

INTERNAL AUDIT PROGRESS REPORT

Portfolio Holder Cllr Neal Davey
Responsible Officer Audit Team Leader

Reason for Report: To update the Committee on the work performed by Internal Audit in the 2012/13 financial year to date.

RECOMMENDATION(S): The Committee notes the contents of this report.

Relationship to Corporate Plan: Effective Internal Audit plays a fundamental role in assisting the Council to deliver its corporate and improvement plan.

Financial Implications: None

Legal Implications: None

Risk Assessment: None

1.0 Introduction

1.1 The four-year strategic audit plan for 2012/13 to 2015/16 and annual work plan for 2012/13 were presented to the Audit Committee at its meeting on 20 March 2012, where they were approved.

1.2 The purpose of this report is to provide the Committee with a progress report of performance against the 2012/13 Internal Audit work plan for the period from 1 April to 31 August 2012.

2.0 Progress to date and scope of audit activities

2.1 The Audit Plan is split into the following sections:

- Core Audits
- Systems Audits
- Other Work (including fraud/ irregularity/ consultancy/contingency)

2.2 Core Audits

2.2.1 The 2012/13 audits began on 23 July. This is 2 months earlier than last year in order to ensure they are done in a timely manner this year.

2.2.2 The core audits are given priority as they cover the Council's key financial controls and also the areas where the level of income is material in the context of the Council's annual accounts. These audits are required to be carried out on an annual basis as part of the managed audit process with the Council's external auditor, the Audit Commission. The external auditor places reliance on the work of Internal Audit when expressing an opinion on the Statement of Accounts.

2.2.3 Members will be given an update as the reports are finalised as usual.

2.3 Systems Audits

2.3.1 Systems Audits have been completed for the Leisure Centres, Building Control Income, Standby and Gifts & Hospitality and Register of Interests. The audit opinions are included in section 3 below.

2.3.2 The recommendations' tracking follows as appendix 1.

2.4 Other Work

2.4.1 The Internal Audit team continue to administrate Spar and provide input into the Corporate performance reports.

2.4.2 Data quality checks are carried out on committee reports as required.

2.4.3 One Auditor takes part on job evaluation panels and takes minutes for investigations for HR, the second is providing some cover for the finance systems administrator role at present until a replacement member of staff is recruited.

2.4.4 The Audit Team Leader carried out an investigation for HR and has been involved in setting up the Corporate risk register on SPAR as part of the Annual Governance Action Plan.

2.4.5 The Audit Team Leader has also carried out an investigation into a potential tax liability.

3.0 **Audit Opinions**

These opinions have been issued since the last Committee meeting:

3.1 Leisure Centres

3.1.1 All three sites make inventive use of their available space and facilities to maximise income. Some "spend to save" projects have already been put in place and more work is planned in 2012/13.

3.1.2 There are several remaining issues with the new software which need to be resolved with the supplier as a matter of urgency; a meeting is being organised for the end of July 2012.

3.1.3 Of the three sites only Culm Valley is budgeted to cover direct costs and this is before management, administration and recharges. The main problems are to do with staffing issues; working patterns are complicated and change frequently which cause HR and Payroll a lot of additional work as well as being difficult for the duty managers when preparing timesheets. The working patterns outside "normal" working hours are very expensive in salary terms for the Council whereas private suppliers would just pay flat rate for a regular shift pattern.

3.1.4 This means that MDDC cannot operate on an equal footing with private suppliers in the areas of the Council's business where we are in competition

for customers. This applies not just to Leisure but all non-statutory services MDDC supplies where we are in competition with other suppliers.

3.1.5 It is the overall opinion of the auditor that the Leisure system is adequately controlled.

3.2 Gifts & Hospitality and Register of Interests

3.2.1 The Constitution comprehensively addresses the matter of the register of interest and of gifts and hospitality as part of the Members code of conduct. The Members are also adequately briefed and all Members have to complete a declaration of Acceptance of Office on election in which they undertake to observe this code.

3.2.2 For employees the system is similar; there is an Officers Code of Conduct and all staff are also required to agree to the terms and conditions contained therein before they start work. However the return of the forms evidencing the acceptance of the terms is not well monitored and incomplete. In addition the annual reminder (by e-mail to all staff) of these terms has not happened for some time.

3.2.3 It is the overall opinion of the auditor that Gifts and Hospitality and the Register of Interests are adequately controlled.

3.3 Building Control Income

3.3.1 Under the The Building (Local Authority Charges) Regulations 2010 you would not expect the Building Control section to cover all their costs because there is always going to be a proportion of non-chargeable work such as advice, disabled adaptations etc. Whether the outturn should be considered acceptable or not hangs entirely on whether it amounts to the actual proportion of non-chargeable work done by the section. There is little evidence to suggest that this is being monitored as carefully as required by the Building (Local Authority Charges) Regulations 2010 so this is an area that needs improvement.

3.3.2 On benchmarking with other nearby Local Authorities (LAs) it would appear that they are encountering similar problems and reductions in income to MDDC which would imply MDDC's Building Control section is not performing badly. It also appears that our standard prices are similar to other LAs. The Performance Indicators have improved over the last 3 years too.

3.3.3 However, there are a number of weaknesses in the systems of internal check and control that need to be addressed by the service. These include lack of paperwork on file to support pricing calculations outside the standard tables and the implementation of guidelines for extra discounting.

