

**Worcestershire County Council
Use of Resources Self Assessment
Part 4 – Internal Control**

4. INTERNAL CONTROL
How well does the council's internal control environment enable it to manage its significant business risks?
Key line of enquiry
4.1 The council manages its significant business risks
Audit Focus
Evidence that: <ul style="list-style-type: none"> the council has a risk management process in place the risk management system covers partnership working

Level 2 Criteria

No.	Criteria For Judgement	Management Comment	Reference to Evidence Source
1	* The council has adopted a risk management strategy/policy that has been approved by members.	The Council has developed a risk management process over the last few years which includes a risk register held by each Directorate which records the risks which they manage. There is a Corporate Risk Management Group which oversee the process.	<ul style="list-style-type: none"> COMB Agenda May 2004 Report to Cabinet 21/07/05 Agenda item 9. b Information and advice from PWC
2	* The risk management strategy/policy requires the council to: <ul style="list-style-type: none"> identify corporate and operational risks assess the risks for likelihood and impact identify mitigating controls allocate responsibility for the 	<p>Directorate risk registers are maintained within each Directorate and reviewed as part of the annual review of the Directorate Performance Plan.</p> <p>The Statement of Internal Control is certified by Directors and Heads of Service</p>	<ul style="list-style-type: none"> Directorate Performance Plan. Statement of Internal Control

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	mitigating controls.		
3	* The council maintains and reviews a register of its corporate business risks linking them to strategic business objectives and assigning ownership for each risk.	A Corporate Risk Register is maintained which assesses the impact of each risk and allocates each risk to a lead officer for management.	<ul style="list-style-type: none"> Report to Cabinet 21/07/05. Agenda item 9 Appendix B.
4	* There is a member committee with specific responsibility included in its terms of reference to consider corporate risk management.	The accountable member forum for Risk Management is the Cabinet and Member responsible for Planning Economy and Performance was identified as the lead member for Risk Management. Previously this was the responsibility of the Cabinet Member for Resources.	<ul style="list-style-type: none"> Report to Cabinet 21/07/05.
5	* Reports to support strategic policy decisions, and project initiation documents, include a risk assessment.	Where justified explicit reference to risk is included in reports to Cabinet on specific issues.	<ul style="list-style-type: none"> Cabinet agendas and minutes specific items mentioning risk include: - Waste Matters 15/07/04 Library and History Centre 11/06/04 Droitwich Magistrates Court 20/12/04 Bromsgrove PFI (sprinklers) 21/04/05 Wyre Forest Sure Start 21/04/05 Post Adoption Support 21/04/05

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Level 3 Criteria			
6	* The risk management process is reviewed and updated at least annually.	Risk Management Strategy set up by COMB May 2004 and formally endorsed by Council July 2005. Process requires regular review and this is overseen by Corporate Risk Management Group and reflected in Service Performance Plans.	<ul style="list-style-type: none"> • Cabinet Report 21/07/05. Approved process and agreed regular updates. • Directorate “top ten” risks updated.
7	* The risk management process specifically identifies risks in relation to partnerships and provides for assurances to be obtained about the management of those risks.	The process is designed to cover all aspects of service delivery and therefore this implicitly embraces services provided directly by the Council, those contracted out and those provided in partnership.	<ul style="list-style-type: none"> • Cabinet Report 21/07/05. • Section 31 agreements with Health Authorities. • Worcestershire Hub arrangements.
8	All staff have been given appropriate training and guidance to enable them to take responsibility for managing risk within their own working environment.	<p>Powerpoint presentation developed to assist staff in embedding risk management within the Authority.</p> <p>The staff review and development scheme identifies responsibilities assigned to all staff, and through a process of appraisal training needs are identified in order to ensure staff have appropriate training to manage their responsibilities.</p>	<ul style="list-style-type: none"> • The annual appraisal of staff is geared to identify training needs and ensure these are met. A Risk Management Procedure user Guide has been developed.
9	* The members with specific responsibility for risk management have received risk management awareness training.	The member formerly with this responsibility was Councillor Hardman. The member who currently has this responsibility is Councillor Alwyn Davies.	<ul style="list-style-type: none"> • Their professional development and skill set.
10	* The member committee with responsibility for risk management	Cabinet focus on risk until the introduction of the revised member oversight structure in the form of the Audit	<ul style="list-style-type: none"> • Key business risks reported to Cabinet, for example:

