

AUDIT & GOVERNANCE COMMITTEE

23rd April 2012

INTERNAL AUDIT – MONITORING REPORT 2011/12

Relevant Portfolio Holder	Councillor Michael Braley, Corporate Management
Portfolio Holder Consulted	No
Relevant Head of Service	Jayne Pickering, Executive Director (Finance and Corporate Resources)
Wards Affected	All Wards
Non-Key Decision	

1. SUMMARY OF PROPOSALS

To present to Members:

- a) the Internal Audit Monitoring Report for the period 1st April 2011 to 31st March 2012; and
- b) the Internal Audit Operational Programme for 2012/13

2. RECOMMENDATIONS

The Committee is asked to **RESOLVE** that

- 1) the report be noted; and
- 2) the Annual Audit Operational Plan for 2012/13 be approved

3. KEY ISSUES

Financial Implications

- 3.1 There are no direct financial implications arising out of this report.

Legal Implications

- 3.2 The Accounts and Audit (Amendment) (England) Regulations 2006 state that Local Authorities must maintain an adequate and effective system of Internal Audit to ensure its systems of internal control are operating effectively. The interim audit report is one way the Council can monitor its Internal Audit Service.

Service/Operational Implications

- 3.3 There are no direct operational implications arising out of this report.

AUDIT & GOVERNANCE COMMITTEE

23rd April 2012

Customer / Equalities and Diversity Implications

- 3.4 There are no implications arising out of this report.

Performance against Internal Audit Plan 2011/12.

3.5 AUDIT REPORTS ISSUED/COMPLETED FOR 2011/12 SINCE
JANUARY 2012:

- a) Council Tax: This was a high level overview audit with testing concentrating on the interaction with Housing Benefits, application of discounts and exemptions and pro-active pursuit of arrears.

Testing identified that the control environment could be improved by proactively monitoring inactive recovery suppressions and monitoring the performance of the Bailiff regarding pursuit of debts.

Moderate Assurance

- b) Non Domestic Rates: This was a high level overview audit with testing concentrating on reconciliations and pro-active pursuit of arrears.

Testing identified that the control environment could be improved by proactively monitoring and actioning historic arrears, fully utilising 4Risk and reconciliation of declarations of interests in relation to user access.

Moderate Assurance

- c) Benefits: This was a high level overview audit with testing concentrating on new claims, changes in circumstances, overpayments and backdated claims.

Areas where the control environment could be improved include restricting user access to prevent staff accessing the accounts of friends and family and enhanced quality control reviews.

Moderate Assurance

- d) Payroll: This review concentrated on authorisation of starters, leavers and amendments, accuracy of records and user access to the Payroll system.

There is generally a sound system of control in operation; however, testing identified that security around user access to the

AUDIT & GOVERNANCE COMMITTEE

23rd April 2012

Payroll system could be improved and there is a lack of any associated risk being recorded within the Council's risk management system.

Moderate Assurance

- e) Housing – Rent Arrears, Payments and Collection: This was a full system audit focusing on the collection and allocation of rents received, adjustments to tenants' rent accounts and collection of arrears.

The control environment is robust and arrears collection rates are adequate. Rent arrears stood at 2.97% as at January 2012 which, although above the target of 2.39%, is considered satisfactory in the current economic climate. Procedures and processes are working well with the exception of the control and actioning of current tenant credits. Further recommendations have been made to strengthen procedural controls and regarding the utilisation of the Saffron rent system.

Moderate Assurance

- f) Vehicles and Plant: This was a full system audit which focused on the procurement and disposal of vehicles, maintenance including repairs, servicing and M.O.T., utilisation and budgetary control.

Areas where the control environment could be improved include: proactive communication with customers in relation to stock management, ongoing budget monitoring and management information in relation to ongoing monitoring of vehicle usage and efficiency.

Moderate Assurance

- g) Housing Capital Contracts – Interim Valuation and Post Contract Appraisal: The audit concentrated on payments made to contractors and contracts that have concluded between April and November 2011.

A number of audit recommendations have been made to clarify procedures and ensure a consistent approach is taken to the allocation and payment of works to contractors.

Moderate Assurance

AUDIT & GOVERNANCE COMMITTEE

23rd April 2012

- h) Housing – Rent Control and Rent Debit: This was a health check audit and concentrated on calculation of the rent debit, system reconciliations, documentation to support and authority to action amendments (specifically reductions) to the rent debit.

Testing indicated that the overall control environment is robust with reconciliations being performed timely and accurately, and variances are identified and cleared promptly.

Full Assurance

- i) Treasury Management: This was a high level overview audit focusing on investment and borrowing transactions (specifically short term), bank and General Ledger reconciliations, management information, system access and authorisation levels.

All of the key controls tested are in place and operating effectively and no weaknesses were identified in the design or operation of the system.

Full Assurance

Summary of Assurance Levels:

<u>Audit</u>	<u>Assurance Level</u>
Council Tax	Moderate
Non Domestic Rates	Moderate
Benefits	Moderate
Payroll	Moderate
Housing – Rent Arrears, Payments and Collection	Moderate
Vehicles and Plant	Moderate
Housing Capital Contracts – Interim Valuation and Post Contract Appraisal	Moderate
Housing – Rent Control and Rent Debit	Full
Treasury Management	Full

3.6 AUDITS IN PROGRESS AS AT 5th April 2012:

The following audits are currently at the completion stage:

- a) Creditors: this was a high level overview audit focusing on supplier amendments, reconciliations and user access to financial system.