3.3.4 It is the overall opinion of the auditor that the Building Control system is adequately controlled.

3.4 Standby

3.4.1 The Standby service appears to be well run and managed and provides a good service for customers.

3.4.2 However due to the lack of a structure to the manning of the service and in the absence of agreed standards for performance the Service and MDDC is laid open to potential censure and even litigation, this could be easily rectified. In this area it is the opinion of the auditor that the system is poor.

4.0 **Conclusion**

4.1 The focus of the Audit Team until 31 December 2012 will be the Core audits to ensure our performance target of carrying out 100% of these audits is achieved.

Contact for more Information: Catherine Yandle, Audit Team Leader, x4975

Circulation of the Report: Management Team and Cllr Neal Davey

List of Background Papers: None

Overdue High Priority Recommendations
ACTION PLAN

Findings	Recommendation	Lead Officer	Timescale	Comments
<p>Leisure</p> <p>The IT system does not meet the tender specification for several areas where the response “fully compliant” was given in the invitation to tender this needs to be resolved with the supplier as a matter of urgency.</p>	<p>Arrange a meeting with the supplier to resolve the shortcomings.</p>	<p>Head of ICT</p>	<p>31 July 2012</p>	<p>Meeting was 18th July. But the action Plan from IT supplier which addressed these concerns (and several others raised by Leisure and ICT as well) has already fallen behind and some areas are not due to be addressed until January 2013 anyway.</p>
<p>The underlying transactions on the IT system are not calculating VAT consistently in accordance with the codes that are set up in the “estates” part of the system.</p>	<p>Arrange a meeting with the supplier to resolve the shortcomings.</p>	<p>Head of ICT</p>	<p>31 July 2012</p>	<p>A patch to resolve an issue with incorrectly calculated VAT when moving a booking was supplied by IT supplier. Patch installed on test system and undergoing User Acceptance Testing (UAT) by Leisure.</p>

Overdue High Priority Recommendations
ACTION PLAN

Findings	Recommendation	Lead Officer	Timescale	Comments
Some of the key performance information involves headcounts. At the moment the IT system does not record numbers accurately to produce reliable information.	Ensure IT supplier resolves the outstanding issues regarding headcount reports from the system.	Head of ICT	31 July 2012	IT supplier is addressing the core problems causing headcount problems in Advantage 2013, scheduled to begin in Jan 2013. In order to mitigate the problems with counters until Advantage 2013 a patch is due 24 September but will need to be tested.
When looking at the reconciliation process it was found that under part of the reconciliation there was a figure labelled 'difference between reports'.	Ensure that the discrepancy causing the figure labelled 'Difference between reports' is rectified.	Head of ICT	31 July 2012	New version of bookings.dll installed on test system. UAT now finished and MDDC to install on live system. IT supplier agreed to meet the supplier of the reporting tool to identify any error in the reports or to explain the report criteria differences. This date will be circulated once a date is confirmed.
During testing it was found that the HSE have now handed over the Health & Safety enforcement of Leisure Centres to Local Authorities. HSE also state that any conflict/separation of duty issues must be resolved by the LA in order for this process to	Firstly seek to return responsibility for enforcement to HSE. If this is not possible then: a) Use the outside supplier as main H & S advisor as at present but with	Head of Environmental Services/Leisure Facilities Manager	Immediate	There has been no change. The HSE have it seems been unwilling to discuss a transfer. Leisure employs its own consultant but their involvement is less than originally thought so this would need to be increased to comply with the legal duty.

Overdue High Priority Recommendations
ACTION PLAN

Findings	Recommendation	Lead Officer	Timescale	Comments
<p>be effective. At present there are potential conflicts /separation of duties issues.</p> <p>But the HSE guidance specifically cites Leisure centres as an example of an LA owned but not managed facility. Obviously this is not the case for MDDC</p>	<p>possibly higher level of cover being necessary.</p> <p>b) Use ICT for DSE checks.</p> <p>c) Internal H & S advisor would be the enforcer as EHO so his only “advisory” role for Leisure would be for the “generic” corporate risks and policies which would apply to leisure as well as all the other services.</p>			<p>MDDC’s H & S advisor has a meeting with the HSE on another matter on the 18 September and intends to raise it then.</p>

Overdue High Priority Recommendations
ACTION PLAN

Findings	Recommendation	Lead Officer	Timescale	Comments
District Officers (DOs)				
DOs work to a rota but the managers do not know where they are at specific times of the day. The DOs mostly work alone.	Consider options to mitigate the risks of lone working including the use of vehicle trackers, mobiles and pendants for DOs	Head of Environmental Services, Fleet and Environmental Enforcement Manager and Open Spaces and Cemeteries Manager	December 2012	Vehicle tracking will be extended to DOs but staff changes mean new date agreed.
Payroll				
The officer designated as the back-up for the Payroll Manager might not be able to process and run the Payroll in the Payroll Managers absence. She spends a significant proportion of her time on learning and development and needs to get involved with Payroll and running the Payroll on a regular basis	Ensure that the Human Resources Assistant receives training to enable her to run the Payroll in the absence of the Payroll Manager and ensure that this knowledge is refreshed on a regular basis. If this is not possible an alternative resource must be made available.	Head of HR and Development	April 2013	But no resource available until after the new integrated system is introduced so new date agreed.