

# Audit and Governance Committee Report



Report of: **Auditor**

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To: Audit and Governance Committee

DATE: XX December 2010

Report no. 90/10

Wards Affected  
All

## Internal audit management report quarter three 2010/2011

### Recommendation

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 29 November 2010
  - to summarise the priorities and planned audit work for quarter four 2010/2011.
2. The contact officer for this report is Marcia Slater, for South Oxfordshire District Council and Vale of White Horse District Council, telephone (SODC) 01491 823544 and (VWHDC) 01235 540433.

### Strategic Objectives

3. To assist the council to manage its business effectively by providing an assurance framework to monitor the overall adequacy and effectiveness of the internal control environment.

## **Background**

4. 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.
5. 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 17 March 2010.

## **Management Issues**

6. The internal audit team's work has been to focus on priority one audits throughout quarter two and three. As well as ensuring all key financial systems are audited this will provide evidence on which the external auditor can base their opinion when carrying out the statement of accounts audit.
7. The strategic director requested general assurance work on the invoicing/income arrangements across the council to give all invoicing teams the opportunity to 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 presented to the strategic director for review purposes. This high level exercise did not expose any immediate concerns regarding the prompt invoicing of debts. This 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.
8. Marcia Slater in conjunction with Capita has concluded the 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 years.
9. 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.

10. Internal audit would also like the audit and 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 this council. A report regarding this incident is currently in draft and will be included in the next quarter's committee papers.
11. 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.
12. 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 audit 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.
13. Internal Audit also reviewed a Defra Property Flood Protection and Resilience grant, for grants under the value of £10,000. Defra stipulate internal audit certification is required. Internal audit confirmed invoices matched the criteria for the funding; checked the payment of appropriate invoices and matched them to the final statement of account, before providing certification to Defra together with a final statement, copies of which are signed by internal audit and the head of finance.

## Progress against the 2010/2011 Audit Plan

14. 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 1** attached.
15. Performance figures are as follows:

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

16. Internal audit has also finalised a number of 2010/2011 internal audit reports during this quarter, these are licensing, handling of postal cash and cheque and leisure centre, In addition, Internal Audit has concluded a DWP breach of security investigation which related to a Capita employee based at Havant.

17. As at 29 November 2010, the status of audit work against the 2010/2011 audit plan 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
<b>PLANNED</b>	<b>34</b>	<b>11</b>	<b>1.5</b>	<b>6.5</b>	<b>15</b>
Joint	23	3	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
<b>ADHOC</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>
Joint	1	1	0	0	1
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 six months.

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

### Priorities for 2010/2011 quarter four (January 2011 - March 2011)

18. The priority for quarter four is:

- Complete the remainder of the audit plan within the allocated timescale.
- Complete outstanding follow-up reviews.

19. Planned audit work which is currently ongoing 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	Pest Control 10/11	Mortgage Administration 10/11
Creditor Payments 10/11	FFTF Implementation Review 10/11	Stray Dogs 10/11
Capital Accounting 10/11		
General Ledger 10/11		
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		
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20. Follow-up work which is scheduled for quarter four is as follows:

<b>Joint Audits</b>	<b>SODC Audits</b>	<b>VWHDC Audits</b>
Section 106 Commuted Sum 09/10 Financial Systems Reconciliation FU 09/10 HR Grievance FU 10/11 HR Recruitment FU 10/11	Cash Office 10/11	Value for Money in Procurement 09/10 (2 <sup>nd</sup> follow up)  Car Loans 10/11

### **Financial Implications**

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

### **Legal Implications**

22. None

### **Risk Implications**

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

MARCIA SLATER  
AUDITOR