

Report for Information

Report to Audit Committee
24 September 2009
Report of Audit Manager
Subject Internal Audit 2008/09 & 2009/10 - Update

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Purpose

To advise members of the progress made in implementing recommendations made as a result of internal audit work undertaken in 2008/09 and 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.

Contact Officers

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Background Documents

Audit Committee 25 June 2009 – “Annual Report on Internal Audit 2008/09”

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
 - progress on recommendations from 2008/09 and 2009/10
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 August are as follows:
 - Treasury management. A draft report is being prepared and will be issued shortly
 - Concessionary bus fares. Report issued and responses to recommendations have been received.
 - Electricity supplies. A review was undertaken as part of our probity work and a draft report will be issued shortly.
 - Stray dogs. A review was undertaken as part of our probity work and responses to recommendations in the report have been received.
5. Annex 1 shows the significant findings and recommendations from the reviews reported on in the period. It also updates members on the progress of recommendations from audits carried out in 2008/09.

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 continues to impact on the section's resources.
8. To the end of August 2009, 87 days had been spent on systems work, 76 days on non-audit and consultancy work and 84 days on New Deal. It is estimated that a further 433 days are required to complete the plan.

9. It is envisaged that the involvement of internal audit staff on New Deal will end around December 2009, meaning that approximately 80 more days will be required.
10. If it were not for the 80 days needed to complete the work on New Deal we could expect to complete the audit plan with our current resources.
11. Options for making up the shortfall will be explored to ensure that the audit plan is completed, and progress will be reported to the next meeting.

Conclusion

12. 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.

Significant Findings and Recommendations 2008/09

Audit	Weakness	Recommendation	Response	Action Date
Accounts receivable (limited assurance)	The Council is currently in breach of Payment Card industry (PCI) legislation.	Ensure compliance with relevant PCI legislation	PCI is not legislation, but a standard imposed by the banks. NCC was informed in June 09 that compliance is now mandatory. Currently procuring services of Qualified Security Assessor (QSA) to assist with compliance	October 2009
Asset management (no assurance)	Funding for the approved investment strategy has not yet been identified.	Discuss options for funding with the AMG and take a revised paper to the Executive Committee for consideration and approval. The paper should include clear identification of where the funding will come from and detail timescales for the funding to be released	<p>To continue with the asset review as a high priority work stream to identify assets that are not performing well against required performance criteria, with a phasing of reviews to reflect overall impacts.</p> <p>Recommendations will follow about disposal of assets where appropriate in this category, and reinvestment of those funds, or, actions to be undertaken to increase the performance of those assets</p>	December 2009, with a rolling programme of recommendations via the Asset Management group
	The maintenance budget for specified works for 2009/10 has been reduced by £750k and now only £46k remains available against an original budget of £1.116m.	Review the asset management portfolio to establish if disposals can be made to generate revenue that can be used for investment purposes.	<p>Recommendations will be identified as part of the asset review.</p> <p>Agreement to immediate funds to be released to form a repairing budget for 2009/10</p>	Immediate

Audit	Weakness	Recommendation	Response	Action Date
			pending the asset review recommendations. A detailed proposal regarding urgent repairs required now will be brought to CMT for consideration	
	A number of standard key performance indicators (KPIs) in relation to asset management are not currently being reported upon.	Establish which KPIs it would be beneficial to report upon in order to improve management information for key decision making purposes	To complete a study to identify gross areas for all assets – data not held but required for preparation of KPIs so the set of appropriate KPIs can be agreed with the asset management group, and a development plan where required. A resource proposal to be brought to CMT	September 2009
	The asset management database (Uniform) has significant data discrepancies and as a result the Council's property portfolio is currently being managed by an excel spreadsheet.	<p>Prioritise the data cleansing of the Uniform system.</p> <p>Enter into discussions with the software supplier to establish if identified functionality issues can be resolved</p>	To review options by which the council can have access to an appropriate and accurate database that enable management information reporting, and to make recommendations to the asset management group	Recommendations September 2009
	The ordering system to support the maintenance of the Council's portfolio has a number of functionality issues	When tendering for the new repairs and maintenance contract ensure that the system in use by the Building Maintenance team is fully considered.	To procure access to an appropriate and robust system via the contract retendering process related to the building and maintenance service currently undertaken by CityCare	New system available April 2010

Audit	Weakness	Recommendation	Response	Action Date
Income system	Central cashiers – some weaknesses in the 'dual' key control system	The exchange controls will be formalised for the cashiers strong room and safe keys dual control systems	Will review by end October 2009 and put additional measures in place as necessary	October 09
	Lack of robust procedures over receiving, documenting and progressing cheques at St Giles House	Full procedures will be created to ensure cheques are immediately recorded on arrival at St Giles House and the checking/ progression process is clearly documented. Staff will be made aware of the procedures.	Full robust procedures were immediately established and are available on the shared folders	March 2009
	Lack of robust procedures and risk assessment covering planning reception/back office	A formal risk assessment will be carried out of the planning reception/back office and procedures will be established for all the processes	Agreed – this will be carried out; options will be part of the risk assessment and a costs/benefits exercise completed. Procedures will be established	October 2009 Immediate
	Lack of robust procedures and risk assessments for stray dog releases	Procedures will be established for the full process, from taking responsibility for the dog to recharging costs to owner.	Once the level of service has been established the appropriate procedures will be formulated. In the meantime control measures are already in place through the risk assessment process	October 2009
	Transaction and income data for stray dogs varies between IT systems	The dog release process will be reviewed to establish why transaction and income varies between systems, monitoring to be established	Currently being investigated by the Environmental Services Manager	Immediate
Residents service team	The handling of appeals and challenges to penalty charge notices (PCN) needs to be strengthened to ensure consistency. Includes specific training.	The PCN appeals and challenges function will be strengthened and supported by dedicated software and quality management, to include regular monitoring of appeals and challenges decision-making	The Head of Customer Contact has responded in general terms to the recommendations as follows: "We have moved processing from the customer contact team into the general admin	In light of the changes a review of the risks will be carried out by internal audit by the end of March 2010

