

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 14 December 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 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 external auditor places reliance on the work of Internal Audit when expressing an opinion on the Statement of Accounts.

2.2.2 We have kept the timing and scope of these audits as before in the absence of any information to the contrary from Grant Thornton who are our external auditors with effect from 1 November 2012.

2.2.3 So far we have completed Income and Cash Collection, Housing Rents, Creditors, Council tax and NNDR and Payroll. We have commenced Main Accounting, Car Park Income and Recovery.

2.2.4 We have informed the external auditors that Benefits will be done in January.

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. This position will not change now until the March update report as work from July until January 2013 will be concentrated on the Core Audits.

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 on occasion takes minutes for investigations for HR, the second continues to provide some cover for the Finance Systems Administrator role 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 Council Tax and NNDR

3.1.1 The Revenues Service achieves its target of getting the annual billing done on time every year and maintains its collection rates at over 98% for both Council Tax and NNDR which compares favourably with the all England averages (97.3% for Council Tax and 97.8% for NNDR).

3.1.2 Most of the recommendations from previous years have been put in place with a couple of exceptions which are included in the action plan below which include a general shortage of evidence for NNDR reliefs given. Otherwise the main concern is the future developments discussed in section 5 below.

3.1.3 It is the overall opinion of the auditor that the Revenues system is adequately controlled.

3.2 Payroll

- 3.2.1 It is hoped that the problems referred to in the “scope of the audit” will finally be resolved from April 2013 when the new integrated HR and payroll system is due to be implemented. This should mark a significant improvement in the availability of resources for improved checking and of course consistency between the HR and payroll systems. However regard should be had to the risks in section 5 of the report.
- 3.2.2 Similarly the issue of cover and support for the Payroll Manager will hopefully be resolved by the freeing up of time enabled by the self-service modules of the new system. Indeed the HR Assistant has started working substantially on payroll already to enable the Payroll Manager to work on the implementation of the new system.
- 3.2.3 The key problems are that any calculations which need to be done are based on calendar days rather than working days at present which tends to lead to small underpayments for starters and small overpayments for leavers. Also there are areas of policy which we feel should be referred to Pay and Grading which could help make savings for MMDC in future.
- 3.2.4 It is the overall opinion of the auditor that the Payroll system is poorly controlled.

3.3 Car Park Income

- 3.3.1 The Environmental Health Business Support section has now fully taken over the administration of the car park income information with the Accountant performing reconciliations with the bankings and e-Fin monthly.
- 3.3.2 The contract for G4S has not been re-negotiated for some years and is of sufficient size that it should come under MDDC’s contract regulations within the Financial Regulations. This needs to be addressed as a matter of some urgency.
- 3.3.3 It is the overall opinion of the auditor that the Car Park Income system is adequately controlled.

4.0 Conclusion

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

4.2 Outstanding Recommendations

High priority overdue recommendations are in Appendix 1 with summary audit reports for the various areas showing progress to date for all outstanding recommendations following.

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
Leisure				
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.	Arrange a meeting with the supplier to resolve the shortcomings.	Head of ICT HD 99610	Completed	There have been no reported instances since the patch was applied to the live system
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 HD 99610	30 Nov 2012	This has improved but is still not resolved there are some differences on the November reports the causes of which are being analysed but may not be due to the system.

Overdue High Priority Recommendations
ACTION PLAN

Findings	Recommendation	Lead Officer	Timescale	Comments
Building Control Income				
Local authorities must produce an annual financial statement within 6 months of the end of the financial year to identify any surplus or deficit in relation to the chargeable service.	<p>Ensure that these calculations are done before the accounts are finalised because there is a potential requirement for an ear marked reserve.</p> <p>As per the regulations ensure that the required financial statement is published</p>	Head of Finance/Building Control Manager	Completed	This has been published on the Building Control Website

Audit Report - Customer First

Annual report for 2012-2013
 Arranged by Service
 For Liz Reeves
 For MDDC - Services

Filtered by Performance Status: Exclude Project Status: Cancelled, Completed and evaluated

