkins building is not managed effectively, resulting in a loss of potential income to the Council.	0	1	1
Total	0	1	1

2 ACTION PLAN

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1	<p>A document should be produced that provides information and disclaimers with regards to the hiring of rooms. Prior to the usage of the rooms this should be signed by the customer.</p> <p>The document should contain information such as; the agreed price for the room, date of payment, main elements of the Risk Assessment, general housekeeping rules, actions taken due to non-compliance, penalties for cancellation or damages etc.</p>	Medium	Y	Licence agreement to be utilised from W/C 14/11/11	14th November 2011	ME

INCOME AND DEBTORS

1. EXECUTIVE SUMMARY

1.1 INTRODUCTION

An audit of Income and Debtors was undertaken as part of the approved internal audit periodic plan for 2011/12.

The objective of the audit was to ensure that income is received in a timely manner in order to minimise losses, debtors' analysis is frequent and that recovery is performed with a minimum cost and maximum effectiveness.

The raising of invoices is undertaken by Council departments as well as by the Debtors team. The recovery of debts is undertaken centrally by the Debtors team within the Procurement and Payments section. Procurement and Payments staff use the Civica financial management package to raise invoices, track payments and write-off outstanding balances.

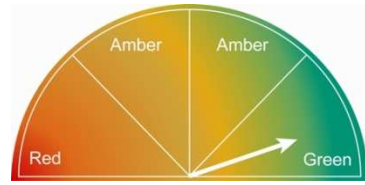
An Aged Debtors report is produced monthly which shows all outstanding debts owed to the Council. In 2011/12 to date, a total of approximately £1,869,000 is owed to the Authority from over 4,000 separate, current and past debts. Reminder letters are sent out to debtors with amounts outstanding after 14-21 days, and a second, more formal letter, after a further 14-21 days.

A monthly report is also produced which lists all debts that have not been cleared after 90 days. From this report, the Debtors team make a judgement on the economic viability of pursuing the debtor through the County Courts, or writing-off the debt as unrecoverable. Communication between the Debtors team and other internal departments allows a co-operative decision to be made as to any potential action to be taken against debtors. Authorisation from senior management is sought when debts are written-off.

The audit was designed to assess the controls in place to manage the following objectives and risks:

Objective	To ensure income is received in a timely manner in order to minimise losses; debtors' analysis is frequent and recovery is performed with a minimum cost and maximum effectiveness.
Risk	<p>Financial loss to the organisation due to the lack of identification of monies due.</p> <p>Income is not received as expected, resulting in loss of funds to the organisation.</p> <p>Bad debts are written off where there is a chance of recovery of funds, resulting in a loss of income.</p>

1.2 CONCLUSION



Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review.

The key findings from this review are as follows:

Design of control framework

- There are up-to-date operating procedures in place, but the overall Corporate Debt Recovery Strategy has not been up-dated since 2007.
- Although there is a regular reporting apparatus in place for general recovery of debts, there is room for further analysis of data in this area to identify trends and to monitor performance.

Application of and compliance with control framework

- Testing did not find any discrepancies regarding the follow-up of outstanding debts.
- Write-off authorisation and explanation was in line with documented procedures for the sample examined.

1.3 SCOPE OF THE REVIEW

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively. When planning the audit, the following controls for review and limitations were agreed:

Limitations to the scope of the audit:

- We will undertake an assessment of the adequacy of aspects of the control framework and we will undertake limited testing to confirm its operation in practice.
- Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

The approach taken for this audit was a Risk-Based Audit.

