

Audit and Corporate Governance Committee Report



Report of Audit Manager

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AGENDA ITEM 5

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 Internal Audit 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.

Internal Audit Activity

Since the last Audit and Corporate Governance Committee meeting, the following planned audits have been completed:

	Assurance Rating	No. of Recs	High Recs.	No. Agreed	Medium Recs.	No. Agreed	Low Recs.	No. Agreed
Building Control	Satisfactory	3	0	N/A	2	2	1	1
Officers Travel and Subsistence	Satisfactory	9	1	1	5	5	3	3

Appendix A of this report sets out the key points and findings relating to the completed audits.

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7. Members of the Committee are asked to seek assurance from the Building Control Manager and the Head of Human Resources and Facilities that the agreed actions have been or will be undertaken where necessary.
8. Copies of the summary reports have been sent to the appropriate Heads of Service and the Cabinet Member for Finance.
9. A 6 month follow up is undertaken on all audits completed to establish the implementation status of agreed recommendations.

APPENDIX A

SOUTH OXFORDSHIRE DISTRICT COUNCIL INTERNAL AUDIT

Summary Report

BUILDING CONTROL AUDIT 2007/08

The audit fieldwork was undertaken in September and October 2007 and the final report was issued in October 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 areas identified for review were:

- Fees, Income Collection and Monitoring
- Checking Procedures
- Exemptions and Enforcements
- Health and Safety
- Monitoring of Performance Targets

The review also sought to establish that all recommendations agreed following the 2005/06 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 2005/2006 audit review.

- The procedures for dealing and accounting for fees and income are sound, however the monitoring arrangements have suffered as a result of the implementation of the Agresso Financial Management System. Internal Audit has suggested that the Office Manager (Planning & Building Control) should liaise with the Revenues and Benefits Client Manager to ensure provision of the necessary sundry debtors monitoring report to facilitate adequate monitoring of building control debtors.

(Recommendation made Report Ref. 4.2.4 – Risk Rating Medium – Agreed by Management)

- Internal Audit noted the information recorded in the files is comprehensive and evidence exists to support that adequate checking had taken place. Furthermore, working practice with regards to exemptions and enforcements is considered satisfactory.

- Internal Audit agrees with Building Control that improvements are required with regards to the health and safety arrangements adopted by the building control officers when attending site visits on their way home from the office. The Council has a duty of care to the employee and would suggest that officers ensure they advise a designated officer when they have completed such site visits and are not returning to the office.

(Recommendation made Report Ref. 4.5.5 – Risk Rating Medium – Agreed by Management)

- The service plan states the objective to provide a competitive building control service, which is within the top quartile score “Quality Performance Matrix”. The Building Control Manager recognises that Building Control does little to benchmark themselves against other Building Control Teams, and considers that benchmarking could assist with developing and adding value to the current building control service and ultimately to achieve the top quartile score for “Quality Performance Matrix”.

(Recommendation made Report Ref. 4.6.4 – Risk Rating Low – Agreed by Management)

Management Response

The report and action plan was accepted. Three (3) recommendations were made and three (3) were agreed. Various implementation dates were provided.

Audit Review Timetable

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

The Action Plan for Building Control detailing the recommendations made and the management response follows.

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BUILDING CONTROL SODC AUDIT 2007/08 ACTION PLAN

REPORT WP REF.	INTERNAL AUDIT RECOMMENDATION	RISK RATING	MANAGEMENT RESPONSE
4.2	FEES, INCOME COLLECTION AND MONITORING		
4.2.4	It is recommended that the Office Manager (Planning & Building Control) responsible for the processing of building control income should continue to request from Capita, in liaison with the Revenues and Benefits Client Manager, the necessary sundry debtor monitoring reports.	Medium	Office Manager (Planning & Building Control) will contact the Revenues and Benefits Client Manager.
4.5	HEALTH and SAFETY		
4.5.5	It is recommended that all building control officers should be required, when undertaking site visits on the way home, to inform their line manager (or designated	Medium	Building Control Manager will remind staff to inform office on completion of site visits, and will investigate

