

Audit and Corporate Governance Committee

Report of Head of Finance

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To: Audit and Corporate Governance Committee

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AGENDA ITEM 7

Internal audit management report quarter three 2010/2011

Recommendation(s)

- (a) That the committee notes the content of the report

Purpose of Report

1. The purpose of this report is:
 - to report on management issues within internal audit
 - to summarise the progress against the 2010/2011 audit plan up to the 29 November10
 - to summarise the priorities and planned audit work for quarter four 2010/2011.
2. The contact officer for this report is William Jacobs, Head of Finance for South Oxfordshire District Council and Vale of White Horse District Council, telephone (SODC) 01491 823326 and (VWHDC) 01235 540455.

Background

3. The CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 states that the head of internal audit should prepare a risk-based audit plan,

which should outline the assignments to be carried out and the broad resources required to deliver the plan.

4. The CIPFA Code also states that the audit committee should approve the annual internal audit plan and monitor progress against the plan. This committee approved the annual internal audit plan on 23 March 2010.

Management Issues

5. The internal audit team's work has been to focus on priority one audits throughout quarter two and three to aid the completion of the key financial system audits to facilitate an opinion regarding the Council's governance arrangements.
6. The strategic director requested general assurance work on the invoicing/income arrangements across the council to give all invoicing teams the opportunity address any weakness. In support of this, Internal Audit undertook sampling work on debtors invoices as part of internal audit contingency arrangements. The task was to collate information from service areas regarding income that was required to be invoiced or not invoiced, whether received in arrears or advance. The information was prepared in the form of a table and charts and dully presented to the strategic director for review purposes. The exercise did not expose any weaknesses however, the information will be used to identify a sample for testing as part of the annual review of the sundry debtors process, which is currently underway.
7. Marcia Slater in conjunction with Capita has concluded an investigation following an alert from the Department of Works and Pensions regarding a breach of security relating to access to the DWP: Customer Information System data. Following a disciplinary hearing conducted by Capita on 20 August 2010, the officer in question was immediately dismissed. The section 151 officer has subsequently advised the DWP of the outcome of the investigation, in response they have stated that the employee will be band from accessing CIS for a minimum of five year.
8. Internal Audit has prepared a report regarding the security arrangements pertaining to this incident and has made a number of recommendations which have been conveyed to the Section 151 officer and Capita, the report of which is included in the Internal Audit activity report qtr 3 to be found elsewhere on this meeting agenda. It was considered appropriate by the Section 151 officer to report the matter to the Hampshire and Waterlooville CID. Internal audit was advised by the Police Authority on 18 October 2010 that the Capita employee was formally issued with a caution which he has accepted. The matter is now closed.
9. Internal audit would also like the audit & corporate governance committee to note that a further investigation has been carried out under the council's anti fraud and corruption whistleblowing policy which relates to the taxi licensing function carried out at Vale of White Horse District Council. A report regarding this incident is currently in draft and will be included in the next quarter's committee papers.
10. Marcia Slater has been appointed to the position of HR business support manager based at SODC. Agreement has been reached between all relevant parties that she will take up her new appointment on the return of the Audit Manager from

maternity leave on 4 January 2010. She will continue to monitor the progress of the audit plan and it is anticipated that all priority one audits could be completed as per the plan.

11. During the course of this quarter, the audit manager returned to work on 16 and 18 October during which she reviewed the audit plan and progress being made on completion of the audit plan. This has resulted in the reassignment of a number of audits and follow up reviews to accommodate the temporary reduction of one auditor in the new year. Marcia will continue to monitor the progress of the audit plan until she moves on to her new position and it is anticipated that some audits including some priority three audits should be completed.