1.4 RECOMMENDATIONS SUMMARY

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

Our recommendations address the design and application of the control framework as follows:

	Priority		
	High	Medium	Low
Design of control framework	0	0	0
Application of control framework	0	0	2
Total	0	0	2

The recommendations address the risks within the scope of the audit as set out below:

Risk	Priority		
	High	Medium	Low
Financial loss to the organisation due to the lack of identification of monies due.	0	0	1
Income is not received as expected, resulting in loss of funds to the organisation.	0	0	1
Bad debts are written off where there is a chance of recovery of funds, resulting in a loss of income.	0	0	0
Total	0	0	2

Recommendations implemented since the previous audit in this area:

Date of previous audit: November 2010			
Assurance:	High	Medium	Low
Number of recommendations made during previous audit	0	2	2
Number of recommendations implemented	0	2	1
Recommendations not yet fully implemented:	0	0	1

A 'Low' risk recommendation relating to the review and up-date of the Corporate Debt Recovery Strategy has not been fully implemented and has thus been reiterated as part of this audit.

2 ACTION PLAN – No 'High' or 'Medium' Risk Recommendations were raised as part of this review.

CREDITORS

1. EXECUTIVE SUMMARY

1.1 INTRODUCTION

An audit of Creditors was undertaken as part of the approved internal audit periodic plan for 2011/12.

During the course of the audit we reviewed the Financial Regulations and Creditor procedure notes, and examined a sample of payments with regards to the matching and authorisation of invoices, the payment of invoices, the segregation of duties, and basic access levels and protection over the Creditors system.

Between 1st April and 31st August 2011, the Council processed 3,141 invoices, of which 3,118 were paid within 30 days. This equates to 99.2% which is an improvement over the prior year's 98.7% for the comparable time period. The target of invoices paid within 30 days is 99%. Performance against targets is reported through the senior management teams on a monthly basis.

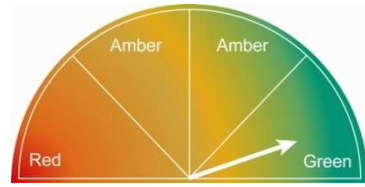
Our sample testing of payments by both BACS and by cheque showed that these were completed in line with the documented Financial Procedure Rules, which were last up-dated in June 2010 (in accordance with the procedural requirement for update at least every 2 years).

Financial Procedure Rules are in place at the Council that form part of the Constitution. They specify responsibilities for staff involved in creditors and define the Council's delegated authority limits. Invoices and payments to suppliers are checked electronically, and we note from the most recent Service Improvement Plan that a pilot Goods Receipting process is scheduled to be tested in December 2011.

The audit was designed to assess the controls in place to manage the following objectives and risks:

Objective	To ensure that all creditor payments are valid, accurate, timely and are only in respect of goods and services ordered and received by the organisation.
Risk	<p>Budgets are not controlled as expenditure is not recorded at the time of commitment.</p> <p>Financial loss to the organisation through unnecessary and inappropriate invoices being paid.</p> <p>Non-compliance with public sector best practice, resulting in damage to reputation.</p>

1.2 CONCLUSION



Taking account of the issues identified, the Council can take substantial assurance that the controls upon which the authority relies to manage this risk are suitably designed, consistently applied and effective.

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review.

The key findings from this review are as follows:

Effectiveness

- Audit testing of a sample of payments showed good levels of compliance with the systems in place;
- Performance monitoring in this area shows a high level of invoices are paid in a timely manner;
- Credit notes are applied timely and appropriately;
- User access to systems needs to be updated and monitored more frequently; and
- Audit testing of purchase orders showed staff were not consistently completing purchase orders prior to placing the order.

Design of control framework

- The system of controls is properly documented and the Financial Procedure Rules have been recently up-dated.

Application of and compliance with control framework

- Sample testing of the controls in operation showed that these were being properly applied in practice.

1.3 SCOPE OF THE REVIEW

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively. When planning the audit, the following controls for review and limitations were agreed:

Control activities relied upon:

- Payment is not made to the supplier until confirmation has been received in Finance from the relevant individual/department.
- Payments are only made to suppliers on receipt of an authorised invoice.
- Only specific staff can set up new suppliers on the finance system and this is not individuals who process invoices.
- A performance indicator has been determined for the Finance department covering the percentage of invoices which have to be paid in 30 days.
- Credit Notes are applied timely and appropriately.

