



## AUDIT COMMITTEE

<b>Subject Heading:</b>	Internal Audit Progress Report Q4
<b>Report Author and contact details:</b>	Paula Sisson – Internal Audit & Corporate Risk Manager ext 3733
<b>Policy context:</b>	To inform the Committee of progress towards delivery of the audit plan Quarter four 2010/11.
<b>Financial summary:</b>	N/a

### The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	<input type="checkbox"/>
Excellence in education and learning	<input type="checkbox"/>
Opportunities for all through economic, social and cultural activity	<input type="checkbox"/>
Value and enhance the life of every individual	<input type="checkbox"/>
High customer satisfaction and a stable council tax	<input checked="" type="checkbox"/>

### SUMMARY

This report advises the Committee on the work undertaken by the internal audit team during the period 1 January 2011 – 31 March 2011.

### RECOMMENDATIONS

1. To note the contents of the report.
2. To raise any issues of concern and ask specific questions of officers where required.

## REPORT DETAIL

This progress report contains an update to the Committee regarding Internal Audit activity presented in seven sections.

Page

### **Section 1 Audit Work 1 January - 31 March 2011**

A summary of the reports finalised by the end of March is included in this section of the report.

### **Section 2 Management Summaries**

Summaries of all final reports issued in the period.

### **Section 3 Schools Audit Work**

A summary of schools work undertaken in the period.

### **Section 4 Budget & Resource Information**

The budgetary and resource position at the end of March are included for information.

### **Section 5 Key Performance Indicators**

The actual performance against target for key indicators is included.

### **Section 6 Changes to the Approved Audit Plan**

The changes made to the audit plan since the last meeting are detailed and explained in this section of the report.

### **Section 7 Outstanding Recommendations Summary Tables**

The details regarding status, as at the end of March, of all outstanding recommendations are included within tables for information.

## Section 1 Audit Work 1 January – 31 March 2011.

At the end of March 89% of the audit plan had been delivered. This was against a target for the period of 97%.

Schedule 1 details the work completed in quarter four. Details are listed in the table below and management summaries under Section 2 starting on page 4.

### SCHEDULE 1: 2010/2011 – Systems Audits Completed

Report	Opinion	Recommendations				Ref Below
		High	Med	Low	Total	
Schools Human Resources	Unqualified	0	0	0	0	2 (1)
Council Tax	Unqualified	0	1	0	1	2 (2)
Creditors	Unqualified	0	0	0	0	2 (3)
Main Accounting	Unqualified	0	0	0	0	2 (4)
Tranman Application	Qualified	3	7	1	11	2 (5)
IT Change Management	Unqualified	0	4	0	4	2 (6)
Housing Benefits	Unqualified	0	0	0	0	2 (7)
Payroll	Unqualified	0	1	1	2	2 (8)
Pensions	Unqualified	0	0	2	2	2 (9)
Debtors	Unqualified	0	0	1	1	2 (10)

## Section 2 Management Summaries

<b>Schools Human Resources</b>	<b>Schedule 2(1)</b>
--------------------------------	----------------------

### 2.1 Background

2.1.1 This audit was planned to correspond with the start of the Internal Audit team's provision of the Internal Audit service to Schools, to ensure that the overall control environment at the Council was understood and evaluated to ensure the Council's risks are managed.

2.1.2 The team provide a traded service to schools, who determine what level of service they require which is agreed via a Service Level Agreement (SLA). There are a total of 79 schools, including secondary, primary and special schools, in the borough. Of these, 76 establishments buy-in services from the team at an annual cost of £558,229 (actual charges to schools for 2010/11).

2.1.3 Schools' HR are currently separate to the Council's corporate HR team, it is noted that plans are being considered to bring aspects of the Schools' HR into the shared service centre along with corporate HR team, however if agreed this will not take place until September 2011 at the earliest.

2.1.4 In 2009/10 all the Council's Human Resources functions were subject to an independent efficiency review so the scope of this audit has not included these risk areas to avoid duplication.

#### 2.1.5 Summary of Audit Findings

2.1.6 A range of strategic and operational advice and guidance is given to all 79 schools in relation to the Council's statutory HR functions. In addition a range of strategic and operational advice and guidance, in accordance with the SLA, is available to those schools buying into traded services.

2.1.7 The small number of schools that purchase the traded services from other providers limits the risk to the team of providing services to schools that have not purchased them. At times, these schools may be provided with support and advice exceeding the statutory requirements. This is to manage risks to the Council as much as the risks to the school.

2.1.8 The Schools' HR team's reliance on school's buying into the Council's traded services makes it difficult to enforce non statutory requirements.

2.1.9 With the importance of Safer Recruitment within Schools, assurance on compliance with this would be valuable to the team. However, whilst information demonstrating this can be requested from schools, there no obligation for schools to provide it. As such and in order to gain some level

of assurance, this check will be incorporated into the Internal Audit work programme for school audits.

2.1.10 A review of officers with access to the team's shared information area, identified four officers who no longer required access to the data, action was taken to resolve this during the audit.

