Audit and Governance Committee Report

11 July 2012

Report of: **Audit Manager**

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To: Audit and Governance Committee

DATE: 11 July 2012

Comments on internal audit reports not presented to committee quarter one 2012/13

Recommendation
That members note the content of the report

Purpose of report

1.   The purpose of this report is to respond to questions raised on internal audit reports not presented to committee from quarter 1 2012/13.

2.   The contact officer for this report is Adrianna Partridge, Audit Manager for South Oxfordshire District Council and Vale of White Horse District Council, telephone (SODC) 01491 823544 and (VWHDC) 01235 547615.

Strategic objectives

3.   Managing our business effectively.

Background

4.   Internal audit is an independent assurance function that primarily provides an objective opinion on the degree to which the internal control environment supports and promotes the achievements of the council's objectives. It assists the council by evaluating the adequacy of governance, risk management, controls and use of resources through its planned audit work, and recommending improvements where necessary. After each audit assignment, internal audit has a duty to report to management its findings on the control environment and risk exposure, and recommend changes for improvements where applicable. Managers are responsible for considering audit reports and taking the appropriate action to address control weaknesses.

Matters arising

5.

1. Capital management and accounting 2011/2012	Councillor Mike Murray
a) 5.1.1 As the migration is delayed, will you be revisiting this next year to see how well it has gone? b) 5.1.2 If there is no asset management plan in place, should capital strategy not remain a corporate priority until its replacement is in place?	
IA Response a) Yes, capital management and accounting is a key financial system audit which is in each annual audit plan. This is scheduled for quarter 3 2012/2013.	
Officer Response – William Jacobs, Head of Finance As reported the council has a current capital strategy (2010/11 - 2014/15). This will be reviewed and refreshed when an asset management plan is developed.	

2. Creditor payments 2011/2012	Councillor Mike Murray
a) Rec 1 - would it be a good idea for the reminder to service areas to also remind staff not to use the creditor system for expenses reimbursement? This isn't clear from the report. b) Rec 3 - Payment Run Approval - I can see the problem here but is it the case that there are two officers authorising the final payment our of Agresso, even if one of them has been involved in the authorisation process previously, and would that always be a junior officer to the other authoriser? (You can see what I am getting at?)	
IA Response b) Within Agresso there is adequate separation of duties between requester and authoriser of payments. However, as an additional check the council has an accountancy review and sign off of the BACS payment runs for over £10K. Our testing evidenced that this person could have also authorised within Agresso the payment, hence the review is not independent and we made a recommendation.	
Officer Response – Ben Watson, Finance and Systems Manager a) As stated in the management response, a reminder was sent to services of the correct procedure to follow and this included not using the creditor system for expenses reimbursement.	

3. Email procurement 2011/2012	Councillor Mike Murray
a) What is the quantum of this please - what was the cost to the council(s)? b) Rec 1 - why is this? Surely there must be a minute of the project group meeting	

to formulate their recommendation??
c) If the procedures were correctly followed in 2011, why were they not followed in 2012? Was the Ocella procurement before or after Groupwise?

IA Response
a) The groupwise contract was valued at £26,660.00 across both councils, in comparison to the Microsoft exchange quote which was valued £94,451.00.
c) The groupwise procurement was undertaken in April 2009 and the ocella procurement was undertaken in July 2011. Our review of the ocella procurement evidenced that controls are now operating correctly.

Officer Response – Andrew Down, Head of HR, ICT and Customer Services
a) Following negotiation, the final cost of groupwise to VWHDC was £11,158.00.
b) The decision was taken by a sizeable group of people (including the section 151 officer) after the NEC-P presentation on 5 March 2009. It wasn't a project group as such as the meeting was convened as a one-off to receive the consultants' presentation. The immediate action was to write a report (on the same day) with a single decision to recommend groupwise and that was immediately translated into a formal report to a committee.

4. Housing and Council Tax Benefit 2011/2012	Councillor Mike Murray

3.2 - What was the High Risk recommendation please, and how is it incorporated into the current review?

IA Response
The high risk recommendation from the 2010/2011 housing and council tax benefits overpayments audit stated that the recovery of overpayments was not in accordance with the agreed timetable. It is incorporated within recommendation 4 of the current review – overpayment recovery timetable.

5. HR Pro and annual leave 2011/2012	Councillor Mike Murray

a) An issue that regularly crops up in other reports is accurate reporting / monitoring of leavers, and access restriction to systems - is this within HR Pro? Has the audit touched on this area? Particularly ref Recommendation 4?
b) Recommendation 5 - do you mean SODC? What about the Vale? Why was this instructing Council not the subject of the test?
c) Rec 6 - annual leave amendments - isn't the service area missing the point? You are saying that extraordinary amendments should be notified, not routine?

IA Response
a) HR now drives the starters and leavers process and notifies facilities and ICT of all leavers. HR close the live status on HR Pro as part of the leavers process, but the staff record remains on the system to be used for reference requests and statistical reports. Internal audit has reviewed leavers within the ICT 2010/2011 review, the follow up in 2011/2012 and the most recent follow up 2012/2013 and has been able to confirm that leavers are disabled on the council's main server promptly. By virtue of this, leavers would be unable to access any council system.
b) Apologies, this is a typo it should read VWHDC. Amendment has been made on the report.

Officer Response – Andrew Down, Head of HR, ICT and Customer Services
c) The HR team agreed and is now ensuring that any annual leave entitlement amendments made within leave years are notified by email to officers and their line managers.