Limitations to the scope of the audit:

- We will undertake an assessment of the adequacy of aspects of the control framework and we will undertake limited testing to confirm its operation in practice. Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

The approach taken for this audit was a Risk-Based Audit.

1.4 RECOMMENDATIONS SUMMARY

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

Our recommendations address the design and application of the control framework as follows:

	Priority		
	High	Medium	Low
Design of control framework	0	0	0
Application of control framework	0	1	2
Total	0	1	2

The recommendations address the risks within the scope of the audit as set out below:

	Priority		
Risk	High	Medium	Low
Budgets are not controlled as expenditure is not recorded at the time of commitment.	0	0	0
Financial loss to the organisation through unnecessary and inappropriate invoices being paid.	0	1	1
Non compliance with public sector best practice, resulting in damage to reputation.	0	0	1
Total	0	1	2

Recommendations implemented since the previous audit in this area:

Date of previous audit: 1 January 2011			
Assurance:	High	Medium	Low
Number of recommendations made during previous audit	0	0	2
Number of recommendations implemented	0	0	1
Recommendations not yet fully implemented:	0	0	1

There has been successful implementation of a control around the £250 tolerance level of variances between purchase order and invoice amount. However, this has only been deemed partially implemented since the Financial Procedure Rules have not been updated to reflect the control.

2 ACTION PLAN

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1	<p>Staff involved in purchasing must complete purchase orders for all purchases and have them appropriately approved prior to placing an order.</p> <p>Invoices that are received without a corresponding PO should be reported, at an appropriate level, so that those concerned can be reminded of the process to follow.</p>	Medium	Y	Reminders will be circulated via managers of the requirement to raise Pos in advance	December 2011	Julie Kenny

ASSET REGISTER

1 EXECUTIVE SUMMARY

1.1 INTRODUCTION

An audit of Asset Register was undertaken as part of the approved internal audit periodic plan for 2011/12.

The Council implemented a new asset management system CIPFA Asset Manager.net earlier in the year which went live in August 2011, the system is also known as CAPS Accounting. At the time of audit the database had been populated with the data from the previous spread-sheet version of the Fixed Asset Register from 2009/10.

The Principal Building Surveyor has conducted a review of all Council property to ensure that the land and buildings reported in the Fixed Asset Register are up-to-date. Information regarding ownership has been obtained from the Fixed Asset Register spread-sheet, the land registry records maintained by Legal Services and through liaison with other departments. Assets have been visited to confirm the legal boundaries are accurate and that all estates which require maintaining have been captured. Where the property is no longer owned or controlled by the Council the asset is removed from the Principal Building Surveyor's list of property in query.

As well as using the Asset Manager.net software for Fixed Asset Register purposes, Estates will use the system to record property for estates management purposes. Sub-elements of assets (e.g. the car park at Burbage Common, or a building at Hinckley Cemetery) have been added to make them more easily identifiable, however these have a nil value for financial reporting purposes as the value is included in the main heading.

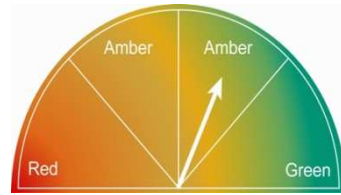
The Fixed Asset Register for 2010/11 was reported using the spread-sheet and we confirmed that external audit had reviewed this and were now satisfied with the values reported. The update of the Fixed Asset Register spread-sheet takes place annually in preparation for the reporting of the statement of accounts. It is proposed that, using the Asset Manager.net, the system can be updated with acquisitions, disposals and depreciation, etc. on a monthly basis. The database is required to be up to date to aid calculation of budgeted depreciation for 2012/13, once the budget setting process begins in October / November.

