

Report for Information

Report to Audit Committee
29 January 2009
Report of Head of Finance
Subject Internal Audit Work April 2008 to December 2008

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Purpose

To inform Members of the work of the Audit and Financial Consultancy Section between April 2008 and December 2008, and to report on the progress on the work plan for 2008/09.

Recommendations

That members note the report.

Financial Consequences

The financial consequences of this report are none directly.

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 objective to ensure there are checks and balances in place to provide proper governance.

Contact Officers

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Background Documents

Audit Committee 28 November 2008 – “Internal Audit Plan 2008/09”

Report

Background

1. The Terms of Reference for the Audit Committee include “Reviewing and considering the proposed and actual Internal Audit coverage and whether this provides adequate assurance on the organisation’s main business risks
2. The audit plan for 2008/09 was approved by members in November 2008.
3. This report covers the following areas:
 - audits completed during the period April to December 2008
 - follow-up audit work
 - other areas of audit and financial consultancy work
 - the annual audit plan, showing progress against planned audits.
4. For each audit review a report is presented to the relevant director, which includes recommended actions to be taken. Every audit is subsequently followed up to ensure that the agreed actions have been implemented.

Audit Reviews

5. Draft audit reports have been issued for the following reviews carried out during the first nine months of this year:
 - Purchasing and payables
 - Accounts receivable
 - Housing rents
 - Housing and council tax benefits
 - Data protection
 - Business continuity planning
 - Best value performance indicator results for 2008/09
6. A list of the draft significant findings and recommendations from the audit reviews reported on during the period is shown at Appendix 1. These may be subject to change once the reports are finalised.
7. For each audit review a follow-up visit is carried out after approximately six months to ensure that agreed recommendations have been implemented.

Follow-up Audit Work

8. The audit review of on-street parking income was revisited during the period.

9. The follow-up found that there were two significant recommendations that had not been progressed:
- The revised service level agreement between city and county is yet to be signed - one issue remains to be resolved between the county and city legal teams. However, agreement was reached between county and city as to the technical content in March 2008 and the agreement is being complied with.
 - Not all of the recommended reconciliations were being carried out on the holding accounts. As a result a number of recommendations have been made to the head of finance.

Annual audit plan – progress

10. Details of the annual audit plan for 2008/09 are at Appendix 2, showing the planned and actual days for each area, plus non-systems and financial consultancy work.
11. Although we are on target for the planned number of chargeable days, there are several factors which have had an impact on the audit plan:
- The work on the New Deal grant claims continues to require input from internal audit staff. This is a high risk area and it is vital that this work is progressed to a satisfactory conclusion.
 - Time spent on auditing claims for Interreg schemes took longer than planned due to two audits by the Secretariat – an Article 4 visit re Liveable Cities and an Article 10 visit re Spatial Metro. Internal audit staff assisted with the queries that arose in order to reach a satisfactory conclusion. In addition, loss of key staff in the European section meant that a member of the audit team has been involved with closedown queries.
12. At your previous meeting I reported that there was a projected shortfall in audit resources and that PricewaterhouseCoopers had been appointed to carry out four audit reviews. These are all nearing completion and draft reports have been issued.
13. The plan includes a review landlord services voids and arrears, but this area has been covered by the Audit Commission's housing inspection, therefore I have agreed with housing to slip this review into next year's audit plan.
14. There is still a projected deficit of 30 days, but this figure may change depending on the remaining work required on the NELM project and some of the contingency amounts built into the plan. Reviews of all the fundamental systems should be completed by the end of March.

Conclusion

15. There have been some significant weaknesses in the systems reviewed. Outstanding management responses to recommendations will be reported to your next meeting. Progress on implementing agreed recommendations will be followed up under normal procedures.