### **2.1.11 Audit Opinion**

2.1.12 As a result of this audit we have raised no recommendations for the service. However the Internal Audit schools audit programme has been amended to include an evaluation and testing of safer recruitment processes within schools to ensure that the Governors and Head Teachers as well as the Schools' HR team gains sufficient assurance that risks are being appropriately managed.

2.1.13 An **unqualified** audit opinion has been given as the audit has found that the system of control is generally in place and any recommendations being made are to enhance the control environment.

<b>Council Tax</b>	<b>Schedule 2(2)</b>
--------------------	----------------------

## **2.2 Background**

2.2.1 All properties are subject to Council Tax and to determine the amount payable they are allocated a band according to their market value as at 1<sup>st</sup> April 1991. The bands range from A to H dictating an amount payable for each band.

2.2.2 Money raised through the Council Tax is retained to fund Council spending. For the financial year 2009-10 income from Council Tax amounted to £117,286,400 from a total of £121,224,959.

### **2.2.3 Summary of Audit Findings**

2.2.4 The audit review found that recommendations raised as part of previous years audits have not yet been fully implemented. The Council is currently in the process of pulling central services such as Payroll, Human Resources and Procurement into an Internal Shared Service (ISS). Whilst this does not directly impact on the Council Tax team, the movement of the team from Finance to Customer Services will have an impact. As part of the move into Customer Services, the Council Tax team will be subject to a restructure which will further impact on the team.

2.2.5 The deadline for updating the procedures manual was March 2010. At the time of the last audit it was recognised that this deadline was unlikely to be met. Due to the introduction of Internal Shared Services, it was considered to be more efficient to wait until the new systems were implemented before completing the procedures manual. As part of the preparation for this move process mapping has been completed.

2.2.6 Spot checks on officers work was recommended as part of the 2009-10 audit. The implementation of these checks was delayed as one post responsible for the completion of these checks is vacant. The other is currently filled by a temporary employee. There is therefore an on-going risk that non compliance or human error is undetected in processes.

2.2.7 An annual report is run of all council tax liable properties where the liable party is unknown. A review of this report found that action has not been taken in recent years to identify the liable party.

### **2.2.8 Audit Opinion**

2.2.9 As a result of this audit we have raised one medium priority. The recommendation relates to the need to run regular reports and investigate those properties where the liable party is unknown. Prior recommendations will continue to be monitored via quarterly update and reporting to Audit Committee.

2.2.10 An **Unqualified** audit opinion has been given as the audit has found that the system of control is generally in place and any recommendations being made are to enhance the control environment.

<b>Creditors</b>	<b>Schedule 2(3)</b>
------------------	----------------------

## **2.3 Background**

2.2.1 Creditors payments through the Council's bank account for 09-10 totalled over £415million

2.3.2 During the period 1<sup>st</sup> April 2010 – 31<sup>st</sup> October 2010, 52,085 invoices were paid, with a net total of over £250million.

### **2.3.3 Summary of Audit Findings**

2.3.4 In a sample of invoices, the authorised signatory did not have the relevant authorisation form held on FIS for 17 of the 48 tested. It was found that this information held on FIS was not necessarily up to date mainly due to a backlog in scanning of authorisation forms. However, it is expected that the forthcoming changes to the system in 2011/12 will help to address this.

2.3.5 A number of duplicate invoices were found to have been paid during audit testing. Further analysis identified that these were entered primarily by one member of staff with the same errors occurring. All duplicates over a minimum level were all picked up and recouped by the Systems Team and training concerns raised where required.

2.3.6 Due to a recent increase in other local authorities receiving false changes of information correspondence, additional controls have been put in place to mitigate any increased risk arising from this.

### 2.3.7 Audit Opinion

2.3.8 As a result of this audit no recommendations have been raised.

2.3.9 An **Unqualified** audit opinion has been given as the audit has found that the system of control is generally in place and any recommendations being made are to enhance the control environment.

<b>Main Accounting</b>	<b>Schedule 2(4)</b>
------------------------	----------------------

## 2.4 Background

2.4.1 Oracle Financials is the key financial system used by the Council. This audit has focused on administrative processes.

### 2.4.2 Summary of Audit Findings

2.4.3 Administrative processes tested during this audit were found to have good controls in place and no issues were found during the course of this audit.

### 2.4.4 Audit Opinion

2.4.5 No recommendations were raised as part of this audit

2.4.6 An **Unqualified** audit opinion has been given as the audit has found that the system of control is generally in place.

<b>Tranman Application</b>	<b>Schedule 2(5)</b>
----------------------------	----------------------

## 2.5 Background

2.5.1 The Passenger Transport Service (PTS) team at the Purfleet Depot uses the fleet management system, Tranman to keep an inventory of all of the vehicles that the Council holds through the full lifetime of their use. Passenger Transport Services vehicles are available for hire to Council affiliated groups (e.g. Nursing Homes/PTA's) and Council employees. The Hires module in the Tranman application is used to keep track of and pay invoices for all vehicles hired by the council from 3rd party companies for use to cover vehicles off the road or awaiting purchase and, to re-charge departments for the hire of these vehicles. The application is also used to log the amount of fuel used by all vehicles used by the Council, including hire vehicles to allow the costs to be recharged to departments.