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	<p>receives reports at least quarterly and takes appropriate action to ensure that corporate business risks are being actively managed, including reporting to full council at least annually.</p>	<p>Committee.</p> <p>Audit and Governance Terms of Reference include monitoring effectiveness of Councils Risk Management arrangements.</p>	<ul style="list-style-type: none"> -Waste Disposal -Wyre Forest Schools Review -Bromsgrove Schools Reorganisation (PFI) -Worcester Library and History Centre
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Level 4 Criteria			
11	A senior officer and member jointly champion and take overall responsibility for embedding risk management throughout the council.	The Cabinet Member for Planning Economy and Performance and the Director of Planning Economy and Performance jointly champion risk management within the Authority. These people are supported by the Corporate Risk Management Group, which includes senior representations from each Directorate. Formerly the Director of Environmental Services and the Cabinet Member for Resources championed this initiative.	Cabinet Report 21/07/05. <ul style="list-style-type: none"> Formerly Councillor Hardman, now Councillor Alwyn Davies ongoing for two years.
12	The council can demonstrate that it has embedded risk management in its corporate business processes, including: <ul style="list-style-type: none"> strategic planning financial planning policy making and review performance management 	Risk Management is considered in various forms of the Council's corporate business process such as reports to COMB and Cabinet, Directorate Management Team - "top ten risks", Directorate risk registers, service planning and training programmes.	<ul style="list-style-type: none"> Cabinet 21/07/05 shows example of report to Members that considers the issues of risk. Waste report to Cabinet July 2004. Sure Start Report.
13	All members have received risk management awareness training.	Prior to May 2005 referred to in members seminars. Post May 2005 corporate induction process.	<ul style="list-style-type: none"> Member Seminars. Member Corporate Induction.
14	The council considers positive risks (opportunities) as well as negative risks (threats).	The Council has always considered opportunities and threats relating to service provision. More recent examples of opportunities include the	<ul style="list-style-type: none"> Worcester Library and History Centre joint venture with University College Worcester. Section 31 agreements with health

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		<p>Worcester Library and History Centre joint venture project, and the Section 31 agreements with the Health Authority.</p> <p>Additionally, partnership working has been undertaken in relation to the Worcestershire Hub project and the LPSA (1) agreement.</p>	<p>Authority</p> <ul style="list-style-type: none"> • Worcestershire Hub <p>LPSA(1) partnership working with Fire and Police Authorities.</p>
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Key line of enquiry
4.2 The council has arrangements in place to maintain a sound system of internal control
Audit Focus
Evidence that:
<ul style="list-style-type: none"> • the council reviews and reports on its system of internal control • the council has an audit committee or equivalent and an internal audit function

Level 2 Criteria

No.	Criteria For Judgement	Management Comment	Reference to Evidence Source
15	* An appropriate member group has responsibility for review and approval of the SIC and considers it separately from the accounts.	The Statement of Internal Control was approved by both Cabinet and full Council in June 2005. An interim statement was published within 2003/04 accounts which were approved in July 2004 and the process to produce future Statements of Internal Control was developed in the following year. Responsibility for the approval of both the accounts and the Statement of Internal Control will in future be undertaken by the Audit and Governance Committee.	<ul style="list-style-type: none"> • Council 30/06/05. • Terms of Reference of Committee.
16	* The council has conducted an annual review of the effectiveness of the system of internal control and reported on this in the SIC.	The Statement of Internal Control is not seen as a snapshot at a moment in time. Rather it is an annual assurance of a continuous process of control provided by the Chief Executive as a result of assurances given by Directors and Heads of Service which are supported by records maintained within the services and which are subject to periodic audit.	<ul style="list-style-type: none"> • External audit of SIC carried out in May/June 2005.
17	* The sources of assurance to support the SIC have been identified and are	The Statement of Internal Control is not seen as a snapshot at a moment in time. Rather it is an annual assurance of a	<ul style="list-style-type: none"> • External audit of SIC carried out in

