

Report for Information

Report to Audit Committee
21 January 2010
Report of Audit Manager
Subject Internal Audit 2009/10 - Update

Item
9

Purpose

To advise members of progress on the 2009/10 audit plan.

Recommendations

That members note the report.

Financial Consequences

The financial consequences of this report are none directly.

Risk Management

The work of internal audit helps to reduce the risk of loss arising from fraud, error and inefficient practices by contributing to the proper, economic, efficient and effective use of resources.

Strategic Objective/Service Priorities

The report helps to achieve the strategic priority “Aiming for excellence – ensuring the Council is efficient in its use of resources, is effective in delivering its plans, is a good employer and communicates effectively with its customers, staff and partners” and the service plan priority to ensure the proper administration of council’s financial affairs including reviewing, developing and reporting on the financial aspects of corporate governance.

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Background Documents

Significant Findings and Recommendations 2009/10

Audit	Weakness or issue	Recommendation	Response	Action Date
Concessionary bus fares (moderate assurance)	The contract for administering the scheme on our behalf is still not finalised or signed	The outstanding issues of the draft contract will be promptly resolved and the contract will be finalised and signed by both parties	Contract now returned to contractor for completion	July 2009
	No designated signatory in the absence of the head of transport	An additional authorising signatory will be established for the CBF scheme as financial services staff will no longer authorise CBF documents	Transportation manager nominated. Service accountant will create extra payments signatory for this cost centre	July 2009 Immediate
Stray dog scheme	The council does not appear to have a formal policy on the level of service to be provided and the charging structure	A formal policy on the service provision for dog capture/release will be carried out to decide if the service is to be statutory or continue with the current comprehensive service. The policy will also include guidance on the charging/provision of services that are currently free of charge	It is accepted there is no formal policy for the service. This has been recognised within the current service and team plans with the action identified to have a formal policy in place by 31 March 2010. This will include guidance on charges and/or provision of services to be delivered free of charge	March 2010
	The audit only found evidence of informal risk assessments	A formal health and safety risk assessment is carried out without delay to document the necessary requirements for the TSO post holder	Risk assessments for all operational functions have been undertaken which include appropriate control measures. These are currently being reviewed to ensure they cover all TSO tasks.	Immediate

Audit	Weakness or issue	Recommendation	Response	Action Date
Tourist Information Centre (limited assurance)	Agreed compensation was payable by the Forum Trust in respect of the TIC ceasing to operate any retailing activities. Most of this has been paid, but one old amount remains outstanding. This arose when a debtor's request form was sent to sundry income to invoice the Forum Trust, but no invoice was raised.	The debtors request form for the outstanding amount of £3814 will be immediately resent to Sundry Income for an invoice to be raised with a covering note explaining the problem	TIC Manager will progress this charge in line with the recommendation.	February 2010
	TIC took over responsibility for staff travel in August 09 and collate all details. This expenditure requires prompt uploading to the ledger so that budget holders are provided with correct budget reports. To date this has not occurred.	Financial Services will ensure that the Corporate travel uploads from TIC are correctly formatted, authorised by the TIC Manager and are progressed monthly to the financial services service accountant	TIC manager has reviewed this and will ensure that in future all details are sent to financial services monthly.	January 2010
	All staff who take credit/debit payments must sign up to our policy on complying with the Payment Card Industry Data Security Standard (PCIDSS). Forms for some staff remain outstanding.	To ensure payment card industry compliance, sign up forms will be completed by all the TIC staff and passed to the Chief Cashier.	Agreed, all current sign ups have now been received by TIC Manager and will be forwarded to Chief Cashier.	January 2010
	The PDQ terminal (used to swipe debit/credit cards and print receipts) prints the full card number on the TIC's copy. When customers pay by card over the phone, the details are noted on a transactions form. The above would only comply with PCI standards if strict access controls were in place, but this would affect the day to day running of the TIC.	There will be an exploration of options available to make TIC PCIDSS compliant	Chief Cashier has confirmed that HSBC can reprogramme the TIC PDQ machine so that the merchant copy details only last 4 digits of the credit/debit card. Agreed to progress. All forms which request credit/debit card details have been revised to delete this section	January 2010 January 2010