- 2.5.2 The workshop at the depot is responsible for maintaining the entire Council fleet and any hired vehicles used by the Council. The workshop team use the Tranman application to raise work jobs on the system for carrying out fleet inspections, arranging MOT's, servicing, minor repairs and organising major repairs with approved repairers. The schedule of rates which is an industry list of the time required to complete a task within the Workshop. The fitters access a screen to log the time taken for the actual time taken on tasks. Jobs are then updated on Tranman to report on productivity.
- 2.5.3 The Storeman is responsible for maintaining an inventory of stock used regularly by the workshop fitters and maintains an inventory of stock items. Invoices sent by suppliers are manually input against stock orders through the system.
- 2.5.4 The Tranman application has been live at the Council since April 2008. There are 17 modules currently in use in the application which are used to carry out the activities described above. Our audit concentrated on the vehicles, stocks and hires modules of the system.
- 2.5.5 The application servers are hosted within Mercury House and managed by the Business Systems function with external support from the supplier, CIVICA.

#### 2.5.6 **Summary of Audit Findings**

- 2.5.7 A generic username for the system administrator account is in use and is shared between team members on the Tranman application limiting accountability of its use.
- 2.5.8 Weak password controls have been set on the application and the user's passwords have been set to be the same as their User ID. Unsuccessful user login attempts are not restricted as user accounts are not disabled following three unsuccessful login attempts. The existing password controls do not maintain a history of users' passwords to prevent their re-use and to prevent passwords becoming well known.
- 2.5.9 A procedure has not been established for the creation and management of new user accounts and leaver's accounts. Periodic reviews of users and their access rights are not performed on a regular basis. Although usage of the system is limited to a small user base there are plans to extend the use of the Tranman application.
- 2.5.10 User account sessions remain active if a user closes the application window without logging out of the system. This can mean that other users cannot login into the Tranman application when the number of active users exceeds the licences available. There is a requirement for an analysis to be carried out to determine if the current number of user licenses on the system is adequate.



- 2.5.11 User access on the system has only been restricted as per the modules that a user requires access to. Access to any fields or tabs within the modules has not been restricted to ensure the segregation of duties within modules. This is mainly due to uncertainty on whether the functionality is available in the application to be able to restrict access within a module. An analysis is still to be carried out to help ensure user group permissions are allocated in line with users' job roles.
- 2.5.12 Validation checks are not in place on the Order Number field when creating a new stock order, as any value is accepted and the unit price for an item of stock being ordered can be amended. A supplier code has been set internally on the system by the Stores team and a corresponding creditor code has to be selected so that the correct supplier is paid.
- 2.5.13 The process for the input of invoices onto the system should be reviewed to ensure that these are authorised or reviewed by senior management following input.
- 2.5.14 Amendments to master data such as adding or deleting new supplier codes are not recorded and the changes are not submitted to the requestor for approval.
- 2.5.15 The interface data from Tranman to Oracle (General Ledger and Accounts Payable) are reconciled to ensure accuracy. However, the control totals are not received for the text file generated from the fuel system TimePlan to ensure these can be reconciled with the total number of records being imported into Tranman for the amount of fuel used by the Fleet. There is a risk that the client may be unaware of any records which may not have been imported into Tranman and thus may not be recharged to the appropriate department for use of the fuel. However there is a further reconciliation with Oracle that may pick up cases of fuel being incorrectly transferred.
- 2.5.16 Although an audit trail facility has been set up on the system, an audit log is only created for transactions which run or creates a report. The system administrator was unable to confirm if any other transactions or record changes are audited. Additionally, the audit trail facility on the system does not log the details of which fields have been changed and does not record details of the data entered. Master data for core system data changes or unsuccessful logon attempts to access the system are also not captured.
- 2.5.17 A change control and patch management procedure is not in place to implement any updates on the Tranman application. Currently, the third party supplier CIVICA applies and tests any changes directly on to the live environment following testing.
- 2.5.18 A formally documented Business Continuity Plan is not in place for the Passenger Transport Services team. Confirmation also needs to be received from the Emergency Planning Officer to help ensure a Disaster Recovery Plan has been developed and documented for the Tranman application.

