

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
27TH SEPTEMBER 2010**INTERNAL AUDIT MONITORING REPORT**
QUARTER ENDED 30TH JUNE 2010

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	Internal Organisational Theme
CORPORATE PLAN AIM:	A well-run and responsive Council
CABINET MEMBER:	Councillor Nathan Desmond
RESPONSIBLE OFFICER:	S151 Officer
CONTACT OFFICER:	David Buckland Extension No. 2100 david.buckland@wyreforestdc.gov.uk
APPENDIX 1	Internal Audit Report for the Quarter ended 30 th June 2010

1. PURPOSE OF REPORT

- 1.1 To inform members of the Internal Audit Monitoring Report for the Quarter ended 30th June 2010, attached as Appendix 1.

2. RECOMMENDATIONS

The Audit Committee is asked to NOTE:

- 2.1 **The Internal Audit Monitoring Report for the Quarter ended 30th June 2010 as detailed in the Appendix to the report.**

3. BACKGROUND

- 3.1 The management of the authority are obliged to safeguard public funds and use them in a way which provides value for money and thereby best value. An effective internal audit service is vital in helping management to meet these important duties as it is an independent appraisal function for the review of the entire internal control system.
- 3.2 The Audit Committee approved the operational Annual Audit plan 2010 – 2011 in March 2010. This plan takes into account changes in priorities or risk in accordance with the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Internal Audit in Local Government in the United Kingdom.
- 3.3 The Internal Audit Strategic Plan 2009 – 2012 approved in March 2009 provides the overall direction for the Internal Audit service working in partnership with the External Auditors to minimise the overall audit cost to the authority.
- 3.4 Performance of the Internal audit service is monitored against plan each quarter during the year by way of this quarterly audit report to the Audit Committee, to the Corporate Management Team and to the External Auditors.

- 3.5 The Report attached as an Appendix contains 4 sections which are:
- Section 1 **Final** internal audit reports issued in the quarter
 - Section 2 **Follow up** Reviews undertaken in the quarter
 - Section 3 **Draft** internal audit reports issued in the quarter
 - Section 4 **Performance Statistics**
- 3.6 The audit reports referred to in the Appendix are those where testing has been undertaken on an element of the internal control environment. It should be noted that the findings are on an **exception basis** i.e. reported if an internal control was found not to be operating satisfactorily, so giving rise to a control weakness and therefore an area for improvement. The findings of audit reviews in the report do not list those internal controls which were found to be operating satisfactorily. This approach has been adopted to enable the output of the review to focus on those areas considered by internal audit to require management's attention.
- 3.7 The Internal audit review process is published on the Council's Intranet. This details the process whereby **Draft** internal audit reports arising from audits are forwarded to Chief Officers and nominated lead managers for agreement to recommendations and timescales for implementation prior to the preparation of **Final** internal audit reports.
- 3.8 The approved Terms of Reference for Internal Audit require that the Section 151 Officer prepares an annual opinion on the Council's internal control environment. This is a personal opinion, which takes into account the findings of the audit reviews that have been undertaken relating to the financial year in question. These findings are taken together and considered in order to give an overall view of the Council's Internal Control environment, which is reported to the June meeting of the Audit Committee.
- 3.9 The terminology within the reports presented to members is in line with that used by many other Internal Audit sections of public authorities, private and public companies and external auditors.
- 3.10 Every organisation operates in the real world and errors/omissions/system weaknesses (manual or computerised) are inevitable. Management have to manage these known risks through the use of internal controls.
- 3.11 It may be that an operational decision has been taken by management to accept the risk of the non operation of an internal control. Where the area is being reviewed by internal audit in such an instance the weakness and any associated recommendation would be reported. Management would record within the service's risk register the processes in place to mitigate the risk.
- 3.12 The Corporate Management Team have confirmed that action would be taken immediately should an internal audit review report a significant weakness which could lead to a potential serious issue.
- 4. KEY ISSUES**
- 4.1 Internal audit make recommendations to management on potential improvements to the internal control environment of the system under review. It is management's

responsibility to take the necessary action to implement recommendations as agreed in the final internal audit report.

