

HAMBLETON DISTRICT COUNCIL

Report To: Audit, Governance and Standards Committee
26 June 2013

From: Director of Resources

Subject: **INTERNAL AUDIT ANNUAL REPORT 2012/13**

All Wards

1.0 PURPOSE AND BACKGROUND:

- 1.1 The purpose of the report is to present the Internal Audit Annual Report for 2012/13. That report is prepared by Veritau North Yorkshire (VNY), based on work carried out during the period April 2012 to March 2013.
- 1.2 The purpose of the report is to provide a statement of assurance regarding the adequacy and effectiveness of the internal control system; and a summary of the internal audit work carried out during the year to 31 March 2013. The Statement of Assurance will support the Annual Governance Statement (AGS) which forms part of the Council's Financial Statements.
- 1.3 Within the report there is also a summary of the audit opinions for the individual audits completed in the year, to support the overall opinion. It also includes a synopsis of the performance of Veritau in delivering internal audit to Hambleton DC.
- 1.4 Veritau carried out it's work in accordance with the Cipfa Code of Practice for Internal Audit in Local Government.
- 1.5 There is no direct linkage to any of the Council's Priorities, as internal audit is a support service, which provides internal control and activity assurance to Directors on the operation of their services, and specifically to the Council's S151 Officer on financial systems.

2.0 DECISIONS SOUGHT:

- 2.1 It is recommended that the attached report for 2012/13 be approved.

3.0 RISK ANALYSIS:

3.1 Risk in approving the recommendation(s)

Risk	Implication	Prob*	Imp*	Total	Preventative action
There are no significant risks associated with the consideration of this report	N/a	N/a	N/a	N/a	N/a

3.2 Risk in not approving the recommendation(s)

Risk	Implication	Prob*	Imp*	Total	Preventative action
Internal Audit & Risk Management activity is not monitored by a Member body.	External Audit may comment if Members are not kept informed of risk management activity.	3	2	6	Members continue to require regular reports on internal audit work that has been undertaken by the Council.

Prob = Probability, Imp = Impact

Score range is Low = 1 to High = 5

4.0 **CONCLUSIONS:**

4.1 The overall opinion of the Head of Internal Audit on the controls operated in Hambleton District Council is that they provide **Substantial Assurance**. There are no qualifications to that opinion. No reliance was placed on the work of other assurance bodies in reaching this opinion. There are no significant control related issues which, in the opinion of the Head of Internal Audit need to be considered for inclusion in the Annual Governance Statement.

5.0 **RECOMMENDATIONS:**

5.1 It is recommended that the attached report for 2012/13 be approved:-

Background papers: None

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Hambleton District Council

Internal Audit Annual Report

2012-13

Audits Completed to 31 March 2013	
High Assurance	12
Substantial Assurance	11
Moderate Assurance	1
Limited Assurance	1
No Assurance	0

Audit Opinion

Substantial Assurance

Audit Manager: John Barnett
Client Relationship Manager: Roman Pronyszyn
Head of Internal Audit: Max Thomas

Circulation List: Members of the Audit, Governance & Standards
Committee
Director of Resources (S151 Officer)

Date: 26 June 2013

Background

- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2011 and the CIPFA Code of Practice for Internal Audit in Local Government (2006). In accordance with the Code of Practice, the Head of Internal Audit is required to report, to those charged with governance, the findings of audit work, provide an annual opinion on the effectiveness of the Council's internal control environment and identify any issues relevant to the preparation of the Annual Governance Statement.
- 2 During the year to 31 March 2013 the Council's internal audit service was provided by Veritau North Yorkshire Ltd, which is part of the Veritau Group.