The Council was also required to restate the Fixed Asset Register using International Financial Reporting Standards for 2010/11. Adjustments were required where a component of that asset has a significantly different economic life; these were for windows and roofs on significant buildings. Going forward these will be required to be reported separately in the Fixed Asset Register and will therefore be required to be added as a sub category within the Asset.Manager.net system.

The audit was designed to assess the controls in place to manage the following objective and risk:

Objective	To ensure that all fixed assets owned by the Council have been identified, recorded, and are correctly accounted for.
Risk	Fixed assets are valued inappropriately

1.2 CONCLUSION



Taking account of the issues identified, the Council can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review.

The key findings from this review are as follows:

Effectiveness

- The Council has invested in a new system for recording and reporting its Fixed Asset Register; however this is not effectively utilised as the database has not been fully populated. The system contains appropriate detail to 31st March 2010 and therefore the period to 2010/11 and any further adjustments / transactions taking place in 2011/12 are required to be input before the system is up-to-date.

Design of control framework

- The Council has a spread-sheet system in place for recording and reporting the Fixed Asset Register, due to the format in which this data is recorded there is an increased risk of mistakes being made when entering data into the Fixed Asset Register. It is however useful to know that should the Council encounter any problems with the new system, a backup in the form of the spread-sheet is available.
- The policies surrounding asset management, including the Financial Procedure Rules detailed within the Council's Constitution, the Land and Property Acquisition Policy and the Land and Property Disposals Policy, are out of date. This is due in the main to the restructures that have taken place and the implementation of the Asset Manager.net system. This practice of review and update should take place periodically or following a major change in process, such as the implementation of a new asset management system.
- A set of protocols has been established to ensure that the data added to Asset Manager.net is recorded in the appropriate format.
- All data currently recorded on Asset Manager.net has been reconciled to that recorded in the Fixed Asset Manager spread-sheet reported for 2009/10.
- All Council owned property is subject to valuation on an annual basis, this is performed through a desktop review with a full physical review taking place every five years.
- Access to the Asset Manager.net system is restricted by username and password. However, at present all users have access to view and edit the data recorded on the system; this is due to all users being involved in populating the database to bring it up-to-date. Once the system is fully updated a review of access rights should be performed to ensure that only appropriate users have access to amend the database.
- Additions to the Fixed Asset Register are required to be authorised through the Capital Forum, work in progress is recorded on the general ledger through the coding structure and is not added to the Fixed Asset Register until the asset is realised and is in full working use.
- The Disposal of Plot 8 Merrylees Industrial Estate was seen to be authorised by the Executive based on the valuation provided by an externally appointed RICS surveyor.

Application of and compliance with control framework

- The Principal Building Surveyor has undertaken a comprehensive review of systems to identify all Council property. From this, a list of property in query was established and is being investigated by the Principal Building Surveyor. Where property is identified as no longer being owned or controlled by the Council it is removed from the list of queries, but without an audit trail explaining the removal.

1.3 SCOPE OF THE REVIEW

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively. When planning the audit, the following controls for review and limitations were agreed:

Limitations to the scope of the audit:

- We will undertake an assessment of the adequacy of aspects of the control framework and we will undertake limited testing to confirm its operation in practice.
- Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

The approach taken for this audit was a Risk-Based Audit.

1.4 RECOMMENDATIONS SUMMARY

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

Our recommendations address the design and application of the control framework as follows:

	Priority		
	High	Medium	Low
Design of control framework	0	0	0
Application of control framework	0	1	5
Total	0	1	5

The recommendations address the risks within the scope of the audit as set out below:

	Priority		
Risk	High	Medium	Low
Fixed assets are valued inappropriately	0	1	5
Total	0	1	5

Recommendations implemented since the previous audit in this area:

Date of previous audit: December 2010			
Assurance: Green Amber	High	Medium	Low
Number of recommendations made during previous audit	0	1	2
Number of recommendations implemented	0	1	0
Recommendations not yet fully implemented:	0	0	2

The Asset Manager.net system limits access through the use of username and password and privileges have been granted to six officers.