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	reviewed by senior officers and members.	continuous process of control provided by the Chief Executive as a result of assurances given by Directors and Heads of Service which are supported by records maintained within the services and which are subject to periodic audit.	May/June 2005.
18	* There are action plans in place to address any significant internal control issues reported in the SIC.	Only one issue of control was raised by the Chief Executive who sought assurance from the Director of Environmental Services regarding its management.	<ul style="list-style-type: none"> • Exchange of memos between Chief Executive and Director of Environmental Services.
19	* There is no audit committee but the core functions of an audit committee have been identified and are being undertaken by a member group.	An Audit and Governance Committee has been set-up. Previously discharged through Cabinet.	<ul style="list-style-type: none"> • Council 26/05/05 • PWC Annual Management letter presented to Cabinet.
20	* The council has an internal audit function that operates in accordance with the CIPFA code of practice for internal audit in local government.	The Committee has a brief which extends beyond internal audit into corporate governance. Role of Internal Audit complies with relevant codes of Audit Practice and Professional Standards.	<ul style="list-style-type: none"> • Terms of Reference Audit and Governance letter.
21	* There are procedure notes/manuals in place for those systems identified by the council as being business-critical.	Procedure notes are written to support all systems of control.	<ul style="list-style-type: none"> • Financial system procedure notes.
22	* There are standing orders, standing financial instructions and a scheme of delegation in place.	The Council has always had standing orders financial instructions and a scheme of delegation in place	<ul style="list-style-type: none"> • The documents are available of the Council's website
23	* The council has arrangements in place to ensure compliance with	All expenditure is incurred in accordance with the Councils approved budget. Spending plans departing from the	<ul style="list-style-type: none"> • Dedicated staff devoted to providing legal advice to Members

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	relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.	budget will require Member approval.	and Officers, for example see reports on Waste Disposal contract.
24	* All reports to members have been formally considered for legal issues before presentation.	All reports to Members are considered first by COMB where the Director of Corporate Services who is responsible for both Legal and Council administration matters is present.	<ul style="list-style-type: none"> • COMB reports
25	There are partnership agreements in place for all the council's significant partnership arrangements.	Partnership agreements are in place for all the council's significant partnership arrangements.	<ul style="list-style-type: none"> • Hub arrangements with Districts, External Payroll Services, Section 31 Agreements with Health Authorities, Schools ICT PFI deal with City of Wolverhampton, LPSA(1) partnership working with Police and Fire Authorities, West Mercia Supplies constitution.

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Level 3 Criteria

26	* The council has put in place an assurance framework that maps the council's strategic objectives to risks, controls and assurances.	The assurance framework encompasses features such as risk management strategies and Directorate "Top Ten Risks". These are incorporated into the Council's constitution	<ul style="list-style-type: none"> • Risk Management Strategy • Council constitution
27	* The assurance framework provides members with information to support the SIC.	Statements of Internal Control are certified by Directors and Heads of Service following an assessment of the control environment and evidence of control actions.	<ul style="list-style-type: none"> • Agenda and minutes of Cabinet 20/06/05 • Agenda and minutes of Council 30/06/05 • Council constitution
28	There is a specific member group (such as an audit sub-committee or member panel) which has audit and governance issues as the principal responsibility in its terms of reference.	The Council has established an Audit Committee to address audit and governance issues	<ul style="list-style-type: none"> • Terms of Reference for Audit Committee.
29	The member group provides effective leadership on audit and governance issues. It is proactive and has a forward looking programme of meetings and agenda items to ensure comprehensive coverage of all responsibilities in relation to the internal control environment.	<p>Previously this role has been undertaken by Cabinet.</p> <p>The Council is currently developing the role of Audit Committee.</p>	<ul style="list-style-type: none"> • PWC Annual Management letters • Terms of Reference for Audit Committee.
30	The procedure notes/manuals for those	Procedure notes / manuals have been prepared covering	<ul style="list-style-type: none"> • Systems documentation eg SAP