Progress against the 2010/2011 Audit Plan

12. Progress against the approved audit plan has been calculated for the quarter up to 29 November 2010 and year to date and is summarised in **Appendix 2** attached.
13. Performance figures are as follows:

	Target	YTD	Q1 10/11	Q2 10/11	Q3 10/11	Q4 10/11
Chargeable (identifiable client and/or specific IA deliverable)	61.5%	57.5%	56.4%	61.5%	57.8%	-
Non-Chargeable (corporate, not IA deliverable)	8.5%	5.3%	3.2%	7.9%	4.5%	-
Lost (i.e leave, study, sickness)	30%	37.2%	40.4%	30.6%	37.7%	-

14. Internal audit has finalised a number of 2010/2011 internal audit reports during this quarter, these are Leader project assurance & verification, Cornerstones EP and DR, Payroll, and Housing and Council Tax overpayments and recovery.
15. As at 29 November 2010, the status of audit work is as follows:

Planned

Strategic, operational and financial assurance work known and approved by the Audit and Governance Committee.

2010/2011	Planned	Complete	Draft	In progress	To commence
PLANNED	34	11	1.5	6.5	15
Joint	23	4	1.5	6.5	11
SODC	6	4	0	0	2
VWHDC	5	3	0	0	2

Adhoc

Unplanned project work based on agreed terms of reference with the audit manager (i.e. implementation of new systems) and responsive work issued and agreed by the section 151 officer, members or senior management team (i.e. investigations).

2010/2011	Requested	Complete	Draft	In progress	To commence
ADHOC	3	2	1	0	0
Joint	1	1	0	0	0
SODC	0	0	0	0	0
VWHDC	2	2	0	0	0

Follow Up

Work undertaken to ensure that agreed recommendations have been implemented. The number of follow-up audits is a rolling number, all internal audit reports are followed up after 6 months.

2010/2011	Requested	Complete	Draft	In progress	To commence
FOLLOW - UP	10	4	0	0	6
Joint	7	3	0	0	4
SODC	3	1	0	0	2
VWHDC	0	0	0	0	0

Priorities for 2010/2011 Quarter (January 2011 – March 2011)

16. The priority for quarter four is:

- Complete the remainder of the audit plan within the timescale allocated.

17. Planned audit work which is currently ongoing and that has been scheduled for the remainder of quarter three and quarter four is as follows:

Joint Audits	SODC Audits	VWHDC Audits
Council Tax 10/11 Creditor Payments 10/11 Capital Accounting 10/11 General Ledger 10/11	Pest Control 10/11 FFTF Implementation Review 10/11	Mortgage Administration 10/11 Stray Dogs 10/11

Joint Audits	SODC Audits	VWHDC Audits
Health and Safety 10/11 Housing and Council Tax Benefits Annual Assurance 10/11 ICT 10/11 NNDR 10/11 Project Management 10/11 Sundry Debtors 10/11 Travelling & Subsistence Expenses 10/11 Treasury Management 10/11 Proactive Anti Fraud Review 10/11 Brown Bins 10/11 Equality & Diversity Strategy 10/11 Time Management across SODC/VWHDC 10/11 IFRS 10/11 Verification of National Indicators 10/11		

18. Follow-up work which is scheduled for the remainder of quarter three and quarter four is as follows:

Joint Audits	SODC Audits	VWHDC Audits
Section 106 Commuted Sums FU 09/10 HR Grievance FU 10/11 HR Recruitment 10/11 Financial Systems Reconciliation FU 09/10	Petty Cash Cash Office 10/11	Car Loans FU10/11 Records Management FU 09/10