	representative) on completion of the visit. Furthermore a deadline to communicate this information to the line manager should be imposed before the line manager is required to alert the appropriate agencies.		lone worker procedure in the process of being implemented by Environmental Services.
4.6	MONITORING OF PERFORMANCE TARGETS		
4.6.4	It is recommended that the Building Control team should liaise with the Oxfordshire districts and neighbouring councils, to formulate a benchmarking group with a view to developing the service, exploring the options for time recording and comparing service delivery to identify best practice.	Low	Building Control Manager will consult with Oxon Building Control Managers group and other neighbours

SOUTH OXFORDSHIRE DISTRICT COUNCIL INTERNAL AUDIT

Summary Report

OFFICERS TRAVEL AND SUBSISTENCE AUDIT 2007/2008

The audit fieldwork was undertaken in September and October 2007 and the final report was issued in October 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 and included in the review were:

- Documented procedures exist and are up to date.
- All claims are made in accordance with appropriate policies.
- Claim forms are completed promptly and correctly, and adequate records in support of any claim have been provided.
- Claims and payments are calculated correctly and are bona fide.
- All claims are processed promptly and accurately.
- Evidence of adequate insurance is maintained in all appropriate cases.
- Essential user allowances are reviewed.
- Rail warrants are issued in a satisfactory manner

The review also sought to establish that all recommendations agreed following the 2004/05 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.
- Due to the implementation of the new payroll system (Ingenuity at Work), work is currently ongoing to produce procedure notes. Internal Audit would like to receive a copy of the procedure notes once they have been produced and reviewed by the Pay Officer.
- The Travel and Subsistence Policy was written in August 2004 and the review date was January to March 2006. The Policy has not been reviewed since this time.

(Recommendation made Report Ref. 4.3.2 – Risk Rating Low – Agreed by Management)

- Internal Audit testing highlighted instances where mileage claims had been submitted for travel outside the three month period stated in the Travel and Subsistence Policy. The Policy is not clear on how such claims should be treated and Internal Audit suggests that claims should be submitted to the relevant Strategic Director for certification.

(Recommendation made Report Ref. 4.4.4 – Risk Rating Medium – Agreed by Management)

- From the sample selected, testing identified that in all instance a VAT petrol receipt had been submitted to support the mileage claim.
- An instance was highlighted where a subsistence claim had been paid despite no receipt being submitted to support the claim.

(Recommendation made Report Ref. 4.4.10 – Risk Rating Low – Agreed by Management)

- An incorrect mileage rate was paid which was due to a processing error in that the claim form had been input incorrectly.

(Recommendation made Report Ref. 4.5.7 – Risk Rating Medium – Agreed by Management)

- It was noted that the mileage claim form does not facilitate the recording of mileometer readings. It is considered that mileometer readings provide an accurate record of mileage incurred.

(Recommendation made Report Ref. 4.5.9 – Risk Rating Low – Agreed by Management)

- From the testing undertaken, Internal Audit is satisfied that the claim forms had been signed as reviewed by the relevant line manager and that payment had been made upon receipt of an authorised claim form.
- A review of the date on which a claim form was received by Payroll and the month in which it was paid confirmed that there appears to be no delays in the processing of claims and payments are made promptly. In addition, the claimed mileage had been accurately transferred to the Payroll system.

- An exercise is undertaken by the Pay Officer in which a sample of 20 employees are asked to provide copies of their insurance to confirm that they have appropriate business use insurance cover. Internal Audit suggests that by using a declaration on the mileage claim form, employees are confirming that they have appropriate insurance each time a claim is submitted.

(Recommendation made Report Ref. 4.7.6 – Risk Rating Medium – Agreed by Management)

- The ‘appropriateness’ of the essential user allowance is not reviewed. Internal Audit considers that a review should be undertaken to ensure that the allowance remains appropriate for the post and suggests that as a minimum, a review could be undertaken when a post becomes vacant.