### 2.5.19 **Audit Opinion**

2.5.20 As a result of this audit we have raised 3 high priority, 7 medium priority and 1 low priority recommendations.

2.6.21 In order to further improve the control environment, management need to ensure that:

2.6.22 Password controls on the system are strengthened to incorporate strong passwords requiring a specific length, change frequency and history period. (High)

2.6.23 The system inactivity timeout should be enabled to ensure inactive account sessions are logged out or additional user licenses are purchased, so that the number of active user accounts do not exceed the licenses available. (Low)

2.6.24 A new user and leaver's procedure should be developed. Regular periodic reviews of dormant user accounts on the system should be performed to ensure that staff that no longer require access to the application are removed in a timely manner. (Medium)

2.6.25 User access permissions on the application are reviewed to ensure that users do not have excessive permissions and are in line with those duties required to complete jobs. (Medium)

2.6.26 User accounts are assigned a unique name and use of the shared system administrator account is discontinued for routine system access. The system administrators are provided with training and support on how to use the System Administrator functionality on the application. (Medium)

2.6.27 Data input validation controls on the system are enhanced to ensure data accuracy over specific fields on the system. (Medium)

2.6.28 Amendments to master data changes should be recorded and approved. (Medium)

2.6.29 The control totals of the text file received from TimePlan should be reviewed when transferring fuel records into Tranman to ensure all the records have been imported successfully and recharged to departments correctly. (High)

2.6.30 The audit trail facility is enhanced to maintain a record of all user transactions including details of the change made, master data changes as well as any failed logons into the system. (Medium)

2.6.31 A change control procedure should be implemented to ensure all patches and fixes to the Tranman application are authorised, back-out plans are specified and changes are tested on the test environment prior to being installed on the live environment. (Medium)

2.6.32 A formal Business Continuity Plan is documented for the continuation of the Passenger Transport Service function in the event of a disruption to normal use of the system. Formal and robust disaster recovery arrangements are implemented for the Tranman application and that these are tested on a periodic basis to help ensure that the system can be recovered in line with service expectations. (High)

2.6.33 A **qualified** audit opinion has been given as the audit has found weaknesses in the system of internal control that may put the Council's objectives at risk.

<b>IT Change Management</b>	<b>Schedule 2(6)</b>
-----------------------------	----------------------

## **2.7 Background**

**2.7.22** The Council operates a shared ICT service with the London Borough of Newham. Given this arrangement, a review of the change management processes in place within each Council is being performed by an external consultant. The aim of the third party review is to promote the alignment of the change management function across these organisations. At the time of our audit this review had not reported to management.

**2.7.23** ICT is managed at two levels within the Council. Business Systems manage the core infrastructure that is in place and provide system support as required by Council services. In addition, local support teams are in place to provide IT support to specific systems within Departments in collaboration with the IT system providers. These local support teams operate independently of Business Systems and as such have their own processes and procedures which are followed, including those relating to change management.

**2.7.24** Business Systems centrally manages change that is made to the core IT infrastructure and systems that it supports. A formal scope of the changes that are managed by Business Systems has been formally documented and made available on the Council's Intranet.

**2.7.25** The change management process that is in place is founded on the principles of ITIL change management. Operationally supporting this process is the Hornbill Supportworks system, which is ITIL v3 compatible. This system enables the electronic management of requests for change and the authorisation of these changes following agreement.

**2.7.26** An interim Change Manager is in place pending the outcome of the review of the change management process and the formalisation of the arrangements with the London Borough of Newham.

**2.7.27** The Change Manager is the only permanent member of the Change Advisory Board (CAB). The technical leads and security lead form the remainder of the CAB based on the nature of the changes that are due for review at the individual meeting. The CAB meets on a weekly basis to approve changes. Specific representatives outside of Business Systems

may be invited to the CAB as required to review a change pertinent to that area.

2.7.28 The ICT environment is undergoing significant change. An agreement is in place with ACS to host the Council's infrastructure with the exception of the network. In light of this agreement, work is underway to transfer the servers from the current data centre to the ACS data centres located in Newport and Telford. It is anticipated that the existing Council's data centre will still be operational until March 2011.

2.7.29 The management of systems is to become more centralised as systems and servers are transferred from local team management to the ACS managed environment. This will have implications for the management of changes for these systems.

2.7.30 In addition to the transfer of the hardware within the data centres, a refresh of the network infrastructure is also being performed. The objective of this refresh is to enable improved connectivity between the Council and the London Borough of Newham.

#### **2.7.10 Summary of Audit Findings**

2.7.11 A Change Management Policy and a Change Management Process have been documented. These documents detail the principles and steps to be followed when managing a change from initial request through to the post-change review and closure. Whilst the Change Management Process document remains relevant in principle, it was noted that the process itself is now more automated with the use of Supportworks. The interim Change Manager has documented the process that is followed within Supportworks to manage changes but the Change Management Process has not been updated.

2.7.12 A formal corporate IT replacement programme is currently not in place to guide hardware replacement. Departments have budgets that they may use at their discretion to request the procurement of additional hardware assets if required. However, management has noted that plans are in place to formalise the IT replacement programme and manage this centrally within Business Systems. This is expected to occur in the 2011/12 financial year.

2.7.13 Procedures are in place to log and resolve faults that are identified with the performance of hardware. However, processes for the proactive monitoring of hardware performance are not in place.

2.7.14 Supportworks provides Configuration Management Database (CMDB) functionality in the Assetworks module. The CMDB is updated to reflect the core systems that are in use within the Council and also details the desktops and laptops that are in place. Details of the servers, the systems that are hosted on these servers and the non-core software that is in use are not currently updated on the CMDB.