Internal Audit Work Carried Out 2012/13

- 3 During the 2012/13 year, internal audit work was carried out across the full range of activities of the Authority. The main areas of internal audit activity included:
 - **Material Systems;** work in this area provides both assurance to Hambleton DC and helps support the work of external audit (thus reducing the external audit fee). During the year, nine material systems were reviewed. None fell below Substantial Assurance in their rating.
 - **Systems/Operational;** this represents the bulk of the internal audit programme. All but two of the audits were rated as Substantial Assurance or above. Bedale Leisure Centre was rated as Moderate Assurance with issues raised around the raising of debtors invoices and Depots and Stores where we had concerns around the use of stores requisition notes.
 - **Follow Up;** managers to respond directly to members questions and concerns. Work covers those audits where significant risk has been identified and is intended to provide assurance that the agreed recommendations are being properly implemented.
 - **Support to the Audit & Governance Committee;** this was mainly ongoing through our support and advice to members. We have assisted by facilitating the attendance at Committee over the audit reports and the actions that managers are taking to implement agreed recommendations.
 - **Contractor Assessment;** this work involved supporting the assurance process by using financial reports obtained from Dunn & Bradstreet (credit rating agency) in order to confirm the financial robustness of contractors.
 - **Risk Management;** during the year we reviewed the Risk Management process.
 - **Investigations;** No special investigations into suspected fraud or misconduct were carried out during the year.
- 4 **Appendix 1** shows the final table of audit work carried out, and the audit opinion associated with the audits completed. **Appendix 2** provides a summary of the findings of our audit work, and **Appendix 3** an explanation of our assurance levels and finding priorities.

Compliance with Standards

- 5 The Accounts and Audit Regulations require all Councils to annually review their systems of Internal Control and to provide an adequate and effective Internal Audit function.
- 6 The regulations were revised with the issue of circular SI 817/2011. This required, that the council undertake an annual review of the effectiveness of its internal audit, and to present the results of that review to the appropriate committee. In Hambleton District Council, this report was considered by the Audit, Governance and Standards Committee at it's meeting on 27 March 2013.
- 7 The code sets out 11 standards for internal audit. These cover the following:
 1. Scope of Internal Audit;
 2. Independence:
 3. Ethics:
 4. Audit Committees;
 5. Relationships;
 6. Staffing, training and Continuing Professional Development:
 7. Audit Strategy and Planning;
 8. Undertaking Audit Work:
 9. Due Professional Care;
 10. Reporting: and
 11. Performance, Quality and Effectiveness.
- 8 It was reported to committee that during 2012/13 the internal audit work for Hambleton was delivered in accordance with the Cipfa Code of Practice for Internal Audit in Local Government (the CoP). A further survey of Directors and Senior Managers confirms compliance with the code of practice.

Audit Opinion and Assurance Statement

- 9 All Veritau internal audit work was conducted in accordance with both mandatory standards and good practice contained within the CIPFA Code of Practice for Internal Audit in Local Government. In connection with the report to an Audit Committee, the guidance states that:

"The Head of Internal Audit's formal annual report to the organisation should:

 - (a) include an opinion on the overall adequacy and effectiveness of the organisation's internal control environment,
 - (b) disclose any qualifications to that opinion,
 - (c) present a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies,
 - (d) draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement,
 - (e) compare work actually undertaken with the work that was planned and summarise the performance of the Internal Audit function against its performance measures and criteria,

- (f) comment on compliance with these standards and communicate the results of the Internal Audit quality assurance programme.

10 The overall opinion of the Head of Internal Audit on the controls operated in Hambleton District Council is that they provide **Substantial Assurance**. There are no qualifications to that opinion. No reliance was placed on the work of other assurance bodies in reaching this opinion. **There are no significant control related issues which, in the opinion of the Head of Internal Audit need to be considered for inclusion in the Annual Governance Statement.**