Financial Implications

19. There are no financial implications attached to this report.

Legal Implications

20. None

Risk Implications

21. Identification of risk is an integral part of all audits.

WILLIAM JACOBS
HEAD OF FINANCE

PLANNED AUDITS 2010/2011
APPENDIX 2

System Name	Status	Audit Allocation	Total Days Used	Exception Issues	Audit Opinion	No. of Recs	High	No. Agreed	Medium	No. Agreed	Low	No. Agreed	Total Not Agreed
As at 29 November 2010													
JOINT													
Brown Bins SODC VWHDC	To Commence	14											
Capital Accounting SODC VWHDC	In Progress	16											
Council Tax SODC VWHDC	To Commence	20											
Creditor Payments SODC VWHDC	In Progress	30											
Equalities and Diversity Strategy SODC VWHDC	To Commence	16											
General Ledger SODC VWHDC	Draft Issued In Progress	20			Limited	15			6		9		
Health & Safety SODC VWHDC	In Progress	20											
Housing & Council Tax Benefits Annual Audit SODC VWHDC	In Progress	30											
Housing & Council Tax Benefits Overpayments and Recovery Follow-Up SODC VWHDC	Final Issued Final Issued	14	16		Limited Limited	7 5	1 1	1 1	3 2	2 1	3 2	3 2	1 1
HR Grievance Procedure SODC VWHDC	Final Issued Final Issued	20	10		Full Full	2 3	0 0	0 0	0 0	0 0	2 3	2 3	0 0
HR Recruitment SODC VWHDC	Final Issued Final Issued	20	23		Satisfactory Satisfactory	4 6	0 0	0 0	3 3	1 1	1 3	1 3	2 2
ICT	In Progress	20											

System Name	Status	Audit Allocation	Total Days Used	Exception Issues	Audit Opinion	No. of Recs	High	No. Agreed	Medium	No. Agreed	Low	No. Agreed	Total Not Agreed
As at 29 November 2010													
SODC VWHDC													
International Financial Reporting Standards SODC VWHDC	To Commence	20											
Leisure Centres SODC VWHDC	Draft Issued Draft Issued	30		SOLL, separate report prepared DC Leisure, separate report prepared	Limited Limited Limited	9 7 9	4 4 6		4 2 2		1 1 1		
NNDR SODC VWHDC	TOR Issued	20											
Payroll SODC VWHDC	Final Issued Final Issued	20	20		Limited Limited	17 18	1 1	1 1	8 7	8 7	8 10	8 10	0 0
Pro-Active Anti-Fraud Review SODC VWHDC	To Commence	30											
Project Management SODC VWHDC	To Commence	30											
Sundry Debtors SODC VWHDC	In Progress	30											
Time Management Across SODC/VWHDC SODC VWHDC	To Commence	20											
Travelling & Subsistence Expenses SODC VWHDC	TOR issued	20											
Treasury Management SODC VWHDC	TOR issued	14											
Verification of National Indicators SODC VWHDC	To Commence	20											
SODC													
Cash Office	Final Issued	8	6		Satisfactory	4	0	0	0	0	4	3	1

System Name	Status	Audit Allocation	Total Days Used	Exception Issues	Audit Opinion	No. of Recs	High	No. Agreed	Medium	No. Agreed	Low	No. Agreed	Total Not Agreed
As at 29 November 2010													
Cornerstone - Emergency Planning, Disaster Recovery, Business Continuity Planning	Final Issued	8	8		Satisfactory	7	0	0	2	2	5	5	0
Fit for The Future Implementation Review	To Commence	10											
Leader Project Assurance	Final Issued	10	10		Satisfactory	6	0	0	0	0	6	6	0
Leader Project Grant Verification	Final Issued	3	3	Incorporated in Leader project assurance	Satisfactory (see above)								
Pest Control	To Commence	5											
VWHDC													
Car Loans	Final Issued	10	10		Satisfactory	10	3	2	3	3	4	2	3
Handling of Postal Cash and Cheques	Final Issued	7	7		Limited	2	2	2	0	0	0	0	0
Licensing	Final Issued	10	13.5		Satisfactory	4	0	0	1	1	3	2	1
Mortgages Administration	To Commence	7											
Stray Dogs Contract	To Commence	10											
TOTALS	-	582		Full Satisfactory Limited Nil	1 7 3 0	135	23	5	48	9	66	29	10