Key to Performance Status:

Projects: No Data available Milestone Missed Behind schedule On / ahead of schedule Completed and evaluated

Audit Report - Customer First

Service: Customer First Head of Service: Liz Reeves Portfolio: n/a

Projects											
Project Status	Code	Title	Next Milestone	Project End	Last Review Date	Review Milestone	Achieved	Missed	Arising	Reviewed By	Aim (s)
No Data available	A - 2012-IC 3.1-M	<u>Refund Procedures</u>	31/12/2012 Project End	31/12/2012 (due)							

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Audit Report - EH

Annual report for 2012-2013
 Arranged by Service
 For Paul N Williams
 For MDDC - Services

Filtered by Performance Status: Exclude Project Status: Cancelled, Completed and evaluated

Key to Performance Status:

Projects:

	No Data available	Milestone Missed	Behind schedule	On / ahead of schedule	Completed and evaluated
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Audit Report - EH												
Service: <u>Environmental Enforcement</u>			Head of Service: Paul N Williams						Portfolio: n/a			
Projects												
Project Status	Code	Title	Next Milestone	Project End	Last Review Date	Review Milestone	Achieved	Missed	Arising	Reviewed By	Aim (s)	
Milestone Missed	C -	<u>Adopt a Low Emission Strategy</u>		30/09/2012 (due)							CP12-4	

Service: <u>Open Spaces</u>												
Service: <u>Open Spaces</u>			Head of Service: Paul N Williams						Portfolio: n/a			
Projects												
Project Status	Code	Title	Next Milestone	Project End	Last Review Date	Review Milestone	Achieved	Missed	Arising	Reviewed By	Aim (s)	
Milestone Missed	C -	<u>Prepare Action Plan for Open Spaces</u>		31/10/2012 (due)							CP12-4	

Service: <u>Waste Management</u>												
Service: <u>Waste Management</u>			Head of Service: Paul N Williams						Portfolio: n/a			
Projects												
Project Status	Code	Title	Next Milestone	Project End	Last Review Date	Review Milestone	Achieved	Missed	Arising	Reviewed By	Aim (s)	
Milestone Missed	A - 2011 - RR 5.3 - M	<u>Customer First SLA</u>		31/01/2012 (due)	30/09/2011 (overdue)	Project Start				Catherine Yandle		

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Audit Report - Housing services

Annual report for 2012-2013

Arranged by Service

For Nick Sanderson

For MDDC - Services

Filtered by Performance Status: Exclude Project Status: Cancelled, Completed and evaluated

Key to Performance Status:

Projects:	<input type="text"/>	No Data available	Milestone Missed	Behind schedule	On / ahead of schedule	Completed and evaluated
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Audit Report - Housing services											
Service: Housing Services			Head of Service: Nick Sanderson						Portfolio: n/a		
Projects											
Project Status	Code	Title	Next Milestone	Project End	Last Review Date	Review Milestone	Achieved	Missed	Arising	Reviewed By	Aim (s)
Milestone Missed	A - 2012 - HR - 3.2 - L	<u>Account Monitoring</u>		31/10/2012 (due)							
Milestone Missed	A - 2012 - HR - 3.1 - H	<u>Procedure Notes - Rent arrears</u>		30/11/2012 (due)							
Milestone Missed	A - 2012 - HR - 2.1 - M	<u>Trend Analysis</u>		30/11/2012 (due)							
Milestone Missed	A - 2012 - HR - 1.2 - M	<u>Unauthorised System Access</u>		31/10/2012 (due)							
Milestone Missed	C -	<u>Update the Housing Strategy</u>	03/01/2013 Report to Cabinet for approval	31/01/2013 (due)							CP12-2
Milestone Missed	A - 2012 - HR - 3.3 - M	<u>Write off's</u>		31/10/2012 (due)							

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Audit Report - Human Resources

Annual report for 2012-2013

Arranged by Service

For Jill Stimpson

For MDDC - Services

Filtered by Performance Status: Exclude Project Status: Cancelled, Completed and evaluated

Key to Performance Status:

Projects: No Data available Milestone Missed Behind schedule On / ahead of schedule Completed and evaluated

Audit Report - Human Resources

Service: Human Resources Head of Service: Jill Stimpson Portfolio: n/a

Projects											
Project Status	Code	Title	Next Milestone	Project End	Last Review Date	Review Milestone	Achieved	Missed	Arising	Reviewed By	Aim (s)
Milestone Missed	A - 2012 - S 1.3 - M	<u>Advertise Standby Vacancies</u>		01/09/2012 (due)							
On / ahead of schedule	A - 2011 - P 8.1 - H	<u>Cover for the Payroll Manager</u>	31/03/2013 Project End	31/03/2013 (due)	06/11/2012	Project Start				Catherine Yandle	
No Data available	A - 2012 - L 2.3 - H	<u>Green Book</u>	31/03/2013 Project End	31/03/2013 (due)							
On / ahead of schedule	A - 2011 - P 2.1 - M	<u>Inconsistencies between HR & Payroll</u>	31/03/2013 Project End	31/03/2013 (due)	06/11/2012	Project Start				Catherine Yandle	
Milestone Missed	A - 2012 - GH 1.1 - L	<u>Induction Checklist</u>		31/10/2012 (due)	28/09/2012 (overdue)	Project Start				Catherine Yandle	
Behind schedule	A - 2011 - P 9.1 - M	<u>Reconciliation between systems</u>		30/09/2012 (due)	06/11/2012	Project Start				Catherine Yandle	
On / ahead of schedule	A - 2011 - P 6.4 - M	<u>Salary Scale & Pay Grades</u>	31/03/2013 Project End	31/03/2013 (due)	06/11/2012	Project Start				Catherine Yandle	
Milestone Missed	A - 2012 - S 1.2 - M	<u>Standby Officer JE</u>	31/01/2013 Project End	31/01/2013 (due)							
On / ahead of schedule	A - 2011 - P 1.2 - M	<u>Verify Parameter changes</u>	31/03/2013 Project End	31/03/2013 (due)	06/11/2012	Project Start				Catherine Yandle	

Service: Leisure Services Head of Service: Jill Stimpson Portfolio: n/a

Projects											
Project Status	Code	Title	Next Milestone	Project End	Last Review Date	Review Milestone	Achieved	Missed	Arising	Reviewed By	Aim (s)
Milestone Missed	A - 2012 - L 2.1 - L	<u>Authorisation of timesheets</u>		31/08/2012 (due)							
Milestone Missed	A - 2012 - L 7.3 - L	<u>Block Bookings</u>		01/09/2012 (due)							
No Data available	A - 2012 - L 1.6 - L	<u>Block Bookings T & C</u>	31/01/2013 Project End	31/01/2013 (due)							
Milestone Missed	A - 2012 - L 2.2 - M	<u>Clocking In and Out System</u>		31/07/2012 (due)							
Milestone Missed	A - 2012 - L 5.2 - L	<u>Completeness of Forms</u>		01/09/2012 (due)							
No Data available	A - 2012 - L 4.2 - L	<u>Discrepancy Procedure</u>	31/12/2012 Project End	31/12/2012 (due)							
Milestone Missed	A - 2012 - L 10.2 - L	<u>Maintenance of website</u>	31/12/2012 Project End	31/12/2012 (due)							

Audit Report - Human Resources											
Service: Leisure Services			Head of Service: Jill Stimpson					Portfolio: n/a			
Projects											
Project Status	Code	Title	Next Milestone	Project End	Last Review Date	Review Milestone	Achieved	Missed	Arising	Reviewed By	Aim (s)
Milestone Missed	A - 2012 - L 7.1 - L	<u>Misplaced Clock Cards</u>		01/09/2012 (due)							
Milestone Missed	A - 2012 - L 7.2 - L	<u>Streamline Receipts</u>		30/09/2012 (due)							
Milestone Missed	A - 2012 - L 4.3 - L	<u>Takings Authorisation</u>	31/12/2012 Project End	31/12/2012 (due)							
No Data available	A - 2012 - L 4.1 - L	<u>Under/Over Recording</u>	31/12/2012 Project End	31/12/2012 (due)							
Milestone Missed	A - 2012 - L 5.1 - M	<u>Updated in line with Review Dates</u>		01/09/2012 (due)							
Milestone Missed	A - 2012 - L 4.4 - M	<u>Use of declared and Calculated takings</u>		30/09/2012 (due)							
Milestone Missed	A - 2012 - L 8.2 - L	<u>Value for Money</u>		01/09/2012 (due)							
Milestone Missed	A - 2012 - L 9.1 - L	<u>Website Prices</u>		30/09/2012 (due)							