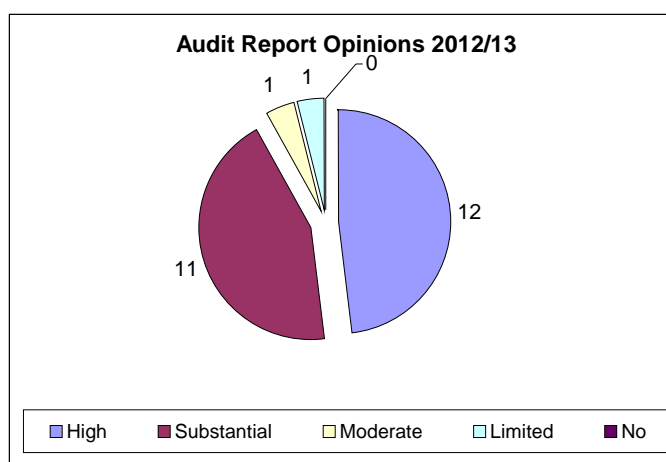
The Assurance:	
Risk Management	I am satisfied that the Authority has embedded Risk Management arrangements within the organisation and this operates effectively
Governance	Our work this year leads me to the overall opinion that the Corporate Governance arrangements are sound.
Internal Control	My overall opinion is that the internal controls within the financial system and key operational systems in operation throughout the year are fundamentally sound.



Max Thomas
Director and Head of Internal Audit
Veritau Ltd

26 June 2013

Table of 2012/13 audit assignments completed



Audit	Status	Audit Committee
Material Systems (AC definition)		
Payroll	Completed ~ Substantial Assurance	June 2013
Council Tax/NNDR	Completed ~ High Assurance	June 2013
Benefits	Completed ~ Substantial Assurance	June 2013
Creditors	Completed ~ Substantial Assurance	June 2013
Debtors	Completed ~ High Assurance	June 2013
Income (Cash Receiving) System	Completed ~ Substantial Assurance	January 2013
General Ledger	Completed ~ High Assurance	June 2013
Treasury Management	Completed ~ High Assurance	June 2013
Capital Accounting/Asset Management	Completed ~ Substantial Assurance	June 2013
2012/13 Audit plan work		
Performance Management/Data Quality	Completed ~ High Assurance	June 2013
Equalities	Deferred to 2013/14	
Partnership Arrangements	Completed ~ High Assurance	June 2013
Telephones (Land/Mobile)	Completed ~ Substantial Assurance	October 2012
Risk Management Process	Completed ~ Substantial Assurance	June 2013
Environmental Sustainability	Completed ~ Substantial Assurance	October 2012
Car Parking	Completed ~ High Assurance	January 2013
ICT	Deferred to 2013/14	
Civil Contingencies Act (Business Continuity)	Completed ~ High Assurance	January 2013
Housing Benefit Fraud	Completed ~ High Assurance	January 2013
Housing Improvement Grants (Disabled Adaptations)	Completed ~ Substantial Assurance	June 2013
Bedale Leisure Centre	Completed ~ Moderate Assurance	January 2013
Vehicle Management	Completed ~ Substantial Assurance	October 2012
Depots – Stores	Completed ~ Limited Assurance	October 2012

Audit	Status	Audit Committee
Insurance	Completed ~ High Assurance	October 2012
Fees and Charges	Included with General Ledger Audit	
Tax Management	Completed ~ High Assurance	March 2013
Cemeteries inc Closed Church Yards	Completed ~ High Assurance	October 2012
Development Control	Completed ~ Substantial Assurance	January 2013
Follow Ups:	Completed – see below for follow up action against ‘key weaknesses’.	