### **2.7.15 Audit Opinion**

2.7.16 As a result of this audit we have raised 4 medium priority recommendations.

2.7.17 In order to further improve the control environment, management need to ensure that:

2.7.18 The Change Management Process and the details available on the Intranet are updated to reflect the change management processes that are in place and are required to be followed;

2.7.19 A formal IT replacement programme is established to provide guidance on when IT hardware assets should be replaced;

2.7.20 Adequate arrangements are in place to proactively monitor the performance of hardware assets and investigate and resolve any discrepancies that are identified as part of this monitoring; and

2.7.21 The CMDB is updated to reflect the core configuration items in place within the ICT estate and the interrelationship of these configuration items.

2.7.22 An **unqualified** audit opinion has been given as the audit has found that the system of control is generally in place and any recommendations being made are to enhance the control environment.

<b>Housing Benefit</b>	<b>Schedule 2(7)</b>
------------------------	----------------------

## **2.8 Background**

2.8.1 Housing Benefit is governed by the guidelines issued from the Department of Work and Pensions (DWP) and subject to review from the Audit Commission.

2.8.2 Havering's Housing Benefit Service, aims to help residents of the Borough on low incomes by providing means tested funding to assist residents in paying their rent.

### **2.8.3 Summary of Audit Findings**

2.8.4 A low priority recommendation was raised as part of the 09/10 Housing Benefits audit, which set out the need for minimum criteria to be devised relating to the level of accuracy checks to be undertaken within the team. A Housing Benefit Quality Assurance policy was developed as a result of this recommendation.

2.8.5 Testing undertaken during the audit review found inconsistencies in the level of checks being undertaken within each of the three teams, however, further investigation found that these were appropriate based on the level of work

and the experience of staff involved. No recommendation was raised as a result of this issue.

### **2.8.6 Audit Opinion**

2.8.7 As a result of this audit no recommendations have been raised.

2.8.8 An **unqualified** audit opinion has been given as the audit has found that the system of control is generally in place.

<b>Payroll</b>	<b>Schedule 2(8)</b>
----------------	----------------------

## **2.9 Background**

2.9.1 Havering Council's total payments for Salaries and Wages for 2009/10 amounted to £199,117,574.

### **2.9.2 Summary of Audit Findings**

2.9.3 A check of pensions remunerations forms found that in 50% (6/12) of cases checked the forms needed to be corrected by someone within the pensions team after being received from Payroll. In order for pensions to place more reliance on these forms, the level of errors need to be reduced. Results from the previous three pensions audits have shown a large proportion of these forms contain errors when passed from payroll to pensions, meaning the pensions team have to spend time and resources re-checking each form. This means that a payroll control actually lies in the Pensions Team. A secondary check has been enforced by the Payroll manager since November 2010.

2.9.4 The document storage system, Comino, is used by Payroll, Pensions and HR. Each department is responsible for scanning and saving documents. Some forms are required to be viewed by all three departments. Similar forms relating to different staff are saved in different locations, making it difficult to locate them at a later date.

2.9.5 Overtime payment authorisation is not controlled by payroll and in some cases large amounts of overtime are being claimed on a consistent basis by some members of staff. A report was run by the Payroll Manager and passed to HR for monitoring as a result of previous audit recommendations. However it was later decided that this wasn't utilised by HR and therefore stopped. It was found in one case that the hourly rate was wrong; this was checked by the Payroll manager and found to be an adjustment for previous underpayments.

2.9.6 Due to the imminent move of the Payroll function into Internal Shared Services it was decided to not test procedural compliance during this audit as the information would become obsolete. It was felt that it would be best to test the procedures which are developed after the move.

## 2.9.7 Audit Opinion

2.9.8 As a result of this audit we have raised one low priority recommendation, and one medium priority recommendation.

2.9.9 Recommendations relate to:

- The need for guidance to be created for the use of Comino, to allow for ease of finding stored information (Low)
- The need for more reliance to be placed upon the accuracy of pensions remunerations forms, to avoid Pension Staff having to undertake corrections (Medium)

2.9.10 An **Unqualified** audit opinion has been given as the audit has found that the system of control is generally in place and any recommendations being made are to enhance the control environment.

<b>Pensions</b>	<b>Schedule 2(9)</b>
-----------------	----------------------

## 2.10 Background

2.10.1 The London Borough of Havering (LBH) has a partnership arrangement with the London Borough of Redbridge in order to reduce costs and share knowledge and data

### 2.10.3 Summary of Audit Findings

2.10.4 A check of pensions remunerations forms found that in 50% of cases checked the pensions remuneration form needed to be corrected by someone within the Pensions team after being received from Payroll. In order for Pensions to place more reliance on these forms, the level of errors need to be reduced. Results from the previous three pensions audits have shown a large proportion of these forms contain errors when passed from payroll to pensions, meaning the Pensions Team have to spend time and resources re-checking each form. This means that a payroll control actually lies in the Pensions Team. A secondary check has been enforced by the Payroll manager since November 2011.