- 4.2 The quarterly audit report contains details of internal audit reports issued in the quarter together with follow up reviews. The format of internal audit reports has been adopted to enable management and Members to focus on those areas that internal audit wishes to draw to its attention. The success or otherwise of a service is reported via other dimensions of the Council's performance management framework including for example the monitoring of the Performance Indicators, Performance Review Clinics and the progress of the Council against its agreed implementation plan arising from its Comprehensive Performance Assessment review.
- 4.3 The internal audit section operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. Procedures are monitored to ensure that the internal audit section procedures remain compliant.
- 4.4 The approved Terms of Reference for Internal Audit require that the Section 151 Officer prepares an annual opinion on the Council's internal control environment. This is a personal opinion, which takes into account the findings of the audit reviews that have been undertaken relating to the financial year in question. These findings are taken together and considered in order to give an overall view of the Council's Internal Control environment.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications arising from this report. There may however be financial implications if the audit recommendations made within audit reports are not implemented on a timely basis.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 The Accounts and Audit Regulations 2003 and the Accounts and Audit (Amendment)(England) Regulations 2006 section 6(1) require that:

“A relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control.”

7. RISK MANAGEMENT

- 7.1 In order to manage risks internal controls are used to mitigate and manage the identified risks to an acceptable level. Any weakness in the operation of internal controls therefore impacts directly on the management of risk.
- 7.2 Risk management issues could arise when weaknesses in internal controls are identified during the audit review process and management delay or defer implementation of the recommendations made.
- 7.3 The Internal Audit service is one element of the Council's assurance/internal control framework.

8. EQUALITY IMPACT NEEDS ASSESSMENT

- 8.1 An Equality Impact Assessment screening has been undertaken and it is considered that there are no discernable impacts on the six equality strands.

9. CONCLUSION

- 9.1 The work undertaken by internal audit in the quarter ended 30th June 2010 is reported within Appendix 1. This information is presented to members in accordance with the Terms of Reference for the Internal Audit Section.
- 9.2 The work undertaken by the Internal Audit Section has complied with the requirements of the CIPFA Code of Practice for Internal Audit in Local government.

10. CONSULTEES

- 10.1 Corporate Management Team.

11. BACKGROUND PAPERS

- 11.1 16th March 2010 ~ Audit Committee ~ Annual Audit Plan 2010~2011
16th March 2009 ~ Audit Committee ~ Strategic Audit Plan 2009~2012
16th March 2009 ~ Audit Committee ~ Internal Audit Terms of Reference ~ Update



INTERNAL AUDIT SECTION

INTERNAL AUDIT MONITORING REPORT

**QUARTER ENDED
30th June 2010**

**INTERNAL AUDIT SECTION
QUARTERLY AUDIT REPORT
QUARTER ENDED 30TH JUNE 2010**

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DAVID BUCKLAND
SECTION 151 OFFICER

16TH AUGUST 2010

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SECTION 1 FINAL AUDIT REPORTS ISSUED IN THE QUARTER ENDED 30TH JUNE 2010		
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KEY		
Assurance Level	Description of Assurance Level	What is reported in the Quarterly Audit Report
U = Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations ~ provides little or no assurance. A significant internal control is one which is key to the overall framework of controls.	Summary page of Audit Report and significant findings and associated recommendations.
L = Limited	Significant lapses/breakdown in individual controls ~ at least on significant weakness ~ provides partial assurance.	Summary page of Audit Report and significant findings and associated recommendations.
S = Some	Sufficient framework of controls but some weaknesses identified ~ provides adequate assurance.	Summary page of Audit Report together with any significant findings and associated recommendations where appropriate.
F = Full	Robust framework of controls, any recommendations are advisory ~ provides substantial assurance.	The title of the review undertaken is reported.

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AUDIT REPORT TITLE: Bewdley Museum 2009/2010 BUDGET: £339,850 REF: R065	DRAFT REPORT ISSUED: 16 th March 2010 FINAL REPORT ISSUED: 30 th April 2010	SERVICE: Director of Community & Partnership Services Director of Planning & Regulatory Services (Rec. 2) RESPONSE RECEIVED: 25 th March 2010 – Planning & Regulatory Services 23 rd April 2010 – Community & Partnership Services
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Assurance Levels	Definition	Recommendation Rankings	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration
Some	Sufficient framework of controls but some weakness identified – provides adequate assurance.	Other	Medium risk - action required but not urgent
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.	Significant	High risk – urgent action needed
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.		

Overview

The review concentrated on ensuring that there are adequate controls in place over Bewdley Museum, particularly its income, security of the site and its contents along with performance indicators required to be met following the recent improvements facilitated by the lottery grant. The review found that there is an approved policy for charging at the Museum and that all charges are set in accordance with this policy including free admission where applicable and events costs. Formal agreements are in place with the Crafts people regarding rental periods and rent due for 2009/10. A sample of income transactions including the licence fees for the letting of the craft studios were examined in detail, all income had been duly received and banked in accordance with Financial Regulations. All records were accurately maintained with the Agresso Financial Management system updated accordingly. Currently income is collected by G4S and banked weekly, as an observation, a recommendation has been made requesting consideration be given to daily banking of income via the Bewdley Hub Cash Office. Security arrangements were examined with agreements in place to cover the CCTV and both Fire and Intruder Alarms. During the course of the review, however, it was found that the Insurance Officer had not been advised of the CCTV equipment. This was rectified at the time and the equipment added to the insurance policy with immediate effect.