6. Pro active anti fraud 2011/2012	Councillor Mike Murray

How were the tests selected please? There is no quantum statement to measure against (i.e. total members claims, total officer claims etc) - should we not have looked at risk areas with larger potential exposure e.g. benefit claims, supplier payments etc?

IA Response
This review involves isolated proactive tests of the controls operating within certain systems, rather than a normal audit review of an area. The findings report on the success or failure of the specific test, which feed into full audit reviews within the agreed annual audit plan. The report and appendix details the tests selected which were approved by the audit manager and section 151 officer. Judgements had to be made on areas that could be reasonably subject to relevant and worthwhile test transactions, without significant disruption to the system and consequent staff resource in cancelling/removing the test entry. For example, benefit applications needs to be supported by original identification documents such as passports and drivers licence which internal audit does not have the resources to fake. Entering ghost employees on the payroll system, whilst possible, would require significant input from Capita (who are responsible fro the controls we would be testing) and it would require a significant resource to correct the system after the test. As documented in appendix 3, the tests did include three accounts payable invoices so supplier payments were included.

7. Treasury management 2011/2012	Councillor Mike Murray

Rec 4 - When are the Sector treasury management training days please? I don't recall these being advertised?

Officer Response – Bob Watson, Accountancy Manager (Technical)
We have free places on the various Sector seminars and study days as part of our treasury contract with them. They are running 'introduction to treasury management' days in November this year, specific dates are to be confirmed. Please note that this is not specific 'elected members' training - Sector do offer this as well but at a cost of £1,500 they come to us and deliver to a group. If members are interested in attending the free seminars, please let me know and I can find out exact dates and book places for you.

8. Verification of performance indicators 2011/2012	Councillor Mike Murray

Rec 5 - Very interesting - so 50% of the the statistics provided to Cabinet were not verified correct, and 30% did not match the actuality!! This probably needs a bit more narrative?

IA Response
The findings were that from a sample of 10 figures stated on the board report, 5 of the statistics could not be matched to primary evidence – not that 50% of the statistics within the report could not be verified as correct. Internal audit considers sufficient narrative is within the 'finding' section of recommendation 5.

9. Car parks follow up 2011/2012	Councillor Mike Murray

a) Given the recent history in this area it is surprising that there are some unimplemented recommendations not attributable to forthcoming fit for the future review - what is the comment on this please?
b) Rec 5 spot check not carried out by HR – however the test within the proactive anti fraud exercise which did carry this out - what is the Car Park Manager's comment on the outcome of this please?

Officer Response – Beverley Mizen, Car Parks Manager

a) + b) There were only two recommendations not implemented which are not attributable to the forthcoming FFTF review. It has been agreed the key register will now be reconciled every April, and the mystery shopper process will commence in Q2 2012/2013. Following the pro-active anti-fraud review, car park inspectors were reminded to specifically check location on permits and a review of the wording on car park permits was undertaken and the start and end date is now in a larger font.

10. Planning fees 2011/2012	Councillor Mike Murray
Is there now a link to the planning portal website for fees?	
IA Response	
Yes there is a link to the planning portal from the fees section of the website.	

11. Elections payments 2011/2012	Councillor Mike Murray
Presumably the total quantum for the election was the c.105k allowance forwarded to the council?	
IA Response	
Please see 2.4 of the report – at the time this report was issued an additional document was being prepared to present to AGC detailing the quantum which was still being finalised. This report is being presented to the July AGC.	

12. Cash office follow up 2011/2012	Councillor Mike Murray
Rec 10 - Have the insurers agreed to the new overnight location for the key?	
Officer Response – Bob Watson, Accountancy Manager (Technical)	
Insurance cover is now £25,000 and the insurers are happy with our arrangements, i.e. when the offices are empty, the key and combination are used and the key kept in another office and the combination should not written down anywhere. This information has been passed to the service area responsible and agreed.	

13. Grounds maintenance follow up 2011/2012	Councillor Mike Murray
Very quick maths - 12 recommendations, 4 implemented, 8 not - is this acceptable? Is IA being taken seriously by the service area?	
Officer Response – Ian Matten, Waste and Parks Service Manager	
I can confirm that internal audit is being taken seriously by the service area and the recommendations identified are being introduced. Four further recommendations have been implemented since the follow up report, and one recommendation is subject to the Fit for the Future review which has been delayed until October. There is a new grounds maintenance contract with a new contractor that only started in January, and some of the implementation targets may have been over optimistic. The remaining recommendations will be implemented by the revised implementation date	

14. ICT follow up 2011/2012	Councillor Mike Murray
Presumably we are going to follow up again when HEAT has been replaced by RMS which is properly installed and the users trained?	
IA Response	
Yes, a further follow up can be placed in the audit plan.	

15. Emergency planning 2012/2013	Councillor Mike Murray
a) Rec 2 - Presumably all officers will be informed of the emergency plan and its location on the intranet when it is uploaded? b) Rec 3 - will IA be confirming at a later date that the plan has been approved by Management Team? You will recall the Committee specifically drew attention to the importance of Emergency Planning at a previous meeting?	
IA Response b) Yes, this will be picked up during the follow up review.	
Officer Response – John Backley, Technical and Facilities Manager a) Yes, an update will be placed in the staff newsletter – Connect.	

Financial implications

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

Legal implications

7.   None

Risk implications

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

ADRIANNA PARTRIDGE
AUDIT MANAGER