Appendix 2

Summary of Key Issues from audits completed; not previously reported to Committee

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Payroll	Substantial Assurance	The key risks/controls were examined to ensure that only bona fide officers are correctly paid in accordance with terms and conditions and in a timely manner.	27 March 2013	<p>Strengths The payroll service is effectively managed by experienced officers under an SLA with RDC.</p> <p>Key Weaknesses The Senior Payroll Officer prepares the Payroll data and also prepares and executes the BACS run without separate authorisation.</p>	The current situation will be reviewed to ensure all risks associated are mitigated. <i>Immediate</i>
Council Tax/NNDR	High Assurance	A review of the key risks/controls for the setting and collection of local tax.	25 March 2013	<p>Strengths The officers who deal with local taxation, are experienced and have a good understanding of the risks and controls in this area.</p> <p>Key Weaknesses There were no key weaknesses identified.</p>	
Benefits	Substantial Assurance	A review of the key risks/controls involved in awarding and paying benefits.		<p>Strengths The Housing Benefits service is provided by experienced and efficient officers who are well aware of their roles and responsibilities.</p>	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>Key Weaknesses Management checks of assessment made are not carried out on a regular basis</p> <p>There is a delay in the calculating and processing of overpayments.</p> <p>Declarations of Interest are not always completed by officers.</p>	<p>This will be rectified following a service review and the appointment of a quality control officer. <i>July 2013.</i></p> <p>Due to staffing resources/welfare reform changes and an increase in claims. A proposed service redesign will deal with this issue. <i>September 2013.</i></p> <p>Will ensure tighter controls are put in place to ensure 'declarations' are completed. <i>July 2013.</i></p>
Creditors	Substantial Assurance	A review to ensure Creditors are correctly paid in a timely manner.	20 May 2013	<p>Strengths Management have yet to fully introduce the e-purchasing module of the system, which would require the 'order' to be the authorising document instead of the 'invoice'. This would enhance the usability and monitoring functions within the system. Management, however, intend to review their processes in the future to accommodate this function. The current system utilised is managed effectively by experienced officers to achieve the required goals.</p>	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>Key Weaknesses Official purchase orders are not always raised in line with the Constitution of the Council.</p>	<p>The process of raising purchase orders across the Council will be reviewed as part of a process review. <i>31 December 2013</i></p>
Debtors	High Assurance	A review to ensure that debtors accounts are promptly and correctly raised and all payments received are correctly allocated.	28 March 2013	<p>Strengths The day to day functions of the team are ably undertaken under the direction of the Business Unit Manager. Officers have a good understanding of the risks and controls in this area.</p> <p>Key Weaknesses Debt collection rates are not effectively monitored through the debt recovery side of the COA system.</p>	<p>Although collection rates are effectively monitored, it is agreed that it would be more efficient to monitor the debt through COA. It is intended to identify the system issues preventing this and then adopt the same methodology as that employed for the collection of Council Tax and Business Rates. <i>December 2013</i></p>
General Ledger & Budgetary Control	High Assurance	A review to ensure that the key controls around the balances within the ledger are working as intended and that adequate budgetary control is exercised.	18 March 2013	<p>Strengths Overall there is a good management of risk with efficient officers carrying out the day to day functions in the maintenance of the ledger. Fees and charges are appropriately approved and</p>	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>adopted throughout the Council.</p> <p>Key Weaknesses There were no key weaknesses identified.</p>	
Treasury Management	High Assurance	To ensure that funds are securely and wisely invested/borrowed.	25 March 2013	<p>Strengths Treasury Management duties are undertaken by a small team of experienced officers.</p> <p>Key Weaknesses No were no key weaknesses identified.</p>	
Capital Accounting	Substantial Assurance	To ensure that Capital/Assets are treated, in the accounts, with agreed/legislative standards.	8 May 2013	<p>Strengths The systems and processes around Capital Accounting/Assets are effectively and efficiently managed by experienced officers. Officers are working towards migrating from a spreadsheet based fixed asset register to the newly procured IPF software, which should be operational in 2013/14.</p> <p>Key Weaknesses Although there is some evidence of post investment appraisal, it is not a robust process.</p>	<p>There will be a review of procedures for post investment appraisal. <i>August 2013</i></p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Performance Management/Data Quality	High Assurance	A review to provide assurance that the management of 'performance' within the Council is robust.	28 March 2013	<p>Strengths The monitoring and reporting of performance is carried out to a high standard by appropriately trained officers through the TEN Performance Management software.</p> <p>Key Weaknesses There were no key weaknesses identified.</p>	
Partnership Arrangements	High Assurance	A review of the key risks/controls in place, ensuring that governance arrangements are sound.	28 March 2013	<p>Strengths The management of the key risks, within a partnership, situation, are well controlled.</p> <p>Key Weaknesses There were no key weaknesses identified.</p>	
Risk Management Process	Substantial Assurance	A review to ensure that the Council is managing it's key risks to service delivery.	4 April 2013	<p>Strengths The process and management of risk within the Authority is sound.</p> <p>Key Weaknesses A number of Action Plans to mitigate key risks, were incomplete, however management were aware of this and their intention is to update them as soon as possible.</p>	Action plans for Hambleton District Council will be updated as part of the preparations for quarterly review meetings. <i>June 2013</i>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Housing Improvement Grants (Disabled Adaptations)	Substantial Assurance	To ensure that key risk are identified and key controls are in place around the processes employed in identifying and paying grants.	28 March 2013	<p>Strengths The service is maintained efficiently and is effectively managed by officers well versed in their roles.</p> <p>Key Weaknesses VAT is being miscoded within the ledger, however, the VAT may be reclaimable from HMRC. Under claimed VAT could be reclaimed for the current year and the previous 4 years.</p>	To be corrected. <i>Immediate</i> F/U <i>Completed</i>