Financial procedure rules have not been updated as was previously recommended. As a result, we have re-raised this issue in the 2011/12 report.

The final recommendation raised in the 2010/11 audit related to the location of fixed assets being recorded in the Asset Manager.net system, as the system has not yet been fully populated with all assets, this has not been completed.

1.5 ADDITIONAL FEEDBACK

Good Practice Identified During the Audit
A comprehensive review of all property assets has been undertaken, with any queries being listed and investigated.
Valuation takes place on an annual basis, or before a property is authorised for disposal.

We have included some comparative data to benchmark the number of recommendations made, as shown in the table below. In the past year, we have undertaken a number of audits of a similar nature in the sector.

Level of Assurance	Percentage of Reviews	Results of this Audit
Green	35%	
Amber	50%	✓
Red	15%	

Recommendations	Average number in similar audits	Number in this audit
Recommendations made	5	5

2 ACTION PLAN

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1	The transfer of all data from the spreadsheet FAR to the CIPFA Asset Manager system is not complete, but once this has taken place the two systems should be reconciled to ensure that they agree at the point of 31st March 2011.	Medium	Y	Asset.Net needs to be updated for 10/11 transactions.	February 2012	David Bunker

PAYROLL

1 EXECUTIVE SUMMARY

1.1 INTRODUCTION

An audit of Payroll was undertaken as part of the approved internal audit periodic plan for 2011/12.

The Payroll function operates under the guidance of the HR and Transformation Manager. Payroll is currently undertaken by one full-time member of staff, with additional supporting HR staff if required under the supervision of the HR and Transformation Manager. The Payroll has had to restructure its current staff arrangements due to Council efforts to make required savings.

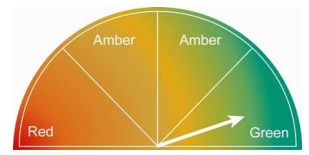
For the past three years the Hinckley and Bosworth Borough Council has been operating payroll using the iTrent software which is an integrated Human Resources (HR) and Payroll system. The system allows for better management of HR, Payroll, Travel & Expense and Time & Absence.

The HR and Payroll department have an approved budget of approximately £230,000 for the 2011/12 financial year. As of the 31st of October 2011, £170,081 has been spent so far with employee expenditure and central & administrative expenditure accounting for the biggest part of the expenditure.

The audit was designed to assess the controls in place to manage the following objectives and risks:

Objective	To ensure that payroll expenditure relates to authorised employees, is accurately paid and is properly recorded and accounted for.
Risk	Additional or incorrect payments are made to staff, resulting in financial loss to the organisation.

1.2 CONCLUSION



Taking account of the issues identified, the Council can take substantial assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective.

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review. The key findings from this review are as follows:

Design of control framework

- The Council has generally well designed systems and controls surrounding the Payroll function. We have suggested enhancements where issues identified may result in an increased risk profile.

Application of and compliance with control framework

- The Council appears successful at applying established controls and complying with frameworks, systems and controls. We have recommended enhancements where issues identified may result in an increased risk profile.

1.3 SCOPE OF THE REVIEW

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion.. Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively. When planning the audit, the following controls for review and limitations were agreed:

Limitations to the scope of the audit:

- We will undertake an assessment of the adequacy of aspects of the control framework and we will undertake limited testing to confirm its operation in practice.
- Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

The approach taken for this audit was a Risk-Based Audit.

1.4 RECOMMENDATIONS SUMMARY

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

Our recommendations address the design and application of the control framework as follows:

	Priority		
	High	Medium	Low
Design of control framework	0	0	0
Application of control framework	0	0	2
Total	0	0	2

The recommendations address the risks within the scope of the audit as set out below:

Risk	Priority		
	High	Medium	Low
Additional or incorrect payments are made to staff, resulting in financial loss to the organisation.	0	0	2
Total	0	0	2

2 ACTION PLAN – No ‘High’ or ‘Medium’ Risk Recommendations were raised as part of this review.

GENERAL LEDGER

1 EXECUTIVE SUMMARY

1.1 INTRODUCTION

An audit of General Ledger was undertaken as part of the approved internal audit periodic plan for 2011/12.