Whilst it was found that all seasonal staff and volunteers are appropriately trained, and subject to CRB checks, it was found that only self declaration checks are undertaken which does not comply with Wyre Forest District Council's Safeguarding Children Policy 2009-2011. CRB checks for Volunteers are free of charge, and the audit has recommended that consideration be given to full CRB checks for all seasonal employees, craftspeople and volunteers at the Museum.

Conclusion:

On the basis of the work undertaken the review concluded that the Museum is well managed with key income controls being met. The conclusion therefore, is that **SOME** assurance can be given in that the internal controls in place in respect of income, security and performance are operating as intended. The implementation of the advice given and the following recommendations will give opportunities for improvement, to further strengthen the system in place and raise the level of assurance.

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AUDIT REPORT TITLE – General Licensing & Registration (not Liquor Licensing)	DRAFT REPORT DATED ISSUED: 8th March 2010	SERVICE : Planning & Regulatory Services – Licensing Section
BUDGET : Estimated income £35490 2009/2010 REF: A445 R660	FINAL REPORT DATE ISSUED: 16th April 2010	RESPONSE RECEIVED DATE: 31st March 2010

Assurance Levels	Definition	Recommendation Rankings	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration
Some	Sufficient framework of controls but some weakness identified – provides adequate assurance.	Other	Medium risk - action required but not urgent
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.	Significant	High risk – urgent action needed
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.		

Overview

The review comprised examination of the procedures and controls in place for general Licensing & Registration to ensure that they are operating effectively and in accordance with statutory obligations and Council’s policies. A sample of following general Licences were selected for detailed testing: Animal Boarding, Pet Shop, Motor Salvage, House to House, Street Collection, Sex Shops, Dangerous Wild Animals, Riding Establishments, Piercing/Tattooing, Zoo, Dog Breeding, Street Trading, gambling licenses & permits.

On the basis of the work undertaken the review has concluded that there was a significant area of the system where key financial controls were not being met. Internal Audit acknowledges that the Licensing Section is in the process of amending its working practices to address this matter. Other observations were that electronic files were not being promptly updated and not all information stored was appropriately cross referenced; some licensing documentation (application forms/correspondence) were unclear as to what information applicants were required to provide, to whom cheques should be paid and how much was payable; issued licences were not being reviewed by another employee prior to issue and applicants personal information was found not to be securely held..

During the course of the audit, Internal Audit worked with the Licensing Section in a ‘consultancy & advisory’ role to reach achievable improvements to the accountability of financial controls. It was observed that the MVM Northgate system is being used as a database and produces no financial reports. Currently there is no link between the MVM Northgate system and the Agresso Financial Management system to allow financial information to be transferred. Audit acknowledges that the Licensing Employees are limited by the restriction of the MVM Northgate System and have where possible suggested alternative controls.

Conclusion:

The review has concluded that whilst there are currently **significant** areas within the key controls there are opportunities for improvement. Internal Audit acknowledges that PRS management are in the process of implementing new working practices to address the issues highlighted in the report and will continue to work closely with Internal Audit where required. At the request of the Director of Planning & Regulatory Services, it should be noted that all of the service areas and related staff covered in this audit will be transferring to Bromsgrove District Council from 1st June 2010 under the Regulatory Services WETT programme. Given that for the most part the systems and processes that will be in place from 1st June are still unknown, it is not possible to respond to some of the recommendations definitively at this stage.

The overall conclusion therefore, is that **LIMITED** assurance can be given in that the internal controls in place within the system for the administration of the general Licensing & Registration are currently operating as intended but will be subject to review following the implementation of the County Wide Shared Service from 1st June 2010. The implementation of the advice given on financial controls and the following recommendations should give opportunities for improvement, further strengthen the system and raise the level of assurance. This report contains advisory actions and actions already agreed during the audit.

