

Audit and Corporate Governance Committee Report



Report of Audit Manager

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**AGENDA ITEM
NO**

Internal Audit Activity Report 2007/08

Purpose of Report

1. The purpose of this report is to summarise the outcomes of recent internal audit activity for the Committee to consider. The Committee is asked to review the report and the main issues arising, and seek assurance that action has been or will be taken where necessary.

Background

2. Internal Audit's primary role is to provide an independent and objective opinion on the effectiveness of the control environment. This ranges from checking that effective arrangements for good governance are in place, through to testing that internal controls within systems are operating as they should.
3. Reports are produced at the end of the audit fieldwork, the aim being to:
 - set out the scope of the audit work

- communicate the results of the audit assignment
 - provide the internal auditor's overall opinion on the area under review
 - secure acceptance on audit recommendations and a commitment to action where improvements are suggested
4. The work undertaken and reports produced focus on a review of the internal controls and integrity of the system rather than on performance or outputs from that system. Not all aspects of a service or function will be examined in each audit, but over successive audits there will be a comprehensive review of the systems involved. The scope of each audit is agreed in advance with the manager of the service.
 5. Every recommendation made for improvement is allocated a risk rating (High, Medium or Low), this leading to an opinion statement for the system under review. The context in which an issue arises will dictate the risk category and the auditor will consider both the likelihood of a risk being triggered and the consequences should it occur in arriving at an overall risk level.
 6. Following the issue of a final report, Heads of Service, client officers and contractors are expected to implement all agreed recommendations by the agreed implementation dates contained in that report. They will be charged by the Chief Finance Officer to sign off the final report, which will indicate agreement to the action plan and the control weaknesses/risks identified.
 7. **Appendix A** of this report sets out the key points and findings relating to the following completed audit:

Audit	Audit Opinion
Land Charges	Satisfactory

8. Members of the Committee are asked to seek assurance from the Senior Land Charges officer that the agreed action has been or will be undertaken where necessary.
9. A copy of the summary report has been sent to the appropriate Head of Service and the Cabinet Member for Finance.
10. A 6 month follow up is undertaken on all audits undertaken to establish the implementation status of agreed recommendations.

SOUTH OXFORDSHIRE DISTRICT COUNCIL INTERNAL AUDIT

Summary Report

LAND CHARGES AUDIT 2007/08

The audit fieldwork was undertaken in May and June 2007 and the final report was issued in July 2007.

The aims of the review were to ensure that controls within the system were adequate and operating effectively, and that working procedures were in accordance with approved policies, regulations and legislation.

The control objectives identified were:

- Documented procedures exist and are up to date.
- Applications are completed fully, readily identifiable and processed with minimum delay.
- Fees are charged in accordance with approved rates.
- Fees paid to external organisations are correct.
- The Local Land Register and supporting documentation are protected against loss or unauthorised access.
- Income is banked promptly, reconciled to supporting documentation and coded correctly.
- Services are not provided unless payment has been received in advance.

The review also sought to establish that all recommendations agreed following the 2003/04 audit had been implemented and continue to be adhered to.

Audit Opinion

From the work undertaken internal audit is of the opinion that the controls operating within the system are **satisfactory**.

Key Points, Findings and Recommendations

- Internal audit is satisfied with the implementation of the recommendations agreed following the 2003/2004 audit review.

- There are documented procedures in place however some amendments are required.

(Recommendation made Report Ref.4.2.3 – Risk Rating Low – Agreed by management)

- From the sample selected, internal audit considers that applications had been processed appropriately and is satisfied that the controls, as described in the procedure manual, are adequate and operating effectively. Testing confirmed that all applications are allocated a unique reference number.
- Testing identified that the performance of the function during 2006/2007 had dropped when compared to 2005/2006. The explanation for the drop in performance provided to internal audit (maternity leave and an increase in the number of received applications) appeared to be satisfactory. However, it is imperative that performance continues to be monitored to ensure trends in low performance are highlighted and corrective action taken where necessary.
- The statutory fees charged were reviewed and it was confirmed that the appropriate statutory fee had been adopted by the Council.
- Due to amendments by the Constitutional Reform Act 2005, registering authorities are required to specify and publicise their own fees for the local land charges service (other than the statutory fees for personal searches) from 1 April 2007. This has not happened.