2.10.5 The document storage system, Comino, is used by Payroll, Pensions and HR. Each department is responsible for scanning and saving documents. Some forms are required to be viewed by all three departments. Similar forms relating to different staff are saved in different locations, making it difficult to locate them at a later date.

2.10.6 The lack of interface between the current payroll and pensions systems should be addressed by the imminent move to Internal Shared Services, where both departments will be using Oracle based systems.

2.10.7 Errors highlighted by the Pensions manager regarding the accuracy of data received will be reviewed and tested during the next Pensions audit after the move to the new systems.

### 2.10.8 Audit Opinion

2.10.9 As a result of this audit we have raised two low priority recommendations.

2.10.10 Recommendations relate to:

- The need for guidance to be created for the use of Comino, to allow for ease of finding stored information at a later date
- The need for more reliance to be placed upon the accuracy of pensions remunerations forms, due to additional checking which is taking place.

2.10.11 An **Unqualified** audit opinion has been given as the audit has found that the system of control is generally in place and any recommendations being made are to enhance the control environment.

<b>Debtors</b>	<b>Schedule 2(10)</b>
----------------	-----------------------

### 2.11 Background

2.11.1 The management of debtors relates to the raising of invoices for services provided by the Council, including subsequent cash collection and debt management.

2.11.2 In 2009/10 a total of 23,361 invoices were raised totalling £160,567,609. Between April 2010 and February 2011 a total of 25,001 invoices were raised totalling £185,557,184.

#### 2.11.3 Summary of Audit Findings

2.11.4 A total of one low priority and four medium priority recommendations were raised as a result of the 2009/10 Debtors audit. All of these recommendations have been implemented.

2.11.5 During the previous years audit, it was noted that the procedures manual was being reviewed and updated in line with the implementation of the new Oracle system. This audit found that the review has not been completed due to the planned implementation of Internal Shared Service (ISS). As the processes surrounding Debtors under ISS have yet to be determined, no recommendation is being raised regarding this issue as procedures will be completed once ISS goes live.

2.11.6 No formal processes have been established to monitor the quality of the data being entered onto the system. Whilst the current size and experience of the team mitigates some of the risk, the implementation of ISS and the likely expansion of the team will increase the level of risk to the Council.



2.11.7 Evidence to support debts raised centrally are held by source departments. The review found one department where the debt could not be proved and resulted in a request being made for the debt to be cancelled. Given the low amount involved and the implementation of ISS no recommendation has been raised. However, this issue will be revisited as part of the next audit.

2.11.8 Testing undertaken on the 15 cases referred to Legal Services found that cases had been progressed in an appropriate and timely manner, however, the summary sheet in one case had not been kept up to date. As this appears to be an isolated incident, no recommendation has been raised.

### **2.11.9 Audit Opinion**

2.11.10 As a result of this audit we have raised one low priority recommendation relating to the need to carry out spot checks of the quality of the information being entered onto Oracle.

2.11.11 An **Unqualified** audit opinion has been given as the audit has found that the system of control is generally in place and any recommendations being made are to enhance the control environment.

