

INTERNAL AUDIT PROGRESS REPORT

Cabinet Member Cllr Neal Davey
Responsible Officer Audit Team Leader

Reason for Report: To update the Committee on the work performed by Internal Audit for the 2013/14 financial year.

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 2013/14 to 2016/17 and annual work plan for 2013/14 were presented to the Audit Committee at its meeting on 19 March 2013, where they were approved; a revised annual work plan for 2013/14 was agreed at the 19 November Audit Committee meeting.

1.2 The purpose of this report is to provide the Committee with a progress report on performance against the 2013/14 Internal Audit work plan for the period from 1 April 2013 to 21 February 2014.

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 risk based audit process.

2.2.2 The Core Audits commenced in September 2013. Income and Cash Collection, Housing Rents, Creditors, Trade Waste, Council Tax and NNDR, Treasury Management, Housing Benefits and Recovery have been completed so far.

2.2.3 Payroll and the Main Accounting System were near completion when this report was sent out so they will be included in the Outturn Report at the meeting on 27 May 2014.

2.3 Systems Audits

2.3.1 Systems Audits have been completed for Grounds Maintenance, Private Sector Renewal Grants, Procurement, Elections & Electoral Registration, Corporate Health & Safety, Travel & Subsistence, Housing Homeless Persons, Development Control and Gifts & Hospitality.

2.3.2 No further Systems Audits have been carried out since September as we have been concentrating on the Core audits.

2.4 Other Work

2.4.1 The Internal Audit team continue to audit and report on performance and risk using the Spar system and present the quarterly corporate performance and risk reports to PDGs and Committees.

2.4.2 Data quality checks are carried out on committee and other reports as requested.

2.4.3 All the Internal Audit Team members have now had job evaluation training and 2 have sat on job evaluation panels since April. One Auditor provided some cover and training for the Finance Systems Administrator. The Audit Team have also reviewed procedures for several new ICT processes.

2.4.4 The Audit Team have carried out 3 investigations this year and taken notes for another. One Auditor is now on maternity leave.

3.0 **Audit Opinions**

The following opinions have been issued since the last report:

3.1 **Treasury Management**

3.1.1 Treasury Management is very good but there are one or two minor variations from investment policy which do not appear to have been authorised by the Head of Finance and Finance Cabinet Member in accordance with their delegated powers.

3.1.2 It is the overall opinion of the auditor that the Treasury Management system is well controlled.

3.2 **Housing Benefits**

3.2.1 There were a number of well managed areas within the Benefits department, these being:

- The BACS payments authorisation process is well controlled. There is appropriate separation of duties and authorisation at each stage of the process.
- All appropriate evidence for change of circumstances is obtained before implementing the change.
- The overpayment receipts are reconciled on a monthly basis to the e-Financials system.
- Access on the Northgate system was all in accordance with the requirements of the users.
- There is adequate provision for bad debt.

3.2.2 However, during busy periods there are occasional gaps in management checks or reduced checks. It was also found that in the sample selected, the calculation of monthly accuracy percentages was incorrect.

3.2.3 It is recognised that the people who have incurred overpayment debts are those on low income, but it appears that benefit overpayments are not being adequately chased increasing the risk of the debt becoming irrecoverable. Also, some of the sundry debtors are in need of writing off. The Fraud & Overpayments Team Leader confirmed that this process is about to be carried out so this is now being addressed. It was found that there are some old accounts (prior to 2012) that don't seem to be on the Workflow system which seems to be as a result of an upgrade.

3.2.4 It is the overall opinion of the auditor that the Housing Benefits system is adequately controlled.

3.3 Recovery

3.3.1 The process of raising the twice yearly Trade Waste invoices and ah-hoc Trade Waste invoices has now transferred from the Recovery Section to the Debtors Section in the Finance Department which ensures that there is a clear separation of duties between the raising of invoices and debt recovery.

3.3.2 The Recovery section has continued to follow their written procedures for chasing and monitoring debts well. However, as before the procedure for the Service Manager referrals has seen no improvement and this part of the process remains the same, with little feedback from Managers to the Recovery section. When debts are referred to other service areas there are often long delays before further action is taken, increasing the likelihood of debts becoming irrecoverable.

3.3.3 It is the overall opinion of the auditor that the Recovery Service is adequately controlled.

4.0 Conclusion

4.1 Progress has been steady and some new processes we have introduced or re-introduced have proved helpful. We are keeping a better record of the time spent on each audit which will help when it comes to doing future audit planning work.

4.2 All the post audit surveys for systems audits sent out have come back “very satisfied” or “satisfied” so far.

4.3 Outstanding Recommendations

Summary audit reports for the various areas showing progress to date for outstanding recommendations will follow.

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Circulation of the Report: Management Team and Cllr Neal Davey

List of Background Papers: None