(Recommendation made Report Ref.4.4.6 – Risk Rating High – Agreed by management)

- The agreement between South Oxfordshire District Council and Oxfordshire County Council for the provision of highways and traffic scheme information has been extended for two years in accordance with the contract. The agreement expires 31 March 2008.
- From the testing undertaken, there appears to be appropriate access to the computerised register and adequate levels of access in place.

- The manual register and supporting documentation are not held securely and access is not restricted to appropriate members of staff. Whilst it is acknowledged that due to the volume of manual records there would be difficulty in storing manual information securely, the security of the current environment could be enhanced.

(Recommendation made Report Ref.4.6.7 – Risk Rating Medium – Agreed by management)

- It can be confirmed that the income stated as received on the cash office remittance sheets had been banked promptly and coded correctly.
- During the audit fieldwork, it was ascertained that income reconciliations are not undertaken between the Ocella system, where search details are recorded and the financial information system (Agresso).

(Recommendation made Report Ref.4.7.8 – Risk Rating High – Agreed by management)

- Internal audit testing within the application process confirmed that payment for searches is received prior to an application being processed. If further copies of the documents are required, a Sundry Debtor invoice is raised to recover the additional charge.
- Issues were identified in relation to Sundry Debtor invoices namely, monitoring is not undertaken, debts have stagnated, debts are pending write off and a significant number of debtors regularly fail to pay sundry debtor invoices.

(Recommendations made Report Ref.4.8.7, 4.8.8 and 4.8.9 – Risk Rating Medium – Agreed by management)

- A trend was highlighted where a number of debtors regularly fail to pay the sundry debtor invoices raised for the photocopying services provided.

(Recommendation made Report Ref.4.8.11 – Risk Rating Low – Agreed by management)

Management Response

The report and action plan was accepted. Eight (8) recommendations were made and eight (8) were agreed. Various implementation dates were

provided.

Audit Review Timetable

A follow up review has been programmed for January 2008 to ensure the accepted recommendations have been implemented.

Annex A, the Action Plan for Land Charges detailing the recommendations made and the management response follows.

LAND CHARGE AUDIT 2007/08 ACTION PLAN Annex A

Report Ref.	Internal Audit Recommendations	Risk Rating	Management Response
4.2	Documented Procedures		
4.2.3	The procedure manual is updated when necessary and reviewed on an annual basis as previously agreed.	Low	Agreed
4.4	Fees Charges		
4.4.6	The Local Land Charges fees are reviewed as a matter of urgency to ensure compliance with new legislation.	High	Agreed
4.6	Security of Register and Supporting Documentation		
4.6.7	Consideration is given to the installation of security locks on office doors. This would enhance the security of the current environment and provide a secure area in which to store the register and supporting documentation.	Medium	Will discuss with Facilities and implement if feasible. However, it should be noted that the team are due to be re-located as part of the reception refurbishment and details of the new location are not yet available
4.7	Income Collection		
4.7.8	As previously agreed, land charges income is reconciled on a regular basis.	High	Agreed. Will liaise with Capita and re-commence reconciliation
4.8	Provision of Services		

4.8.7	Sundry debtor monitoring is undertaken as a matter of urgency.	Medium	Agreed. Will imp Capita can produ reports from Agre
4.8.8	Appropriate action is taken to progress outstanding sundry debtor invoices.	Medium	Agreed. Procedu and will impleme above has re-con
4.8.9	Debts pending write off are actioned as soon as possible.	Medium	Agreed. As abov
4.8.11	Where a debtor has previously failed to pay a sundry debtor invoice for photocopying charges, consideration be given to requesting payment in advance for any future services provided.	Low	Agreed. As abov

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