

**AUDIT COMMITTEE
24 JANUARY 2017**

INTERNAL AUDIT PROGRESS REPORT

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

Reason for Report: To update the Committee on the work performed by Internal Audit for the 2016/17 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 2016/17 to 2019/20 and annual work plan for 2016/17 were presented to the Audit Committee at its meeting on 15 March 2016, where they were approved.

1.2 The purpose of this report is to provide the Committee with a progress report on performance against the 2016/17 Internal Audit work plan for the period from 1 April to 31 December 2016.

1.3 It should be noted that a previous item on this agenda has a bearing on the extent to which the agreed Audit Plan can be achieved; the performance information in section 2.5 below reflects this.

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 either cover the Council's key financial controls or the level of income is material in the context of the Council's annual accounts. These audits are allocated a larger number of days, as part of the risk based audit planning process, so they are usually

carried out annually. Trade Waste and Car Park Income are carried out biennially for the same reason.

2.2.2 The opinions for the first 3; Housing Benefits, Payroll and ICT are included in full in section 3 below.

2.2.3 The Council Tax /NNDR and ICT Core audits have been commenced.

2.3 Systems Audits

2.3.1 Systems Audits have been completed for Refuse & Recycling, Stores and Data Protection & Information Security, Private Sector Housing, Cemeteries & Bereavement Services, Standby, Voids management, Licensing, Sickness & Other Time Off, Land Charges, Lettings, Members' Allowances, Gifts & Hospitality and Exe Valley Leisure Centre.

2.3.2 No further work on Systems Audits will take place until the Core Audits are complete.

2.4 Other Work

2.4.1 The Internal Audit team 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. Tender documents have been verified as usual.

2.4.3 The Audit Team have assisted with 2 investigations and sat on 3 job evaluation panels so far this year.

2.4.4 The Audit Team Leader attends the Corporate Health & Safety Committee as Risk Advisor. The 2 Auditors take turns attending the ICT User groups.

2.4.5 One Auditor has become a Unison representative which involved 5 days training initially and monthly meetings on an on-going basis.

2.5 Performance Indicators

2.5.1 As at the end of December 2016 the Internal Audit PIs are as follows:

	Predicted	Target	Current	Target
Core	100%	100%	44%	50%
System	69%	80%	61%	67%

2.5.2 The Core audits are scheduled to be completed in March but not all the system audits in the work plan will be completed, it is intended to prioritise VAT, Enforcement and District Officers with the Committee's agreement.

2.5.3 Approximately 45 extra days work has been done on 3 audits brought forward from 2015/16 and 4 audits that took a bit longer than scheduled this year which has affected the number of audits completed.

2.5.4 Fifteen post-audit surveys have been sent out to clients; eleven have been returned scored as 4-5 for all questions, meaning they were satisfied or very satisfied with the process. Two are still being followed up and two referred to timing difficulties which were fair comments and have been noted.

3.0 Audit Opinions

The following opinions have been issued since the last report:

3.1 Housing Benefit

3.1.1 The process in place for monitoring and chasing Housing Benefit overpayments carried out by the Benefit Assessors and Supervisors is robust and well managed, through the use of CRM and a workflow process.

3.1.2 This area of Housing Benefit overpayment is particularly difficult to recover, as there is a threshold (set by DWP annually) that cannot be exceeded for the amount recovered from on-going benefit, therefore it can take a long time to claw back any money which has been overpaid. If the person is in employment it is possible to apply a direct earnings attachment, this has been helpful in obtaining repayment of overpayments and is applied wherever possible. Overpayments of over £2,000 as a result of fraud, are referred to DWP for investigation/prosecution. However, it is disappointing that for the cases referred, it is very rare that they result in prosecution.

3.1.3 As mentioned, debts are regularly monitored and are only written off when the point has been reached where collection is unlikely or uneconomical, and in line with the Financial Regulations.

3.1.4 The reconciliations between the Housing Benefit System and e-Financials continue to be carried out in a timely manner and any variances are investigated and quickly resolved; the provision for bad debt is prudent.

3.1.5 It is the overall opinion of the auditor that the Housing Benefits System is well controlled. There were no recommendations on this audit.

3.2 Payroll

3.2.1 The Payroll service continues to operate well and has robust processes in place. Systems access is well controlled, the year-end processes are well documented and the parameter changes which take place at the beginning of each financial year are verified and checked to ensure accuracy.

3.2.2 All Real Time Information (RTI) Submissions made by Payroll to HMRC have been carried out and sent within the given time lines.

3.2.3 One of the weaknesses highlighted in previous audits has been the lack of publishing regularly updated establishment listings, which was partly due to system limitations. The testing and implementation of third party software has helped to address this issue, although some manual intervention is still required. However, it is an improvement on the previous process and the System Administrator will be looking at ways to further automate the

procedure and agree a timetable with the HR Business Partners to publish updated structure charts.

3.2.4 It is the overall opinion of the auditor that the Payroll system is well controlled.

Summary of Recommendations		
High	Medium	Low
0	2	0

3.3 Car Park Income

3.3.1 The process for approving the pricing increases for car parking has been comprehensive, and was extensively reviewed by the Car Parking working group, and the procedure for approval by Cabinet has been followed correctly.

3.3.2 The reconciliation of the income for pay and display car parks is completed on a monthly basis and in a timely manner by the Accountant responsible for posting the car parking income. Any differences between the amounts collected and amounts banked are recorded as overs or unders, in line with a recommendation from the previous audit.

3.3.3 In July 2016, an issue was identified with the number of vends recorded in 4 car parks as they seemed to be incorrect. Further investigation by the Accountant revealed that there had been a problem with the software installed in the P&D machines and the supplier was contacted. Due to a technical issue, the data for vends was 'lost'. After meeting with the supplier, they have given assurances that their technicians have been reminded of the correct procedure when updating the software. The bankings were unaffected.

3.3.4 The collection and counting of money from the pay and display machines is carried out by one contractor according to an agreed schedule, but the machines are owned by a different contractor. The Environmental Enforcement team and Accountant responsible for the car parking income reconciliations have recently been given online access to the P & D machine company's system which records the time and date of all collections which will help to monitor the number of vends and pick up any potential anomalies much more quickly.

3.3.5 Areas for improvement would be to populate the Pay & Display Cash Receipts spreadsheet promptly and deal with any missed collections or discrepancies, as they occur, by liaising with the appropriate contractor to resolve any issues. Invoices should then be monitored to ensure that we are only paying for services received and that credit notes are being received for all missed collections.

3.3.6 It is the overall opinion of the auditor that the Car Parking Income system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	5	0

4.0 Conclusion

- 4.1 We will continue to monitor and report on our progress at each Audit Committee meeting. Outstanding audit recommendations are summarised at Appendix 1. Overdue recommendations are 24% @ 31 December compared to 26% @ 31 October.
- 4.2 High Priority deadlines may only be extended with the Audit Committee's agreement. 3 have been made so far this year. The Head of Service has asked to extend the high priority recommendation on Data Protection to the end of March as training on GDPR is being undertaken on 12 January which will then be cascaded to senior officers.
- 4.3 Where there are insurmountable issues making achieving targets impossible then managers needed to bring these issues to the attention of the Chief Executive.

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

List of Background Papers: None