

AUDIT COMMITTEE
24TH MARCH 2015

INTERNAL AUDIT PROGRESS REPORT

Cabinet Member Cllr Peter Hare-Scott
Responsible Officer Audit Team Leader

Reason for Report: To update the Committee on the work performed by Internal Audit for the 2014/15 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 plan.

Financial Implications: None arising from the report

Legal Implications: None arising from the report

Risk Assessment: The role of Internal Audit is providing assurance that the risk management and internal control framework are operating effectively.

1.0 Introduction

1.1 The four-year strategic audit plan for 2014/15 to 2017/18 and annual work plan for 2014/15 were presented to the Audit Committee at its meeting on 11 March 2014, where they were approved.

1.2 The purpose of this report is to provide the Committee with a progress report on performance against the 2014/15 Internal Audit work plan for the period from 1 April 2014 to end of February 2015.

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 or are 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 with the exception of Trade Waste and Car Park Income which are carried out alternately.

2.2.2 The following Core audits are complete; ICT Core, Car Park Income, Council Tax/NNDR, Housing Benefits and Payroll.

2.2.3 Income & Cash Collection and Housing Rents are at the draft report stage and work has commenced on Creditors and Main Accounting.

2.2.4 The opinions for those audits completed since the last report are included in full in section 3.0 below.

2.3 Systems Audits

2.3.1 Systems Audits have been completed for Repairs & Maintenance, Contracts, Economic Development & Industrial Rents, Gazetteer Management Service, Leasing & Asset Management, Data Protection & Information Security, Gifts & Hospitality, Telephones, Lords Meadow Leisure Centre, Tiverton Pannier Market, Housing Health & Safety Management, VAT and Time Recording.

2.3.2 No further systems audits will be commenced for 2014/15. This has resulted in 4 audits being delayed until 2015/16 i.e. Listed Buildings & conservation, Grants & Donations, Vehicles and Emergency Planning.

2.4 Other Work

2.4.1 The Internal Audit team continue to 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 continue to be carried out on committee and other reports as requested.

2.4.3 The Audit Team have carried out 2 investigations and sat on 2 job evaluation panels this year.

2.5 Performance Indicators

As at end of February the Internal Audit PIs are as follows:

	Current	Target
Core	75%	83%
System	81%	80%

The Core audits are now scheduled to be completed by 2 April 2015. The Stocktake is scheduled for 31 March 2015.

3.0 Audit Opinions

The following opinions have been issued since the last report:

3.1 Council Tax/NNDR

3.1.1 The collection of Council Tax and Business Rates remains above the English average as MDDC continues to perform well and collects a high proportion by Direct Debit (over 70%). The total collected was nearly £57M.

- 3.1.2 However, due to the lack of procedure notes and effective targets for processes it is difficult to assess the Service's day to day performance and as the section has been subject to extensive changes recently it is felt that work needs to be done to put clear guidelines and processes in place so it is clear who may do what.
- 3.1.3 This becomes even more relevant now Revenues are part of Customer First (CF): CF staff are picking up some of the more routine Revenues work and more generic working is being encouraged generally as part of 'Digital Transformation'.
- 3.1.4 The level of resource should also be reviewed as it is felt that the strain is starting to show and only a small increase in recovery rates would cover the cost of the extra resource. This suggestion will be followed up on the Recovery audit.
- 3.1.5 It is the overall opinion of the auditor that the Revenues system is adequately controlled.

There were no high priority recommendations on this audit.

3.2 Housing Benefit

- 3.2.1 Most of the areas of the Housing Benefit section are well managed, these being:
- All appropriate evidence for change of circumstances is obtained before implementing the change.
 - Updates to claimants' accounts are carried out promptly.
 - The overpayment receipts are reconciled on a monthly basis to the e-Financials system.
 - There is adequate provision for bad debt
 - Following a recommendation from the previous Audit, all debtors accounts prior to 2012 have now been added to the workflow system
 - Copies of Sundry Debtor invoices are now being saved in line with the document retention guidelines.
- 3.2.2 However, there are some minor issues which need to be addressed: The accuracy figures reported to Cabinet were found to be slightly less than those on the Housing Benefit Accuracy Calculation spreadsheet. There is inconsistency between the reports and the figures on SPAR.
- 3.2.3 It is the overall opinion of the auditor that the Housing Benefit system is well controlled but there are still problems with the recovery of overpayments.

There were no high priority recommendations on this audit.

3.3 Payroll

- 3.3.1 The Aurora payroll & HR system has now been in operation for over a year, the first year end payroll processing was done in March 2014; went well and

has been well documented. The transfer to Real Time Information (RTI) processing for HMRC has also been a smooth transition.