Summary of Key Issues from audits previously reported to Committee

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Income/Cash Receipting	Substantial Assurance	To ensure that monies received are accounted for and allocated correctly within the accounts of the Authority.	14 December 2012	<p>Strengths The cash receipting system is well developed and managed by experienced and efficient officers.</p> <p>Key Weaknesses There is the provision to issue manual receipts to customers for payments made while the cash receipting system is offline or during cash-up. Whilst this is unavoidable when the system 'is down', system processes should be reviewed to ensure that the issuing of manual receipts is avoided</p>	To be reviewed as part of the cash receipting upgrade. <i>Immediate</i>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Telephones	Substantial Assurance	A review to ensure that the controls are in place to reduce the risks around the procurement, usage and monitoring of landline and mobile telephony.	13 September 2012	<p>when 'cashing-up'.</p> <p>Strengths The procurement and control over telephony at Hambleton is generally of a good standard, effectively managed by knowledgeable officers with only minor issues raised.</p> <p>Key Weaknesses The review highlighted that there are a very low level number of calls being made on the pay phones to justify the rental expenditure being incurred.</p> <p>Premium rate numbers are not blocked for use.</p>	<p>Management will review the need and cost effectiveness of payphones and take appropriate action to either retain or remove them. <i>Implemented – phones taken out.</i></p> <p>Management will review the use of premium rate numbers and bar them, where appropriate. <i>F/U - Implemented, and phone strategy updated.</i></p>
Environmental Sustainability	Substantial Assurance	To ensure compliance with nationally and locally set targets in reducing the effect of climate change.	10 August 2012	<p>Strengths At Hambleton District Council all themes which fall under the Sustainability umbrella are well managed, with policies and procedures being up to date. The sustainability area of the Council's website has extensive information regarding the subject, which is available to the public, highlighting cost cutting</p>	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>schemes being carried out by the council in terms of energy saving.</p> <p>Key Weaknesses There were no key weaknesses identified.</p>	
Car Parking	High Assurance	To provide assurance that the risks surrounding legislation and income within the car parking systems are minimised.	30 October 2012	<p>Strengths The day to day management of off street car parking, in the district, has been shown to be effective.</p> <p>Key Weaknesses There were no key weaknesses identified.</p>	
Civil Contingencies Act	High Assurance	To ensure compliance with the Civil Contingencies Act.	10 December 2012	<p>Strengths The Senior Emergency Planning Officer at NYCC had liaised with officers and supervised the preparation of Business Continuity Plans for each section, which are accessible via the shared drive. However, in the context of the separation of some of the shared services, management are aware that these plans will need redrafting to reflect current arrangements and that all plans will need to be tested and appropriate training carried out and recorded. The risks around business continuity are</p>	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Housing Benefit Fraud	High Assurance	To provide assurance that procedures and processes for the detection of fraud are sound and lawful.	14 December 2012	<p>recognised within the Strategic Risk Register.</p> <p>Key Weaknesses No issues raised apart from the above.</p>	
