

Audit and Corporate Governance Committee Report

Report of Head of Finance

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To: Audit and Corporate Governance Committee

DATE 28 September 2010

AGENDA ITEM NO 8

Internal audit management report quarter two 2010/2011

Recommendation(s)

- (a) That members note 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 26 August 2010
 - to summarise the priorities and planned audit work for quarter three 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. During this period, a new auditor (Amna Javid) commenced employment on 5 July 2010. Amna is primarily based at SODC. She has previous auditing experience and her first audit is a joint audit of the councils' leisure centres. The audit team are and will continue to support her through her period of induction.
6. Marcia Slater has co-ordinated and prepared the response to the Audit Commission's fraud and corruption survey for both authorities, whilst this work is not an integral part of the auditing role, the head of finance recognises this exercise as a necessary part of the finance function. The commission's board had decided that providing this information was a requirement under section 48 of the Audit Commission Act 1998. The work took approximately 2.5 days to complete for each council.
7. Internal audit has been successful in placing all final audit reports relating to 2009/2010 and 2010/2011 to date on to the council's intranet. Internal audit will send an email to committee members to inform them each time a new report is published on the intranet. Internal audit would like the committee to note that the audit assurance given is stated as part of the audit report title to assist members to identify satisfactory and full assurance reports that are not reported in full to this committee as a matter of course.
8. William Jacobs and Marcia Slater meet on a monthly basis to review work allocations to ensure priority one audits are completed by the end of the financial year. To this end the following audits will commence in quarter two, General Ledger, Housing and Council Tax Benefits Annual Assurance and Housing and Council Tax Benefits Overpayments and Recovery.
9. Performance has improved over this period with the finalisation of six 2009/2010 internal audit reports. These are as follows: Capital Accounting, Treasury Management, NNDR, Proactive Anti-fraud review, Section 106 Commuted Sums and Sundry Debtors.
10. Internal audit has had a request from the strategic director (section 151 officer) to undertake sampling work on the raising of debtor invoices to include periodic income to establish whether the council is prompt in the generation of its invoices. This work will be conducted under the internal audit contingency arrangements and is scheduled to take place during September 2010 and will contribute to the Accounts Receivable audit.
11. The Department of Works and Pensions (Housing Benefit Division) has alerted the council's section 151 officer to a breach of security identified as a result of

their quarterly security scan. Whilst internal audit recognises that this incident relate to the Vale of White Horse District Council contract, it is relevant to the delivery of the services across both councils.

12. Internal audit has carried out a joint investigation with Capita to establish the circumstances which relate to inappropriate access to DWP: Customer Information System (CIS) data. The council is required to ensure users comply with relevant legislation and the conditions of accessing CIS data. Capita commenced an investigation under the direction of the section 151 officer and Marcia Slater. This culminated in a disciplinary hearing which took place on Friday 20 August. The outcome of the disciplinary hearing was immediate dismissal and a report of the incident has been issued to the Department of Work and Pensions, who have stated that the employee will be banded from accessing CIS for a minimum of five years. Internal audit has also prepared a report for Capita Financial Services which recommends that Capita state improvements in their security measures and evidence how they are to achieve them.

Progress against the 2010/2011 Audit Plan

13. Progress against the approved audit plan has been calculated for the quarter up to 26 August 2010 and year to date and is summarised in **Appendix 2** attached.
14. 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%	-	-
Non-Chargeable (corporate, not IA deliverable)	8.5%	5.3%	3.2%	7.9%	-	-
Lost (i.e leave, study, sickness)	30%	37.2%	40.4%	30.6%	-	-

15. Internal audit has also finalised a number of 2010/2011 internal audit reports, these are Cash Office, HR Grievance Procedure and HR Recruitment.
16. As at 26 August 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	4	0	10	20

Joint	23	2	0	5	16
SODC	6	1	0	3	2
VWHDC	5	1	0	2	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	2	0	1	0	1
Joint	1	0	0	0	1
SODC	0	0	0	0	0
VWHDC	1	0	1	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	15	5	0	2	8
Joint	7	1	0	0	6
SODC	6	3	0	1	2
VWHDC	2	1	0	1	0

Priorities for 2010/2011 Quarter 3 (October 2010 – December 2010)

17. The priority for quarter three is:

- Undertake the sampling work on the raising of invoices as directed by the council's section 151 officer.
- Complete the investigation into the Department of Works and Pensions breach of security alert and report findings to the council's section 151 officer.

18. Planned audit work which is currently ongoing and that has been scheduled for quarter three is as follows:

Joint Audits	SODC Audits	VWHDC Audits
Council Tax 10/11 Creditor Payments 10/11 General Ledger 10/11 Health & Safety 10/11 Housing & Council Tax Benefits Annual Assurance 10/11 ICT 10/11 Leisure Centres 10/11 NNDR 10/11 Payroll 10/11 Project Management 10/11 Sundry Debtors 10/11 Travelling & Subsistence Expenses 10/11 Treasury Management 10/11	Cornerstones-EP, DR & BCP 10/11 Leader Project Assurance 10/11 Leader Project Grant Verification 10/11	Handling of Postal Cash & Cheques 10/11 Licensing 10/11

19. Follow-up work which is scheduled for quarter three is as follows:

Joint Audits	SODC Audits	VWHDC Audits
Housing & Council Tax Benefits Overpayments & Recovery FU Value for Money in Procurement 09/10		

Financial Implications

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

Legal Implications

21. None

Risk Implications

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

WILLIAM JACOBS
 HEAD OF FINANCE