Audit	Weakness or issue	Recommendation	Response	Action Date
Electricity supplies	A new energy supply contract was let through ESPO, using data from our previous main supplier, but many sites where we use other suppliers were omitted from the contract	Payments to all suppliers outside the ESPO contract will be reviewed and added to the contract at the earliest opportunity.	Head of Procurement and Service Improvement has confirmed that this is already happening, but will be given a higher priority.	Ongoing - aim to complete by April 2010
	As payments are still being made to suppliers outside the contract, including some by direct debit, there is a risk that that sites could be paid for twice or by a more expensive tariff.	The direct debit to the previous supplier will be stopped, any further invoices will be reviewed to ensure they are not duplicates/site closures and if not will be paid by cheque.	Corporate Finance Manager agrees that checks to be made and analysis of future invoices to be resourced to ascertain validity of cost. Direct debit to be stopped following outcome of these checks	Analysis by end January 2010 Arrangements for changes to payments by end February 2010
	The previous supplier used to provide electronic invoicing data, but this stopped. In theory the new supplier can also provide electronic data, but this has never been progressed. As a result, a manual system has been implemented to assist with budget monitoring, but this is inefficient and could lead to errors.	Electronic billing by the new supplier will be promptly implemented; any problems with the Oracle interface/bin reference will be progressed to Service Improvement and Steria to resolve the problem. In addition, the supplier's flexible reporting facility will be used to collate data into a format that will support speedy budget holder approval process.	Agree with team the timeline for moving to electronic billing. Dependent on Steria workload and technical nature of task. Linked to above	Report on progress end January 2010
	Budget holders do not have the opportunity to approve electricity invoices before they are uploaded to the ledger. In addition there are delays in updating the ledger and reconciling the holding account. There is not a robust corporate system for informing suppliers of changes affecting the supply of electricity.	A full review of the way in which electricity charges are managed within financial services and service centres will be carried out to ensure that electricity charges are approved prior to prompt ledger upload and there is a corporate method for changes/ amendments to meters/readings. Budget holders will be included within the review to ensure that all key points of issue are resolved and agreed	Carry out review and agree corporate approach with Asset & City Management and Procurement on carrying out readings, collation of meter readings and feedback into billing.	Review by end January 2010

Annex 1

Audit	Weakness or issue	Recommendation	Response	Action Date
	Testing of a sample of invoices showed that 11 sites that no longer existed, were vacant/not in use or no longer the council's responsibility. This has resulted in overpayments by the council.	Credits will be obtained for the 11 sites identified in this audit as being overpaid; this will include previous electricity suppliers. If credits are not possible then debtors' invoices will be raised and these will be robustly progressed through debt collection processes.	Review credits required with team resource and progress.	End March 2010

Report

Background

1. The audit plan for 2009/10 was approved by members in March 2009.
2. This report covers the following areas:
 - audit work during the period April to August 2009
 - other areas of non-audit and financial consultancy work
 - the annual audit plan, showing progress against planned audits
3. For each audit review a report is presented to the relevant director or head of service, which includes recommended actions to be taken. Every audit is subsequently followed up to ensure that the agreed actions have been implemented.

Audit Work

4. The main areas of systems and regularity work up to December are as follows:
 - Treasury management. A draft report has been issued.
 - Concessionary bus fares. Final report issued and responses to recommendations have been received.
 - Electricity supplies. A review was undertaken as part of our probity work and responses to recommendations in the report have been received.
 - Stray dogs. A review was undertaken as part of our probity work and responses to recommendations in the report have been received.
 - Tourist Information Centre. Final report issued and responses to recommendations have been received.
5. Annex 1 shows the significant findings and recommendations from the reviews reported on in the period.

Progress against the plan

6. Details of the annual audit plan for 2009/10 are shown at Annex 2, showing the planned and actual days for each area, together with non-audit and consultancy work on the second page.
7. Although we are on target for the planned number of chargeable days, the work on New Deal has had a considerable impact on the section's resources.
8. To the end of December 2009, 151 days has been spent on systems work, 137 days on non-audit and consultancy work and 183 days on New Deal, a total of 471 days. It is estimated that a further 220 days are required to complete the plan.