(Recommendation made Report Ref. 4.8.5 – Risk Rating Medium – Agreed by Management)

- Testing identified a number of queries in relation to the essential user allowance lump sum payments. An example being that the incorrect monthly rate being applied which was not in accordance with the CC of the vehicle.

(2 Recommendations made Report Ref. 4.8.12 – Risk Rating High, Report Ref. 4.8.13 – Risk Rating Medium – Agreed by Management)

- Internal audit is satisfied that there are appropriate controls in place to ensure rail warrants are only issued upon receipt of an authorised application form and the invoices received from the Association of Train Operating Companies (ATOC) are only processed for payment once validated as accurate.
- Internal audit would like to acknowledge the assistance and support of officers within Payroll during this audit review.

Management Response

The report and action plan was accepted. Nine (9) recommendations were made and nine (9) were agreed. Various implementation dates were

provided.

Audit Review Timetable

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

The Action Plan for Officers Travel and Subsistence detailing the recommendations made and the management response follows.

OFFICERS TRAVEL AND SUBSISTENCE AUDIT 2007/2008 ACTION PLAN

Report Ref.	Internal Audit Recommendations	Risk Rating	Management Response
4.3	Claims are made in accordance with appropriate policies		
4.3.2	The Travel and Subsistence Policy is reviewed in accordance with the review date contained within the original document. In addition, the most recent Policy is placed on the Intranet.	Low	Agreed. Document is now under review. The most recent Policy is on the Intranet. Internal Audit comment: The most recent policy refers to the document currently under review.
4.4	Completion of claim forms		
4.4.4	a) Employees are reminded of the requirement to submit claim forms promptly and line managers are reminded of their responsibility in authorising such claims. b) The Travel and Subsistence Policy is revised to include guidance on how claims for travel outside the specified three month period are dealt with. c) Consideration is given to submitting such claims to the relevant Strategic Director for certification.	Medium	a. Agreed b. Agreed c. Agreed in principle, but we would prefer this to be 'to an appropriate more senior manager to ensure flexibility.
4.4.10	Authorising officers are reminded of their responsibility in authorising claim forms insofar that receipts should be submitted to support the	Low	Agreed

	claim. In addition, Payroll should return any claims back to the originating officer requesting that the receipt is attached or the claim form is amended to remove the unsupported claim.		
4.5	Correct and bona fide claims and payments		
4.5.7	The claim form end date is input to Ingenuity At Work (IAW) correctly by the processing officer. In addition, the checking officer ensures that the appropriate checks have been undertaken prior to authorisation.	Medium	Agreed
4.5.9	Consideration is given to amending the claim form to allow officers to state the mileometer reading of the vehicle used for official Council business.	Low	Agreed – this is still open to abuse, but we recognise that we may further improve controls
4.7	Insurance		
4.7.6	The mileage claim form is amended to include a declaration stating that the employee has appropriate business insurance.	Medium	Agreed, although this is being signed after the journey(s) have been undertaken. Would be preferable for a signed document prior to this and a claim form being submitted.

4.8	Essential user allowance		
4.8.5	The 'appropriateness' of whether a post requires the essential user allowance should be reviewed. As a minimum, this exercise should be undertaken as and when a post becomes vacant.	Medium	Agreed – we will include a set of tick boxes and a statement to address this on the Request form.
4.8.12	The monthly lump sum payment queries identified during testing are investigated as soon as possible. In addition, an exercise is undertaken to review all lump sum payments made to employees to ensure that the appropriate lump sum payment has been paid. Any over or underpayments identified should be resolved as a matter of urgency.	High	Agreed – a review will be undertaken and any adjustments made where possible
4.8.13	Working practices are enhanced to ensure that in future, the lump sum paid to employees is made in accordance with the CC of the vehicle.	Medium	Agreed – payroll checking will be amended to highlight the importance of checking. We will implement a quarterly review to ensure errors are picked up quickly and overpayments do not occur