The Council's General Ledger is operated using the Civica Financial system. An Integrated Interface Module is automatically run every 20 minutes by the system which allows for all transactions to be fed from the feeder systems to the General Ledger. Daily transactions are backed-up daily while the whole GL is backed-up weekly.

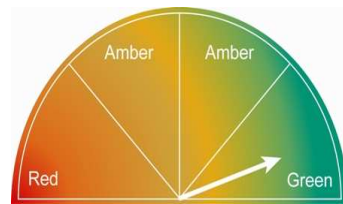
Currently, a typical month of operation would include approximately 9,000 transactions posted through the General Ledger including transactions from feeder systems and all journals.

Journals are prepared by Finance staff; and once uploaded require management authorisation prior to being accepted onto the system. A month-end timetable is in place in Finance detailing all reconciliations to be completed by assigned Finance staff. Two new users were granted unique access rights to the system in the current fiscal year.

The audit was designed to assess the controls in place to manage the following objective and risk:

Objective	The organisation's financial system is appropriately managed to ensure that all financial transactions are accurately recorded.
Risk	Procedural documentation and training

1.2 CONCLUSION



Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review. The key findings from this review are as follows:

Design of control framework

- Adequate controls are in place to maintain system access security to the General Ledger.
- Desktop procedures have not been developed at the individual staff level.

Application of and compliance with control framework

- Journal entries are appropriately prepared with adequate support and segregation of duties.
- Bank control account reconciliations are completed in a timely manner.
- Appropriate supporting evidence for amendments to the chart of accounts is not always maintained.

1.2 SCOPE OF THE REVIEW

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively. When planning the audit, the following controls for review and limitations were agreed:

Control activities relied upon:

- Data input to the main accounting system from feeder systems is subject to control and agreement.
- Control accounts are balanced regularly.
- Cash / bank reconciliations are prepared and reviewed.
- Journal transfers are required to contain adequate explanation and approval.
- Only authorised personnel can update and amend the systems.
- Suspense accounts are regularly reviewed and investigated.

Limitations to the scope of the audit:

- We will undertake an assessment of the adequacy of aspects of the control framework and we will undertake limited testing to confirm its operation in practice.
- We will not seek to assess the appropriateness of payments made or income received, only the financial treatment of these transactions.
- Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

The approach taken for this audit was a Risk-Based Audit.

1.3 RECOMMENDATIONS SUMMARY

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

Risk	High	Medium	Low
Procedural documentation and training	0	0	1
Data input	0	0	1
Data verification	0	0	0
Total	0	0	2

Recommendations implemented since the previous audit in this area:

Date of previous audit: December 2010			
Risk	High	Medium	Low
Design of control framework	0	0	0
Application of control framework	0	0	2
Total	0	0	2

Recommendation's for desktop procedures, recurring general ledger training and completion of all reconciliations has been included again in this year's report.

1.4 ADDITIONAL FEEDBACK

Good Practice Identified During the Audit

A comprehensive review of all property assets has been undertaken, with any queries being listed and investigated.

Valuation takes place on an annual basis, or before a property is authorised for disposal.

We have included some comparative data to benchmark the number of recommendations made, as shown in the table below. In the past year, we have undertaken a number of audits of a similar nature in the sector.

Level of Assurance	Percentage of Reviews	Results of this Audit
Green	35%	✓
Amber	50%	
Red	15%	

Recommendations	Average number in similar audits	Number in this audit
Recommendations made	5	4

2 ACTION PLAN – No ‘High’ or ‘Medium’ Risk Recommendations were raised as part of this review.