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Audit Report - Finance

Annual report for 2012-2013

Arranged by Service

For Andrew Jarrett

For MDDC - Services

Filtered by Performance Status: Exclude Project Status: Cancelled, Completed and evaluated

Key to Performance Status:

Projects:		No Data available	Milestone Missed	Behind schedule	On / ahead of schedule	Completed and evaluated
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Audit Report - Finance											
Service: Financial Services			Head of Service: Andrew Jarrett						Portfolio: n/a		
Projects											
Project Status	Code	Title	Next Milestone	Project End	Last Review Date	Review Milestone	Achieved	Missed	Arising	Reviewed By	Aim (s)
Milestone Missed	A - 2011-IC 1.3-L	<u>Add information to the sundry debtor invoices to identify the period.</u>		30/11/2012 (due)							
Milestone Missed	A - 2012-IC 2.4-L	<u>Business Object Reports</u>		31/10/2012 (due)							
Milestone Missed	A - 2012 - L 1.3 - M	<u>Income Posting</u>		31/08/2012 (due)							
On / ahead of schedule	A - 2012-IC 4.1-M	<u>Invoice Account Numbers</u>		03/12/2012	03/12/2012	Project End	Logged ICT helpdesk , number 100718 3/12/12 refer to ABS			Andrew Cawdron	
Milestone Missed	A - 2010-IC 1.1-L	<u>Invoices must be raised before the service is provided/used</u>		30/11/2012 (due)							
No Data available	A - 2012-IC 2.5-L	<u>Keep reconciliations up to date</u>	31/03/2013 Project End	31/03/2013 (due)							
No Data available	A - 2012 - HR - 5.1 - L	<u>Reconciliation - Tenancy Accounts</u>	31/03/2013 Project End	31/03/2013 (due)							
No Data available	A - 2011 - HR - 5.2 - M	<u>Rent Reconciliation</u>	31/03/2013 Project End	31/03/2013 (due)							
No Data available	A - 2011 - HR - 4.2 - M	<u>Salary Deductions</u>	31/03/2013 Project End	31/03/2013 (due)							
No Data available	A - 2012-IC 2.1-L	<u>Sign Off</u>	31/01/2013 Project End	31/01/2013 (due)							
No Data available	A - 2012-IC 2.3-L	<u>Suspense Account Management</u>	31/01/2013 Project End	31/01/2013 (due)							
On / ahead of schedule	A - 2009-IC 1.2-H	<u>The possibility of introducing batch control for Sundry Debtors must be investigated.</u>	31/01/2013 Once 4.1 update completed explore e-mail confirmations	31/03/2013 (due)	13/12/2012	Progress any actions to ensure that the target date is met (31/3/13) to provide reliance for the Audit Commission for 2013/14.	Pro forma set up on Sharepoint e-mail to be sent out to confirm not yet addressed			Catherine Yandle	
On / ahead of	C -	<u>Update Financial Regulations</u>	21/12/2012 Draft financial	31/01/2013 (due)	22/11/2012	Draft financial regulations				Catherine Yandle	

Audit Report - Finance**Service: Financial Services****Head of Service: Andrew Jarrett****Portfolio: n/a****Projects**

Project Status	Code	Title	Next Milestone	Project End	Last Review Date	Review Milestone	Achieved	Missed	Arising	Reviewed By	Aim (s)
schedule			regulations completed			completed					

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