FOLLOW UP AUDITS 2009/2010

System Name	Total Days Used	Audit Opinion Issued	Total No. of Recs Agreed	Implemented	Partly Implemented	Not Implemented	Ongoing
SODC							
VFM from CCTV Contract Arrangements 09/10	0.50	Satisfactory	5	4	0	0	1
Records Management 09/10	0.50	Limited	8	3	1	4	0
Temporary Accommodation 09/10	0.50	Satisfactory	6	4	0	0	2
Partnership Performance Monitoring 09/10	0.50	Satisfactory	6	3	0	1	2
Contract Monitoring 08/09	0.50	Satisfactory	4	3	1	0	0
Facilities Management 09/10	0.50	Full	1	1	0	0	0
Focus Group Payments 08/09	0.50	Limited	7	7	0	0	0
Cornerstones Membership 09/10	0.50	Satisfactory	4	4	0	0	0
VFM in Procurement 09/10	0.50	Satisfactory	9	3	0	6	0
Information Governance 09/10	0.50	Satisfactory	7	2	0	4	1
Stock Control 08/09	0.50	Satisfactory	12	12	0	0	0
Verification of National Indicators 09/10	0.50	Satisfactory	10	8	0	2	0
VWHDC							
VFM from CCTV Contract Arrangements 09/10	0.50	Satisfactory	11	7	0	1	3
Rent Accounting 09/10	0.50	Satisfactory	12	7	1	4	0
Lone Working/ Officer Security 09/10	0.50	Satisfactory	8	5	1	2	0
Contract Monitoring 08/09	0.50	Limited	5	2	0	3	0
Oxfordshire Waste Partnership 08/09	0.50	Satisfactory	5	4	1	0	0
Partnership Performance Monitoring 09/10	0.50	Satisfactory	6	3	0	1	2
Records Management 09/10	0.50	Limited	11	1	1	9	0
Corporate Administration 09/10	0.50	Satisfactory	6	4	0	1	1
Business Continuity 08/09	0.50	Satisfactory	10	7	0	3	0
VFM in Procurement 09/10	0.50	Limited	15	8	0	7	0
Information Governance 09/10	0.50	Satisfactory	6	1	0	4	1
Stock Control 08/09	0.50	Satisfactory	9	7	0	2	0

System Name	Total Days Used	Audit Opinion Issued	Total No. of Recs Agreed	Implement ed	Partly Implement ed	Not Implement ed	Ongoing
SODC							
Verification of national Indicators 09/10	0.50	Satisfactory	8	7	0	1	0
TOTALS	12.5		191	117	6	55	13

FOLLOW UP AUDITS 2010/2011

System Name	Total Days Used	Audit Opinion Issued	Total No. of Recs Agreed	Implement ed	Partly Implement ed	Not Implement ed	Ongoing
SODC							
None	-	-	-	-	-	-	-
VWHDC							
None	-	-	-	-	-	-	-
TOTALS							

UNPLANNED WORK 2010/2011

CONSULTANCY

System Name	Status	Audit Allocation	Total Days Used	Requested By
JOINT				
Sundry Debtors	allocated to SD audit	0	5.5	Steve Bishop, Section 151 Officer -
SODC				

System Name	Status	Audit Allocation	Total Days Used	Requested By
JOINT				
None	-	-	-	-
VWHDC				
None	-	-	-	-

CONTINGENCY

System Name	Status	Audit Allocation	Total Days Used	Requested By
JOINT				
None	-	-	-	-
SODC				
None	-	-	-	-
VWHDC				
DWP: Customer Information Systems, Breach of Security, Capita	Disciplinary Hearing resulted in dismissal of Capita employee	5	6.5	Steve Bishop, Section 151 Officer
Defra Property Flood Protection: Resilience Grant Verification	Requested	1.0	1.0	Pete Dela,
Anti Fraud & Corruption Whistleblowing Policy: taxi licensing investigation	Requested	5	6.0	Margaret Reed, Steve Bishop

SYSTEM DEVELOPMENT

System Name	Status	Audit Allocation	Total Days Used	Requested By
JOINT				
None	-	-	-	-

System Name	Status	Audit Allocation	Total Days Used	Requested By
SODC				
None	-	-	-	-
VWHDC				
None	-	-	-	-