				<p>Strengths The 'systems' employed to control the risks around Benefit Fraud would seem to be working efficiently, effectively managed by experienced officers who are all adequately trained in, or are currently undertaking 'PINS' training which is an accredited qualification for Civil Servants in benefit fraud. There are detailed in house procedures in place which are recognised by management to be out of date; however due to the potential changes to legislation from April 2013 the decision has been taken to wait and review them as part of the new arrangements.</p> <p>Key Weaknesses There were no key weaknesses identified.</p>	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Bedale Leisure Centre	Moderate Assurance	To provide assurance that controls over income and expenditure are sound and that relevant legislation is adhered too.	4 December 2012	<p>Strengths The leisure centre is generally efficiently and effectively managed by experienced staff. Processes reviewed within the audit didn't raise any significant concerns, however;</p> <p>Key Weaknesses It was of concern that debtors invoices are largely raised through the Leisure Centre's accounting system and not through the Council's Sundry Debtors system. Monies are paid in through the centre's 'cash' income returns. By doing this, firstly, the Bedale LC (General Ledger) is not credited with the income until it is actually received instead of when the invoice is raised and secondly the Council's debt recovery procedure/systems are by-passed with the risk of debt remaining outstanding. The Council's Financial Regulations and the Reception and Administration Procedures Rules are also contravened by adopting this approach. Because the Centre Manager issues the debtors invoices and also accounts for the payment, there is also a lack of 'segregation of duties'.</p>	<p>The Councils corporate debtors procedure will be used when raising invoices and recovering income. <i>Implemented – confirmation received from Manager that this process will now be used.</i></p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Vehicle Management	Substantial Assurance	To review the controls in place to manage the Council's fleet of vehicles.	1 October 2012	<p>Strengths Vehicles are operated and maintained in an efficient and effective manner supported by experienced officers.</p> <p>Key Weaknesses The original contract for the upkeep of building maintenance vehicles expired in 2007, which are now maintained under an informal arrangement with the original contractor.</p> <p>Refresher training, for vehicle operatives, is not scheduled as per the training policy.</p>	<p>There have been initial meetings between myself, the transport manager and the procurement section. The issue of small vehicle maintenance at Hambleton needs to be resolved, not just for building maintenance vehicles, though they have the larger fleet. No action will be taken to procure contracts for waste and street scene small vehicles until a decision has been made on the future of the shared service, which will be next year.</p> <p>There has been a change in the line management of the training officer who has developed a training spreadsheet which alerts the user when the refresher training is due.</p> <p><i>F/U – Implemented.</i></p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Depots & Stores	Limited Assurance	To review the controls in place to manage the Council's 'operational' stores excluding housing maintenance.	16 August 2012	<p>Strengths The day to day management of the key controls at the Depot(s) has been shown to be effective, however, one key weakness was found which, had a detrimental effect on the assurance given. Generally there are adequate procedures in place for the control of the stores activities at the depots, with the functions being undertaken by experienced and conscientious officers.</p> <p>Key Weaknesses Stores Requisitions – From the sample tested (10), 80% of the stores requisition notes, at the Northallerton depot, had not been authorised by an appropriately delegated officer. Further investigation and discussion confirmed that the majority of requisition notes are not appropriately authorised.</p> <p>The diesel pump, at the Northallerton depot, is dated and does not configure correctly with the new (2011) electronic recording system that allows fuel to be issued. Management are aware of the fuel reading discrepancies, which require a manual 'dip' to be carried out and adjustment made within the</p>	<p>Controls will be put in place to ensure that the Storeman does not issue stock unless an authorised SRN is produced.</p> <p><i>F/U – Implemented.</i></p> <p>The feasibility of replacing or updating the current diesel pump will be investigated. <i>March 2013.</i></p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>General Ledger.</p> <p>The CCTV camera produces poor quality images that will not be acceptable for use as evidence in the event of any unauthorised access. Following a recent incident, the police confirmed that the images were of a poor quality for prosecution purposes.</p>	<p>The feasibility of retaining, updating or replacing the CCTV cameras will be investigated. <i>March 2013.</i></p>