Significant Findings and Recommendations (Draft)

Audit	Weakness	Recommendation	Response	Responsible Officer	Action Date
Purchasing and payables	There is no independent review of changes or additions to the supplier masterfile	Ensure that changes and amendments to the supplier masterfile are independently reviewed. Evidence of the review should be retained.	Agreed	Exchequer Team Manager and CPU Admin Team Leader	September 09
Accounts receivable	There is inadequate segregation of duties in relation to Accounts Receivable (A/R) activities.	Review current roles and responsibilities to ensure that adequate segregation of duties is achieved.	Agreed	Exchequer Team Manager	January 09
	The control of debt recovery is poorly managed.	Give serious consideration to redesigning the debt collection process.	Agreed	Corporate Finance Manager and Exchequer Team Manager	From Qtr 1 2009/10
Housing and council tax benefits	There is currently no control in place to authorise or check individual payments made via BACS.	Review and authorise benefit payment runs before they are processed.	Under review	Benefits Manager	
	The reconciliation between the benefits system and the subsidy claimed is not appropriately completed and reviewed.	Sign and date reconciliations as evidence of both completion and independent review on a timely basis.	Under review	Benefits Manager	
	There is insufficient evidence to support benefit claims made.	Ensure that all claimants have the correct documentation before they are given entitlement to benefit. Implement a system to track requests for more information from claimants.	Under review	Benefits Manager	

APPENDIX 1

Audit	Weakness	Recommendation	Response	Responsible Officer	Action Date
Data protection	Some uncertainty around responsibility for certain data protection tasks. No departmental Data Protection Co-ordinators have been assigned.	Management should review and formalise the roles and responsibility for data protection co-ordination, with detailed activities being reflected in the relevant job descriptions. Consideration should also be given to assigning departmental Data Protection Co-ordinators.	Under review		
	There has not been a full data audit completed to identify all the personal information processed by the Council.	Management should carry out a data audit to ensure that all processing of personal data within the Council has been identified, the Information Commissioner has been adequately notified and that data collected is relevant and not excessive for the purposes for which it is being processed.	Under review		
	Some key public and staff data collection forms contained none or insufficient data protection clauses and fair processing information.	Management should review the staff contracts and data collection forms used throughout the Council where personal data is collected to ensure they contain adequate consent agreements, data protection statements and fair processing information.	Under review		
	The Council has adopted retention guidelines produced by the Local Government Group of The Records Management Society, but not all staff are aware of their existence. There are no procedures in place for the secure disposal of computer media such as floppy disks, CDs and hard disk drives.	Management should ensure that staff are fully aware of the retention guidelines adopted by the Council, and that monitoring procedures are adopted to ensure compliance. Procedures for the destruction of manual and computerised records in line with the retention guidelines should be defined, documented and communicated to all staff.	Under review		

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Data protection (cont.)	<p>Staff guidance fails to mention how requests for data held by the Council should be received and the process for dealing with it.</p> <p>Staff and the public are not informed that they have rights as data subjects to request details of their personal information held by the Council.</p>	<p>Staff and the Public should be adequately informed of their rights to request access to their personal data.</p> <p>Formally documented and approved subject access request procedures should be introduced.</p>	Under review		
	<p>Data protection guidance to staff is very brief, and does not give clear guidance to staff.</p> <p>There is a lack of data protection training provided to staff.</p>	<p>The Data Protection Guidance to Officer's should be reviewed and updated to provide more complete information.</p> <p>The Council should provide all staff with data protection awareness training.</p>	Under review		
Business continuity planning	A complete Business Impact Analysis has not been undertaken to establish what will actually be required in the event of a disaster in order for the Council to remain operational.	A Business Impact Analysis should be completed as a matter of priority.	Under review		
	The Business Continuity and IT Disaster Recovery Plans were in draft form at the time of the review.	Management should implement formally approved comprehensive disaster recovery/business continuity plans for the services provided and used by the Council.	Under review		
	Overall responsibility at the Council for business continuity and IT disaster recovery planning has not been formally assigned to a specific individual or committee.	Management should ensure responsibilities for business continuity planning have been appropriately assigned.	Under review		