Audit	Weakness	Recommendation	Response	Action Date
			support team. This happened on 4/8/09 and was part of the efficiency savings for 09/10 (saving 2FTE). When scoping the back office review we took into account the recommendations included in this report and I therefore feel that we have responded appropriately to this report. It is early days though so would be more than happy for another audit to take place in the near future."	
	Some staff have inappropriate access levels to the IT system used to manage PCNs	Parking Gateway access will be tailored to a low level to meet the needs of new RST staff until these staff have satisfactorily completed the Parking Modular Training Programme		
	Controls over car park season tickets and contract parking are not robust	Plastic passes, stickers and procedures will be stored securely. The password will be changed. Passes will be used sequentially and at each new pass update the last sequential number used will be checked to ensure none are missing. A reconciliation of live business plastic pass holders to live Comino season ticket holders will be regularly carried out, any variances will be investigated, documented and the necessary action taken. Another team leader will be trained on the contract parking processes.		
	The Comino workflow system does not have sufficient controls for some of the functions for which it is being used	Procedures and training will be established for use of the Comino system. The Permit Gateway bespoke IT System will be implemented so that there is a fit for		

Audit	Weakness	Recommendation	Response	Action Date
		purpose system in place to manage and control permits. A daily reconciliation of all Comino permits issued to income received via PARIS cash receipting will be carried out		
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

Draft Audit Plan 2009/2010						
	2009/10				Actual to date incl.	
<u>Systems/Regularity Audit Work</u>	Audit Plan Days	Actual to Wk 22	Estimated time to complete	Previous Year	previous year	Comments
Fundamental Systems						
Purchasing & payments	20		10			
Debtors/recovery	20		10			
Payroll	10		10			
Housing rents	20		10			
Income/cash receipting	20		10			
Treasury management	10	22.1	2			In progress
Housing/council tax benefits	20		10			
Council tax/NDR	20		10			
Asset management - non-housing	20		10			
Sub-total	160	22.1	82			
Corporate Resources						
Insurance arrangements	10		10			
Journals/suspense accounts	10		10			
Budget monitoring/reporting	10		10			
Land searches	10		10			
Cemeteries	10		10			
HR - leavers	20	0.9	20			Preparation
Sub-total	70	0.9	70			
Regeneration & Development						
Community alarm service	10		10			
Asset management - housing	10		10			
St Andrews Hall	15		15			
Right to buy	10		10			
Sub-total	45	0	45			
Cultural Services						
Norman Centre	15		15			
Tourist Information Centre	10	4.7	5			In progress
Sub-total	25	4.7	20			
Corporate						
Ad-hoc investigations	30	5.5	15			Contingency allowance
Probity	20	21.0	5			Electricity supply; stray dogs
National performance indicators	10	3.6	6			
Governance of key partnerships	10		10			
IT security	10	4.5	5			
Sub-total	80	34.6	41			
To complete previous plan:						
Landlord Services - voids & arrears	15		15			Cover under agreed review of progress against Housing Improvement Plan
Concessionary bus fares - NCC only	5	10.2	0			Complete
Premises management & leaseholders	15		15			
Sub-total	35	10.2	30			
Follow-ups and post-audit work	15					
Car Parks Income		3.8	0	28.2	32.0	Complete
Residents Service Team		1.0	0	22.5	23.5	Complete
Income system		7.3	0	16.9	24.2	Complete
General		2.2	10			
Sub-total	15	14.3	10			
Total for systems/regularity work	430	86.8	298			

Draft Audit Plan 2009/2010 (cont.)						
	2009/10					
	Audit Plan Days	Actual to Wk 22	Estimated time to complete			
Non-audit & consultancy work						
New Deal - Grant Claims	60	84.1	80			Assumes involvement ends Dec 09
Corporate Governance	30	22.9	5			Review policies; use of resources
Fraud related, incl. NFI 2008	30	14.1	15			Wider scope of NFI in 2008 & 2009
Risk Management	10	2.9	5			Corporate
Interreg Claims	10	7.7	0			All schemes complete
Financial Appraisals/Tenders/Final A/cs	10	4.6	5			Contingency
Advice, unplanned work, requests	50	23.5	25			Contingency
Total for non-audit/consultancy work	200	159.8	135			
Total Allocated Days	630	246.6	433			
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 August 2009:						
Planned chargeable days		600				
Days used		247				
Available days remaining		353				
Days required to complete plan		433				
Projected shortfall excl. New Deal		0				
Projected shortfall incl. New Deal		-80				