### Section 3: 2010/2011 – School Audits Completed as at 31 Mar 2011

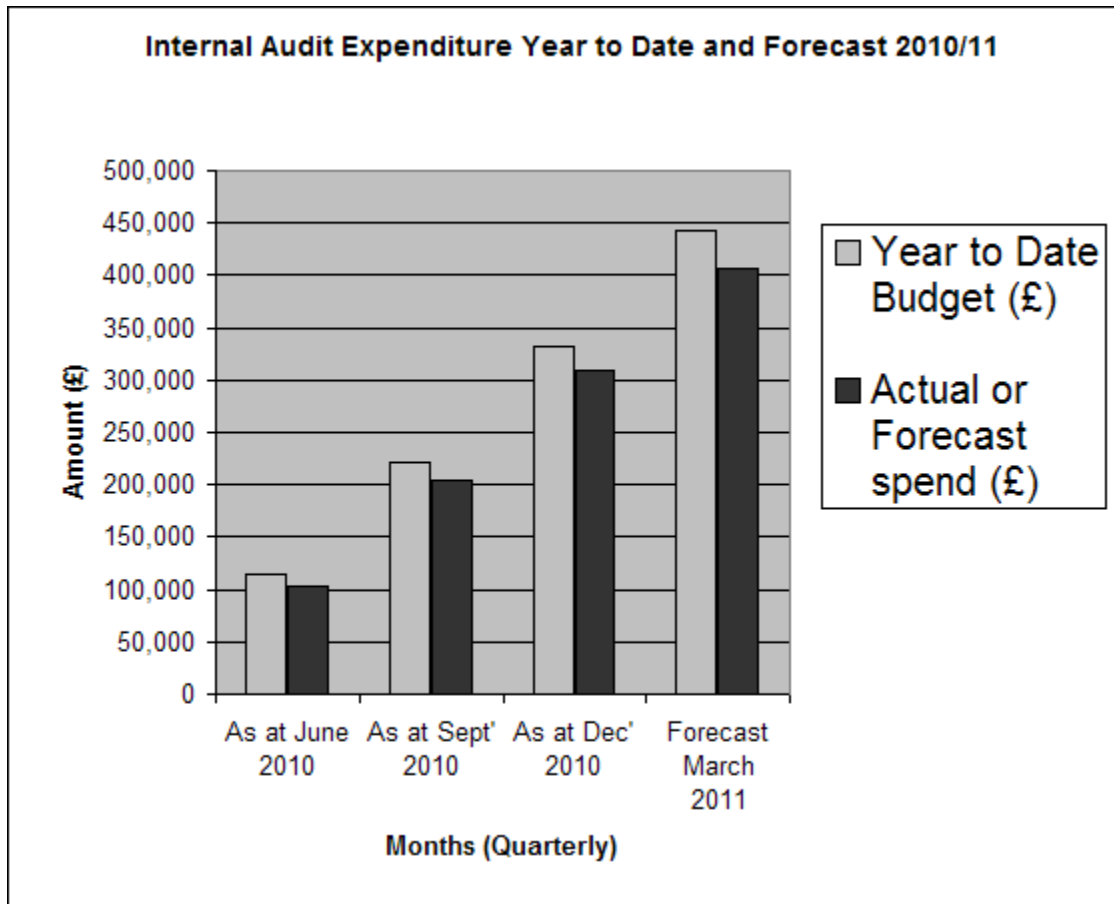
Report	Opinion	Recommendations			
		High	Med	Low	Total
Engayne Primary	Full			2	2
St Marys RC Primary	Substantial	2	4	5	11
Harold Court Primary	Substantial	1	7	1	9
Crownfield Junior	Substantial		4	3	7
Brookside Infant	Substantial		4	5	9
Towers Junior	Substantial		6	7	13
Mead Primary	Substantial		3		3
Whybridge Junior	Substantial		8	6	14
Benhurst Primary	Substantial		4	3	7
Squirrels Heath Infant	Substantial	1	3	1	5
Scargill Infant	Substantial		7	6	13
<b>Total</b>		<b>4</b>	<b>50</b>	<b>39</b>	<b>93</b>

Management summaries will only be included in the quarterly progress reports when we have given limited or no assurance during an audit. There are no school audits in this quarter that have given cause for concern.

## Section 4 Budget & Resource Information.

Internal Audit (F620) 2010/11 Year to Date Expenditure and Forecast as at end March 2011

	As at June 2010	As at Sept' 2010	As at Dec' 2010	Forecast March 2011
Year to Date Budget (£)	113,623	221,330	332,280	442,660
Actual or Forecast spend (£)	102,291	204,036	308,700	405,901
Variance (£)	-11,332	-17,294	-23,580	-36,759



Quarter 1 variance due to expected delay in start of IT audits and therefore invoices.

Quarter 2 variance due to delay in receipt of IT audit invoices.

Quarter 3 variance due to the above plus additional income from schools

Quarter 4 variance due to under spend on Computer audits and the team carrying a vacancy.

## Section 5 Key Performance Indicators

The tables below detail the profiled targets for the year and the performance to date at the end of March 2011 (excluding schools).

<b>Audit Plan Delivered (%)</b>										
	<b>Q1</b>	<b>Jul</b>	<b>Aug</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>
Actual	20	28	34	41	52	59	60	71	81	89
Cumulative Target	16	25	30	38	45	57	65	75	86	97

At the end of March 2011 the team is a little behind target with 89% of the audit plan having been delivered. This is not anticipated to have an affect on the overall target being reached as we are ahead of schedule for the issuing of final reports.

<b>KPI 01 - Briefs issued</b>										
	<b>Q1</b>	<b>Jul</b>	<b>Aug</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>
Actual	24	32	40	42	49	49	53	53	56	57
Cumulative Target	16	23	28	35	42	49	52	55	57	57

It is estimated the team will undertake 57 audit assignments. The outputs of this work is reported in various ways to the committee depending on the type of work. Outputs from Fraud investigations are not counted in the 57. At the end of March the team had issued all 57 audit briefs.

<b>KPI 02 – Draft Reports</b>											
	<b>Q1</b>	<b>Jul</b>	<b>Aug</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>
Actual	6	9	16	25	26	26	29	36	45	49	
Cumulative Target	7	11	16	22	28	32	37	38	45	51	57

<b>KPI 03 – Final Reports</b>											
	<b>Q1</b>	<b>Jul</b>	<b>Aug</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>
Actual	4	7	11	16	23	24	25	32	40	46	
Cumulative Target	3	7	11	16	22	26	32	33	38	45	57

46 Final Reports had been issued at the end of March. This includes fraud proactive and non systems assurance work the outcomes of which are not included in this report.

## Schools Key Performance Indicators

The tables below detail the profiled targets for the year and the performance to the end of January.

<b>School Audit Plan Delivered (%)</b>							
	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>
Actual				38	62	88	
Cumulative Target			25	50	75	92	100

The team has completed 88% of the schools audit programme, slightly less than projected, in the main due to some minor delay in issuing reports earlier in the year.