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Business continuity planning (cont.)	The Business Continuity and IT Disaster Recovery Plans held by Steria and the Council have not been comprehensively tested.	Management should ensure that the Business Continuity and IT Disaster Recovery Plans are tested on an annual basis. Any issues identified during the testing phase should be formally documented and adequately resolved.	Under review		
	A copy of the contracts in place between the Council and CityCare was not available, therefore unable to provide assurance that appropriate continuity arrangements have been agreed.	Management should ensure that appropriate continuity arrangements are in place between the Council and CityCare.	Under review		
	There is a risk that backup media may be unavailable as a result of exclusion zones being created around City Hall or CityCare, resulting in lack of service continuity/availability.	Management should ensure that backup media is appropriately located so that it can be easily accessed in the event of a disaster which may affect the primary processing site.	Under review		

Audit Plan 2008/2009				
	2008/09			
	Audit Plan Days	Actual to end of Dec 08	Estimated time to complete	Comments / Timings
<u>Fundamental Systems</u>				
Purchasing & Accounts Payable	20	1.1	0	Outsourced - draft report received
Accounts Receivable	20		0	Outsourced - draft report received
Payroll	20	1.2	10	Feb/March
Housing Rents	20		0	Outsourced - draft report received
Income/Cash Receipting	20	0.4	15	Feb/March
Treasury Management	10		10	Feb/March
Housing/Council Tax Benefits	20		0	Outsourced - draft report received
Asset Management	30		25	Feb/March
Sub-total	160	2.7	60	
<u>Corporate Resources</u>				
New Deal - Grant Claims & Systems	100	135.5	12	Ongoing audit involvement
Workforce System & Recruitment	20		20	Feb/March
Risk Management	10	1.1	5	Ongoing audit involvement
Neighbourhood Renewal Fund	5	1.3	0	Ongoing audit involvement
LEGI	5	4.5	0	Ongoing audit involvement
Sub-total	140	142.4	37	
<u>Regeneration & Development</u>				
Car Parks Income	20	15.9	4	In progress
Concessionary Bus Fares - NCC only	10	1.8	8	In progress
Landlord Services - Voids & Arrears	15		0	Covered by AC Inspection - SLIP
Premises Management & Leaseholders	15	2.2	10	Feb/March
Sub-total	60	19.9	22	
To complete 2007/08 plan:				
Residents Service Team	10	13.1	2	In progress
Council Tax / NNDR	10	6.7	9	In progress
Sub-total	20	19.8	11	
Follow Ups	10	10.5	2	
<u>Corporate</u>				
Ad-hoc Investigations	30	16.1	5	Contingency allowance
Data Protection / Freedom of Information	10	0.2	1	
Probity	20	20.7	2	
Interreg Claims	30	59.1	1	Plus external audits of projects
Best Value Performance Indicators	20	20.0	0	Complete
Fraud related, incl. NFI 2008	30	22.0	5	Wider scope of NFI in 2008
Corporate Governance	40	43.5	5	Review policies; Use of resources
Financial Appraisals/Tenders/Final A/cs	10	3.8	2	
Outsourced Audits:	10	4.9	3	(Client role)
Data Protection				Draft report
Business Continuity Planning				Draft report
Unix, Windows & Oracle security				In progress
Sub-total	200	190.3	24	
<u>General Call on Audit Time</u>				
e.g. general advice, A. Commission liaison, unplanned work, requests	50	30.0	8	
Total Allocated Days	640	415.6	164	

Reconciliation of Available Audit Days 2008/09:				
Total available days (after allowance for holidays and sickness)		760		
<u>Less</u> Allowance for non-chargeable days:				
Management/Administration	145			
Training	20			
Other	45	210		
Planned Chargeable Days		550		
Resources needed for Audit Plan		640		
Surplus/(Deficit)		(90)		
As at end December 2008:				
Planned Chargeable Days		550		
Days used (internal audit)		416		
Available days remaining		134		
Days required to complete plan		164		
Projected shortfall		-30		