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	systems identified by the council as being business-critical are reviewed and updated at least annually.	business critical systems which include Business Continuity Plans.	contract with service provider
31	The standing orders, standing financial instructions and scheme of delegation are reviewed at least annually.	There is a continuous review according to needs and circumstances. The Council is currently updating the Constitution (which includes standing orders etc) in light of the organisational changes as a result of the Childrens Act	<ul style="list-style-type: none"> • Standing Orders, financial regulations and scheme of delegation • Council constitution
32	* Compliance with standing orders, standing financial instructions and the scheme of delegation is monitored by management, and any breaches identified and appropriate action taken.	Standing Orders, Financial Regulations and the Scheme of Delegation are the foundations which allow the Authority to perform its functions. Compliance is monitored routinely through internal audit activity and breaches are brought to management attention and appropriate action taken. The spending plans of the Authority are enshrined in the budget which is routinely monitored by all levels of management and variations are discussed by Directorate Management teams. Debate of the variation generates a consideration of compliance with the rules set by the Authority.	<ul style="list-style-type: none"> • Internal Audit Reports • External Audit Annual Management letter and SAS 610 urgent work of Standards Committee • Money Matters reports.

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Level 4 Criteria			
33	The assurance framework is fully embedded in the council's business processes.	The assurance framework is fully embedded in the council's business processes, examples include the existence of :- Directorate "Top Ten Risks". Directorate risk registers.	<ul style="list-style-type: none"> • Statement of Internal Control Certification • Directorate "Top Ten Risks" • Directorate risk registers • Risk Management Strategy
34	The council can demonstrate corporate involvement in/ownership of the process for preparing the SIC.	SIC is signed by both Leader of Council and Chief Executive following assurances from each Director and Head of Service.	<ul style="list-style-type: none"> • Signed letters from all concerned. External Audit Review.
35	There is an audit committee which is constituted as a full committee of the council and is independent of both the Executive and Scrutiny functions.	Yes. Whilst this is a recent development the Cabinet and Council has always taken financial control extremely seriously.	<ul style="list-style-type: none"> • Terms of Reference of Audit Committee. • PWC Annual Management letters.
36	The council has taken steps to ensure that the audit committee chair either has previous knowledge of, or has received appropriate training on, financial and risk management, accounting concepts and standards, and the regulatory regime.	This is being developed.	
37	Audit committee members are provided with specific training relevant to their	This is being developed.	

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	responsibilities.		
38	The audit committee has terms of reference which are reviewed on an annual basis, taking into account relevant governance developments and how it integrates with other committees within the council.	This is being developed.	
39	The standing orders, standing financial instructions and scheme of delegation make specific reference to partnerships.	This is being developed.	
40	Partnership agreements are subject to regular review and updating.	Partnership agreements are subject to regular review and updating.	<ul style="list-style-type: none"> • Cabinet reports on:- Section 31 Agreements with health authority Worcestershire Hub LPSA(1) Agreement Schools ICT PFI with City of Wolverhampton Bromsgrove Schools PFI Worcester Library and History Centre

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Key line of enquiry 4.3 The council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business
Audit Focus
Evidence that: <ul style="list-style-type: none"> the council has adopted codes of conduct and monitors compliance the council's arrangements to prevent and detect fraud and corruption are effective

Level 2 Criteria

No.	Criteria For Judgement	Management Comment	Reference to Evidence Source
41	* The council has formally adopted a code of conduct for members that includes the mandatory provisions of the statutory Model Code of Conduct.	The council has formally adopted a code of conduct for members that includes the mandatory provisions of the statutory Model Code of Conduct.	<ul style="list-style-type: none"> Code of conduct approved with approval of Constitution
42	* All elected and co-opted members have signed up to the code of conduct.	All members have signed up to the code of conduct	<ul style="list-style-type: none"> Register maintained by Director of Corporate Services.
43	* The council has adopted a code of conduct for staff.	The council has adopted a code of conduct for staff.	<ul style="list-style-type: none"> Approved as part of Constitution
44	* The council has put in place arrangements for monitoring compliance with standards of conduct across the council including: <ul style="list-style-type: none"> register of interests register of gifts and hospitality complaints procedure 	There are arrangements in place for monitoring compliance with standards of conduct across the Council	<ul style="list-style-type: none"> Registers maintained by Director of Corporate Services. Council constitution