9. In the previous update it was reported that the involvement of internal audit staff on New Deal would end around December 2009, but due to the number of queries this has had to be extended to January 2010, with a further 20 days required.
10. The result is that the available resources to the end of the year are 150 days, with 220 needed to complete the plan, a shortfall of 70 days.
11. As with the previous year, there is a budget available to allow outsourcing of some of the audits, and these are in the process of being tendered for. The audits in question are shown Annex 2.
12. There will still be a number of audits which will have to be slipped into the following year, but by that time the section will be fully resourced again, therefore it should be possible to complete all the outstanding work in the first quarter.

Conclusion

13. There have been some significant weaknesses in the systems reviewed. Progress on implementing agreed recommendations will be monitored under our normal procedures and reported to members.

Audit Plan 2009/2010				
	2009/10			
Systems/Regularity Audit Work	Audit Plan Days	Actual to Wk 39	Estimated time to complete	Comments
Fundamental Systems				
Accounts payable	20		8	January '10
Debtors/recovery	20		8	January '10
Payroll	10	1.6	8	In progress
Housing rents	20		5	February '10
Income/cash receipting	20		10	February '10
Treasury management	10	32.4	0	Draft report
Housing/council tax benefits	20		10	February '10
Council tax/NDR	20		0	Possible outsource
Asset management - non-housing	20		10	February '10
Sub-total	160	34.0	59	
Corporate Resources				
Insurance arrangements	10		0	Possible outsource
Journals/suspense accounts	10		10	
Budget monitoring/reporting	10	0.7	9	In progress
Land searches	10		10	
Cemeteries	10		10	
HR - leavers	20	0.9	10	Preparation
Sub-total	70	1.6	49	
Regeneration & Development				
Community alarm service	10		10	
Asset management - housing	10		10	
St Andrews Hall	15		10	In progress
Right to buy	10		10	
Sub-total	45	0	40	
Cultural Services				
Norman Centre	15		10	In progress
Tourist Information Centre	10	21.7	0	Final report
Sub-total	25	21.7	10	
Corporate				
Ad-hoc investigations	30	7.8	3	Contingency allowance
Probity	20	39.6	3	Electricity supply; stray dogs - reports issued
Data quality/national indicators	10	4.4	1	Possible outsource
Governance of key partnerships	10		0	Possible outsource
IT security/risk assessment	10	10.5	2	
Sub-total	80	62.3	9	
To complete previous plan:				
Landlord Services - voids & arrears	15		10	
Concessionary bus fares - NCC only	5	10.5	0	Complete
Premises management & leaseholders	15		10	
Sub-total	35	10.5	20	
Follow-ups and post-audit work	15			
Car Parks Income		4.9	0	Complete
Residents Service Team		2.1	0	Complete
Income system		10.1	0	Complete
General		3.6	5	
Sub-total	15	20.7	5	
Total for systems/regularity work	430	150.8	192	

Annex 2

Draft Audit Plan 2009/2010 (cont.)	2009/10			
	Audit Plan Days	Actual to Wk 39	Estimated time to complete	
Non-audit & consultancy work				
New Deal - Grant Claims	60	182.9	20	Assumes involvement ends Jan 10
Corporate Governance	30	31.3	4	AGS; use of resources
Fraud related, incl. NFI 2008/09	30	32.4	2	Wider scope of NFI in 2008 & 2009
Risk Management	10	7.9	2	Corporate
Interreg Claims	10	8.4	0	All schemes complete
Financial Appraisals/Tenders/Final A/cs	10	10.4	0	Contingency
Advice, unplanned work, requests	50	47.1	0	Contingency
Total for non-audit/consultancy work	200	320.4	28	
Total Allocated Days	630	471.2	220	
Audit Resources Available 2009/10:				
Total available days (after allowance for holidays and sickness)		811		
<u>Less</u> Allowance for non-chargeable days:				
Management/Administration	151			
Training	20			
Other	40	211		
Planned Chargeable Days		600		
Resources needed for Audit Plan		630		
Projected Surplus/(Deficit)		(30)		
Resource plan as at end December 2009:				
Planned chargeable days		600		
Days used		471		
Available days remaining		150		
Days required to complete plan		220		
Projected shortfall excl. New Deal		-50		
Projected shortfall incl. New Deal		-70		