Current status: draft report issued 29.03.12

AUDIT & GOVERNANCE COMMITTEE

23rd April 2012

- b) Sundry Debtors (including former tenant arrears): This review concentrated on the setting up of sundry debtor accounts, raising of invoices, the debt collection and write off processes.

Current status: draft report issued 19.03.12

- c) Bank Reconciliations: This audit concentrated on the resolution of anomalies, aged items in suspense and user access.

Current status: draft report issued 07.03.12

- d) Procurement: The review assessed whether the previous audit recommendations have been implemented, specifically; all relevant Council documents have been revised and compulsory officer Contract Procedure Rules training is robust, ongoing and assessed for its effectiveness.

Additionally, a 'high level' assessment was made as to how it can be demonstrated that the procurement principles of Contract Procedure Rules have been adopted by officers of the Authority.

Current status: draft report issued 06.03.12

- e) Renovation Grants - Festival Housing Contract: This was a high level overview audit focusing on contract compliance, eligibility of applicants, quality of works undertaken and management reporting.

Current status: draft report issued 05.04.12

- f) Budgetary Control: This was a 'light touch' review which focuses on the budget setting and approval process, the effectiveness of the budget monitoring process and reporting levels and procedures.

Current status: Clearance meeting to be arranged

- g) Market Service (follow up): The review assessed whether the previous audit recommendations have been implemented, specifically; reconciliation and recording of income, traders' insurance records, reporting of new stall allocations and income collection procedures.

Current status: Clearance meeting to be arranged

AUDIT & GOVERNANCE COMMITTEE

23rd April 2012

- h) Maintenance Contracts: The review concentrates on contracts are in line with an appropriate framework, quality monitoring and certification of works, invoicing of scheduled and referral works, recharges to tenants and Health & Safety risk assessments.

Current status: Clearance meeting to be arranged

The following audits are currently at the fieldwork stage:

- i) Section 106 Agreements: This is a full scope review to assess the effectiveness of controls that are operated within the Planning, Finance and Legal sections. A key area is to review controls in connection with the collection of monies and ensuring that they are used for the stated purpose.

The following audit is currently at the planning stage:

- j) Value Added Tax: This is a high level overview audit with testing concentrating on compliance with legislation, reconciliations and documentation.

As work on the above audits is on going an 'Assurance' level will be assigned on completion. As soon as these audits have been finalised the revised plan that was brought before and agreed by Committee in January 2012 has been fully completed.

- 3.7 The tables in Appendices 1 and 2 show the progress made towards delivering the Internal Audit Plan. For example chargeability has continued to increase; from 59% to 70%. As at 31st March 2012 a total of 511 chargeable days had been delivered against a target of 487 days for 2011/12. In addition to this 100% of the customer satisfaction surveys received have been good or above.
- 3.8 Appendix 2 shows the performance indicators for the service. These indicators were agreed by Committee.
- 3.9 Appendix 3 shows the 'high' and 'medium' priority recommendations which have been reported against 2011/12 audits and are reported to the Committee for information.
- 3.10 Appendix 4 shows the 2012/13 Internal Audit Operational Plan.

AUDIT & GOVERNANCE COMMITTEE

23rd April 2012

3.11 Other Key Audit Work

Much internal audit work is carried out “behind the scenes” but is not always the subject of a formal report. Productive audit time is accurately recorded against the service or function as appropriate. Examples include:

- a) Governance for example assisting with the Annual Government Statement
- b) Risk management
- c) Dissemination of information regarding potential fraud cases likely to affect the Council
- d) Drawing managers’ attention to specific audit or risk issues
- e) Audit advice and commentary
- f) Internal audit recommendations: follow up review to analyse progress
- g) Day to day audit support and advice for example control implications, etc.
- h) Networking with audit colleagues in other Councils on professional points of practice
- i) National Fraud Initiative.

4. RISK MANAGEMENT

4.1 The main risks associated with the details included in this report are:

- a) Failure to complete the planned programme of audit work within the financial year; and
- b) The continuous provision of an internal audit service is not maintained.

4.2 These risks are being managed via the 4Risk risk management system within the Finance and Resources risk area. The Acting Service Manager for the Worcestershire Internal Audit Shared Service is confident that these risks are being managed appropriately to ensure that such that management, external audit and members are provided with the assurances that they require over the system of internal control and for the Annual Governance Statement and Statement of Accounts.

AUDIT & GOVERNANCE COMMITTEE

23rd April 2012

5. APPENDICES

Appendix 1 Delivery against the plan for 2011/12 as at 31st March 2012.

Appendix 2 Performance against Key Performance Indicators for 2011/12 at 31st March 2012.

Appendix 3 'High' and 'Medium' priority recommendations.

Appendix 4 Operational Audit Programme 2012/13.

6. BACKGROUND PAPERS

Individual Internal Audit reports.

AUTHOR OF REPORT

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