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45	*The standards committee's membership and functions are in accordance with the requirements of the Local Government Act 2000.	The standards committee's membership and functions are in accordance with the requirements of the Local Government Act 2000.	<ul style="list-style-type: none"> • Terms of Reference
46	* There is a counter fraud and corruption policy applying to all aspects of the council's business which has been communicated throughout the council.	There is a counter fraud and corruption policy applying to all aspects of the council's business which has been communicated throughout the council. Eg Anti-Fraud and Corruption Strategy	<ul style="list-style-type: none"> • Cabinet. • Discussed with Unions • Anti Fraud and Corruption Strategy is published on the Council's internal and external Web site
47	* The council has arrangements in place to receive and investigate allegations of breaches of proper standards of financial conduct, and of fraud and corruption.	Arrangements are in place to receive and investigate allegations of breaches of proper standards of financial conduct, and of fraud and corruption.	<ul style="list-style-type: none"> • Confidential Reporting (whistleblowing) Policy. • Financial Regulations require reporting of suspected irregularity. • Internal Audit
48	* There is a whistleblowing policy which has been communicated to staff and those parties contracting with the council.	A Confidential Reporting (whistleblowing) Policy has been published.	<ul style="list-style-type: none"> • Confidential Reporting (whistleblowing) Policy is part of the Staff Handbook and is on the Web Site.
49	* The council has provided the required data for the National Fraud Initiative (NFI), has notified data subjects of this use of data, and has established a process to follow-up NFI data matches.	The Council actively participates in, and provides the required data for the National Fraud Initiative.	<ul style="list-style-type: none"> • Audit Commission require data to be provided every two years via computer disc. Disclosure of the intention to share data is made on forms filled in by subjects and intention to share data has been notified where appropriate to Unions. • Results published on Director of

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			Financial Services daily Bulletin to all finance function staff.
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Level 3 Criteria

50	The council is proactive in raising the standards of ethical conduct amongst members and staff, including the provision of ethics training.	The Council is proactive in preparing codes of conduct and ethical guidance for staff and members.	<ul style="list-style-type: none"> Codes of conduct for both staff and elected members and member seminars.
51	* The council has undertaken an assessment of standards of conduct, including how effectively members are complying with the code of conduct, the number and types of complaints received, and takes action as appropriate.	The Council undertakes assessments on an ongoing basis.	<ul style="list-style-type: none"> Very few complaints Recent difficulty with Councillor Pinfield Disclosures to PWC by Director of Financial Services
52	* Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and pecuniary interests. There is evidence that members and staff are making appropriate disclosures in the registers and that they are regularly reviewed.	The Council's constitution makes explicit reference to disclosures of gifts etc. by staff and members.	<ul style="list-style-type: none"> Included in Code of Conduct. Members are asked in writing to update their entries.
53	* A strong counter fraud culture is supported and promoted by members and senior officers.	Every instance of potential fraud or wrong doing is investigated at whatever level it occurs. Investigations are initially conducted by internal audit and are automatically referred to the police for prosecution.	<ul style="list-style-type: none"> Successful prosecution in court. Anti-fraud policy on web site