<b>Briefs issued</b>						
	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>
Actual	2	4	9	15	15	15
Cumulative Target	2	5	8	12	15	15

<b>Fieldwork (site visit) completed</b>						
	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>
Actual	1	5	6	10	13	15
Cumulative Target	1	4	6	9	12	15

<b>Draft Reports</b>							
	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>
Actual			3	3	7	12	
Cumulative Target		3	6	8	10	13	15

<b>Final Reports</b>							
	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>
Actual				3	4	11	
Cumulative Target			3	6	9	12	15

At the end of March the team had completed all site visits. This is the major aspect of the schools audit work taking 66% of the budget. Draft and Final reports were both just one report behind target but there is not anticipated to be any difficulty in having all reports issued by the end of April.

## **Section 6 – Changes to the Approved 2010/11 Audit Plan**

In March 2010 the Audit Committee approved an Annual Audit Plan for the 2010/11 financial year totalling 1530 days.

At the previous update committee were informed that deliverables had been reduced to 60 rather than 70. It has since been necessary to defer three pieces of work to 11/12. These are Transitions, Disabled Facility Grants and Welfare Benefits into Care reducing the number of deliverables to 57.

## Section 7 – Outstanding Recommendations Summary Tables

### Categorisation of recommendations

High: Fundamental control requirement needing implementation as soon as possible

Medium: Important Control that should be implemented

Low: Pertaining to Best Practice

### Outstanding Internal Audit Recommendations – 2008/09

Review in 2008/09	HoS Responsible	Outstanding			Position as at end Sept 10		
		High	Medium	Low	In Progress	Not Started	Position Unknown
E Payments	Business Systems		1		1		
Commissioning of Works	Asset Management	1			1		
IT Security & Data Management	Business Systems	1			1		
Telecommunications	Business Systems	1			1		
Homelessness, Hostels & Housing Aid	Housing & Public Protection		1		1		
Trading Standards	Housing & Public Protection	1			1		
Cemeteries & Crematorium	Housing & Public Protection		1		1		
<b>Total</b>		<b>4</b>	<b>3</b>	<b>0</b>	<b>7</b>		

E-Payments has a revised date of July 2011

Commissioning of Works has a revised date of July 2011

IT Security and Data Management has a revised date of June 2011

Telecommunications has a revised date of June 2011

Homelessness, Hostels and Housing Aid has a revised date of June 2011  
 Trading Standards has a revised date of April 2011  
 Cemeteries and Crematorium recommendation has been revised to April 2013

### Outstanding Internal Audit Recommendations – 2009/10

Review in 2009/10	HoS Responsible	Outstanding			Position as at end Sept 10		
		High	Medium	Low	In Progress	Not Started	Position Unknown
Integrated Youth Services	Children's and Young people		3	1	4		
Climate Change	Culture & Community		1		1		
Government Connect GCSx	Business Systems	3	2		5		
Contract Completion	Asset Management		1	1	2		
Integrated Children's Systems	Children's and Young People		1		1		
<b>Total</b>		<b>3</b>	<b>8</b>	<b>2</b>	<b>13</b>	<b>0</b>	<b>0</b>

Integrated Youth Services has revised dates of April 2011 for the medium recommendations and May 2011 for the low recommendation.  
 Climate Change has a revised date of April 2011  
 Government Connect GCSx has three high priority with revised dates of June, September and December 2011 and two medium with revised dates of July 2011  
 Contract Completion has due dates of June 2011  
 Integrated Children's Systems has one revised date of June 2011.



**Outstanding Internal Audit Recommendations – 2010/11**

Review in 2010/11	HoS Responsible	Outstanding			Position as at end June10		
		High	Medium	Low	In Progress	Not Started	Position Unknown
Private Sector Leasing	Culture & Community		2		2		
Corporate Support Team	Asset Management		1	1	2		
	<b>Total</b>		<b>3</b>	<b>1</b>	<b>4</b>	<b>0</b>	<b>0</b>

Private Sector Leasing - In progress update will be provided to Audit Committee by HoS  
 Corporate Support team have due dates of June 2011





## IMPLICATIONS AND RISKS

### **Financial implications and risks:**

By maintaining an adequate audit service to serve the Council, management are supported in the effective identification and efficient management of risks. Failure to maximise the performance of the service may lead to losses caused by insufficient or ineffective controls or even failure to achieve objectives where risks are not mitigated. In addition recommendations may arise from any audit work undertaken and managers have the opportunity of commenting on these before they are finalised. In accepting audit recommendations, the managers are obligated to consider financial risks and costs associated with the implications of the recommendations. Managers are also required to identify implementation dates and then put in place appropriate actions to ensure these are achieved. Failure to either implement at all or meet the target date may have control implications, although these would be highlighted by any subsequent audit work.

### **Legal implications and risks:**

There are no apparent legal implications arising from the noting of this report.

### **Human Resources implications and risks:**

Any HR implications arising from the implementation of these recommendations will be dealt with within the Council's existing HR policies and procedures.

### **Equalities implications and risks:**

None arising directly from this report

## BACKGROUND PAPERS

*None.*