Insurance	High Assurance	To ensure that there is adequate and appropriate insurance cover and the controls to monitor the risks are in place.	16 August 2012	<p>Strengths The day to day control of Insurances has been shown to be effective with no key weaknesses found. There are adequate procedures in place for the identification of new assets and the determination of insurable risks, with the function being undertaken by experienced and conscientious officers.</p> <p>Key Weaknesses The Business Support Team Leader has the main role in administering insurance policies and handling claims. These procedures are not documented, and there is no guidance in place for other staff members if required.</p> <p>It was agreed by Cabinet in 2005 that Hambleton would 'self</p>	<p>The Business Support Team Leader will document the key actions carried out to provide and renew insurance cover. <i>February 2013.</i></p> <p>Once the new Director of Resources is in position, a</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				insure' a number of areas, such as income. This has not been reviewed by Cabinet since ensuring the arrangement is still adequate.	formal review of the current situation will be carried out February 2013.
Tax Management	Substantial Assurance	A review to ensure compliance with the VAT regulations as governed by the HMRC.	14 December 2012	<p>Strengths Officers with responsibility for accounting for VAT are experienced and have a good understanding of the risks and controls in this area.</p> <p>Key Weaknesses The intention to have nominated VAT Officer in place to offer guidance to Officers and to ensure written guidance covering the administration and implementation of VAT legislation is up to date, has not been fully implemented due to shared services and workload.</p>	Guidance will be put into place to ensure Officers have adequate information to account for VAT accurately. Adequate training will be provided for nominated VAT Officer(s). <i>Immediate</i>
Cemeteries & Crematoria inc Closed Church Yards	High Assurance	To obtain assurance that cemeteries are maintained in accordance with Schedule 26 to the Local Government act 1972 and that expenditure and income is adequately monitored and controlled.	31 August 2012	<p>Strengths The Service is running effectively, with the main key risks being controlled adequately.</p> <p>Key Weaknesses Income and expenditure relating to the Cemeteries service is not reconciled to the General Ledger to ensure said items are treated correctly.</p>	Income and expenditure relating to Cemeteries will be reconciled to the General Ledger on a monthly basis.

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Development Control	Substantial Assurance	To provide assurance that controls around planning applications and fee income are sound.	18 December 2012	<p>Strengths The Development Management service is provided by experienced and efficient officers who are well aware of their roles and responsibilities.</p> <p>Key Weaknesses The reconciliations between application income on the Uniform Planning System and the General Ledger system had not been undertaken during 2012/13.</p>	F/U – Implemented. Regular reconciliations will be undertaken. March 2013

Appendix 3

Audit Opinions and Priorities for Actions

Audit Opinions	
<i>Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.</i>	
<i>Our overall audit opinion is based on 5 grades of opinion, as set out below.</i>	
Opinion	Assessment of internal control
High Assurance	<i>Overall, very good management of risk. An effective control environment appears to be in operation.</i>
Substantial Assurance	<i>Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.</i>
Moderate assurance	<i>Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.</i>
Limited Assurance	<i>Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.</i>
No Assurance	<i>Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.</i>

Priorities for Actions	
Priority 1	<i>A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management</i>
Priority 2	<i>A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.</i>
Priority 3	<i>The system objectives are not exposed to significant risk, but the issue merits attention by management.</i>