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54	* The council undertakes proactive counter fraud and corruption work which is determined by a formal risk assessment.	An anti fraud policy is in place which is pursued by internal audit following an assessment of the potential risks.	<ul style="list-style-type: none"> • Audit plan and risk assessment process. • Anti-fraud policy on web site
55	The council can demonstrate that counter fraud and corruption work is adequately resourced.	The Council has never found itself unable to meet the demands of the police in achieving prosecutions in Court.	<ul style="list-style-type: none"> • Individual fraud cases brought to successful conclusion eg:- Offenham First School Hagley High School
56	* Investigations into allegations of fraud and corruption are conducted in accordance with statutory requirements, e.g. Police and Criminal Evidence Act, Regulation of Investigatory Powers Act, Data Protection Act, by appropriately trained staff.	The Council has procedures for investigating allegations of fraud and corruption that are consistent with Internal Audit Code of Practice.	<ul style="list-style-type: none"> • Midland Counties Chief Internal Auditors Group runs courses on Fraud investigation which internal audit staff attend. All investigations are carried out in accordance with the methods acceptable to West Mercia Police.
57	The council ensures that financial redress is sought in appropriate cases of proven fraud/corruption, in accordance with legal advice and the results of a cost/benefit analysis.	As a matter of course whenever the Council has been financially disadvantaged it looks to recover its losses. It may be that the costs of bringing a prosecution is in itself not cost effective however the publicity caused by a successful prosecution is a useful reminder to potential wrongdoers and is in itself the correct approach for a publicly accountable body.	<ul style="list-style-type: none"> • Internal Audit special investigation working papers
58	* The whistleblowing policy is publicised within the council and demonstrates the council's commitment to providing support to whistleblowers.	The policy is published within the Council	<ul style="list-style-type: none"> • Confidential reporting policy is enshrined in Staff Handbook and emphasized in the new recruit induction process.

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59	The council has effectively identified the key NFI data matches for review from all levels of reports (high, medium and low).	The council has effectively identified the key NFI data matches for review from all levels of reports (high, medium and low).	<ul style="list-style-type: none"> Internal Audit working papers.
60	The council works with other bodies such as DWP when following-up data matches from NFI. Risks are followed-up promptly to prevent prolonged exposure.	The Council follows up data matched with other organisations as appropriate	<ul style="list-style-type: none"> Internal Audit working papers.

Level 4 Criteria

61	The council can demonstrate that its members and staff exhibit high standards of personal conduct.	The Council has a widely publicised complaints procedure that ultimately leads to a referral to the Ombudsman or in the case of elected Members the Standards Board.	<ul style="list-style-type: none"> To the best of our knowledge there have been no referrals to the Standards Board which have been upheld, although there is a case pending (Councillor Pinfield)
62	The council can demonstrate a strong counter fraud culture across all departments. Staff have clearly acknowledged and accepted their responsibility to prevent and detect fraud and corruption.	This culture is in existence and reinforced by the work of Internal Audit.	<ul style="list-style-type: none"> The Council has in place the necessary policies regarding Fraud and the staff induction process helps to embed early in an employees life the responsibility to prevent and disclose Fraud.
63	The risk of fraud and corruption is specifically considered in the council's overall risk management process.	Part of Finance Directorate "Top Ten Risks"/Life of death Indicators.	<ul style="list-style-type: none"> Corporate Risk Register and Service Delivery Plans.
64	Successful cases of proven fraud/corruption are routinely publicised to	There have been very few occurrences, although where relevant staff have been informed	<ul style="list-style-type: none"> Local Newspapers routinely report successful prosecutions.

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	all staff.		
65	The council has a track record for effective action in response to whistleblowing disclosures. There are periodic reviews of the effectiveness of the whistleblowing arrangements, and there are effective arrangements for receiving and acting upon disclosures from members of the public.	The Council has always taken appropriate action in accordance with the Confidential Reporting (Whistleblowing) policy.	<ul style="list-style-type: none"> Recent example of member of public raising concerns re Upton Warren sailing centre. Considered by audit.
66	The council can demonstrate that effective action has been taken to maximise the potential savings available through NFI.	Internal audit examines 100% of the matters recommended by the Audit Commission and sample tests all of the “red” matches using the Audit Commission filters and suggestions.	<ul style="list-style-type: none"> Most issues relate to Pensions that are pursued by the Pensions section. Usually Pensions section already aware. Internal working papers would detail the circumstances.
67	Weaknesses revealed by instances of proven fraud and corruption, including NFI data matches, are reviewed to ensure that appropriate action is taken to strengthen internal control arrangements.	Whenever fraud or corruption is encountered, an internal audit report is produced identifying the weaknesses in control and recommending to management the changes deemed necessary. The implementation of the recommendations will be reviewed in subsequent audits.	<ul style="list-style-type: none"> Whenever fraud or corruption is encountered, an internal audit report will be produced which will identify the weaknesses in control and recommend to management the changes deemed necessary. The implementation of the recommendations will be reviewed in subsequent audits.