3.3.2 However, there are a number of weaknesses in the systems of internal check and control that need to be addressed, as follows:

- The year-end procedure of changes to parameters has improved with the new system, there is some automation and with other changes the 'before' and 'after' is kept as an audit trail and could be checked at any point. However, it would be prudent to introduce a process to verify the system parameter changes for items such as changes as Tax code updates, pay increases, SSP updates etc.
- A structure chart facility has not yet been activated on the Aurora system.
- Some of the salary estimates have not been signed off and dated by the relevant Manager(s).
- There has been some uncertainty as to the timing of changes to Unison subscriptions when there has been a change in salary. Unison has confirmed that it is the responsibility of Unison members to inform Unison of a salary change that could affect the amount of the Unison Subscription. Unison will then inform Payroll should a change be necessary. This is due to the Unison Member needing to be up to date with their subscription, to be entitled to Unison representation should they need it, but that this should not be the responsibility of the Payroll section. It is a concern that employees are not aware that this is the procedure and could be denied representation as a result of underpaid subs.

3.3.3 It is the overall opinion of the auditor that the Payroll system is adequately controlled.

There were no high priority recommendations on this audit.

4.0 Conclusion

4.1 The audit plan is fairly well progressed this year; only a few days slippage on the Core audits is anticipated.

4.2 Outstanding audit recommendations are summarised at Appendix 1

4.3 Overdue high priority recommendations are at Appendix 2.

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

Circulation of the Report: Management Team and Cllr Peter Hare-Scott

List of Background Papers: None

Incomplete Audits	Year	Recommendations											
		High			Medium			Low			Total		
		C	N	O	C	N	O	C	N	O	C	N	O
Car Park Income	2014	1			7						1	7	0
Contracts	2014			1				1	3		1	3	1
Housing Benefits	2014				3	1					0	3	1
Leasing and Asset Management	2014					1		1			1	0	1
Procurement	2013			1	1	2		2	1		3	0	4
Trade Waste	2013				3	2		1	2		4	4	0
VAT	2014		1			1					0	2	0
Gifts & Hospitality	2014						1		2	2	0	2	3
Tiverton Pannier Market	2014				3	5		1	1		4	0	6
Data Protection	2014	2	1			1	2				2	2	2
ICT Core	2014	1				4			3		1	0	7
Building Control	2012				2	2		7	3		9	0	5
Health & Safety	2013				6	4		5			11	0	4
Leisure LMLC	2014				3	1		2			5	1	0
Payroll	2013				2	1					2	0	1
Payroll	2014					10					0	10	0
Sickness & Other Time Off	2012				2			1	3		3	0	3
Time Recording	2014				3	5	1				3	5	1
Travel & Subsistence	2013	1		1	2	1		4	1		7	0	3
Elections	2013				2			2	2		4	2	0
Customer Care - Complaints	2013				2	3		2	3		4	0	6
Council tax/NNDR	2014				2	4					2	4	0
Recovery	2009						1				0	0	1
Recovery	2012	1				1			2		1	0	3
Recovery	2013					1		1	1		1	0	2
Homelessness	2013						1	2			2	0	1
Housing H & S Management	2014		1			5					0	6	0
Housing Repairs & Maintenance	2014				1	3			2		1	0	5
Standby	2012				2	2					2	0	2
		6	3	3	36	39	37	32	9	22	74	51	62

CORE
SYSTEM

C = Completed 40%
N = Not yet due 27%
O = Overdue 33%

Audit Report - High Priority Outstanding Recommendations Appendix 2

Annual report for 2014-2015

Arranged by Service

Filtered by Flag: Include: Audit Recommendations

Filtered by Performance Status: Include Project Status: No Data available,
Milestone Missed, Behind schedule, On / ahead of schedule

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 - High Priority Outstanding Recommendations Appendix 2

Service: Human Resources	Head of Service: Jill May	Portfolio: n/a
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Projects						
Project Status	Code	Objective	Project End	Last Review Date	Achieved	Arising
Behind schedule	A - 2013 - TS 2.2 - H	<u>Provision for reviewing and recording drivers' insurance details consistently and in a centralised manner should be agreed and included in the Transport Policy. (see 2.4 below</u>	31/03/2014 (due)	12/09/2014		New Waste/Transport Manager commenced employment 01/09/14. Working with him to bring Transport Policy which should address this by 31/03/15.

Service: Procurement	Head of Service: Andrew Jarrett	Portfolio: n/a
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Projects						
Project Status	Code	Objective	Project End	Last Review Date	Achieved	Arising
No	A - 2013 - PC - 1.1 - H	<u>Put</u>	31/05/2014	09/02/2015		This

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Service: Procurement		Head of Service: Andrew Jarrett			Portfolio: n/a	
Projects						
Project Status	Code	Objective	Project End	Last Review Date	Achieved	Arising
Data available		<u>contracts in place where spend is over £50,000 in a year in accordance with the Financial Rules.</u>	(due)	(overdue)		recommendation will be reviewed upon the return of the Procurement Manager in April 2015.
No Data available	A - 2014 - CON - 2.1 - H	<u>Ensure that the supplier spend monitoring process resumes as soon as possible to ensure that the Council obtains the best prices and value for money.</u>	31/08/2014 (due)	09/02/2015 (overdue)		This recommendation will be reviewed upon the return of the Procurement Manager in April 2015.