Ref.	OBSERVATIONS	CONTROL RISK	RECOMMENDATIONS	MANAGEMENT COMMENTS
SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS				
1	<p><u>Reconciliation</u> No reconciliation of income is undertaken to ensure that all licenses issued are paid for or that the income is correct and agreed to the Agresso Financial Management system.</p> <p>The income information recorded within the Radius Cash Receipting system and the Agresso Financial Management system does not accurately reflect the payee's details (name of applicant etc). This makes it difficult to identify and reconcile recorded payments to licences issued.</p> <p><u>Comments</u> The Administration employees considered invoices could be raised in line with Gambling and Liquor licensing.</p> <p>As identified in December 2009 the Licensing Section will be expected to meet the EEC service directive and receive electronic applications & payments.</p>	<p>Licenses may be issued without income being received</p> <p>Income may be inappropriately accounted for.</p> <p>Unless reconciled errors may go undetected.</p> <p>Transparency Incomplete audit trail</p> <p>Transparency Incomplete audit trail.</p>	<p><u>Additional Recommendation</u> To ensure that all income is captured, accurately recorded and appropriately monitored, sundry debtor accounts (invoices) are raised for all licences issued.</p> <p><u>As recommended during the Hackney Carriage & Private Hire review:</u> Consideration is given to reviewing the way the income system is operated within the whole of licensing, with the view to integrating with the Agresso Financial Management system.</p> <p><u>As recommended during the Hackney Carriage & Private Hire review:</u> To enable the reconciliation of licensing income, Agresso financial reports are made available to the Licensing Section on a weekly basis or at least monthly when Accountancy produce their monthly budget reports</p> <p><u>Actions agreed during the Audit</u> Currently exploring the possibility of making available an Agresso licence (read only) to the Licensing section to enable reconciliation.</p> <p><u>Additional Recommendations</u> Consideration is given to the PRS banking documentation being amended to enable the application details to be recorded in the narrative section within the Radius Cash Receipting system and subsequently within the Agresso text box.</p> <p>Consideration is given to all licensing payments being processed directly by the Worcestershire HUB.</p> <p><u>As recommended during the Hackney Carriage & Private Hire review:</u> Consideration is given to the way electronic payments will be recorded and reported back to the Licensing Section. In particular ensuring sufficient detail is received with the payment i.e. licence number, licensee's name etc.</p>	<p>Responsible Manager:</p> <p>Recommendation to be Actioned and completed by (Date): All recommendations will be subject to whatever processes are put in place from 1st June under WETT. If income is still to be collected locally within the Council then further discussions will be necessary between the Directors of P&RS and Resources regarding full use of Agresso to resolve these matters.</p>

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<p>2</p>	<p><u>Authorisation</u> Internal Audit noted that the Licensing Officers had been supplied with Environmental Services Manager signatory stamps. The Environmental Services Manager is authorised to sign all records from Environmental Health & Licensing with the exception of car loans and training commitments as a designated signatory for Wyre Forest District Council. The signatory stamps were freely available for use and not securely held; the stamps could be removed from the section and fraudulently used to purchase goods or to the detriment of the Council.</p>	<p>Fraudulent use of Officers signature</p>	<p>Signatory stamps are held securely and only used by the Environmental Services Manager himself or Senior employee undertaking the review of the licenses prior to despatch.</p>	<p>Responsible Manager: Principal Licensing Officer Recommendation to be Actioned and completed by (Date): 01/04/10</p>
<p>3</p>	<p><u>Division of duties</u> The Licensing Officer completes the whole licensing procedure, from the processing of the application forms to the issuing of the licences. No review is undertaken by another employee. <u>Observation made:</u> A club machine permit scanned on to the MVM system had the effect date as 12th March 2009 and the expiry date as 11th March 2009, license period 1 day. <u>Management Comments</u> The Principal Licensing Officer agreed there needs to be a secondary check.</p>	<p>Unless an independent reviewed inappropriate licenses may be issued</p>	<p><u>Actions agreed during the Audit</u> <i>Prior to sending the signed licence to the applicant, the document will be reviewed, by a Senior Officer, to ensure all relevant details are included then scanned to maintain a full audit trail.</i></p>	<p>Responsible Manager: Principal Licensing Officer Recommendation to be Actioned and completed by (Date): 01/04/10</p>

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AUDIT REPORT TITLE: Benefits Compliance Testing 2009/10 BUDGET: £31,134,650 09/10 Estimated Benefit Payments REF: A280	DRAFT REPORT DATE ISSUED: 3rd June 2010 FINAL REPORT DATE ISSUED: 14th June 2010	SERVICE: Director of Resources (Revenues) RESPONSE DATE: 9th June 2010
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Assurance Levels	Definition	Recommendation Rankings	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration
Some	Sufficient framework of controls but some weakness identified – provides adequate assurance.	Other	Medium risk - action required but not urgent
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.	Significant	High risk – urgent action needed
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.		

Overview

This Audit forms part of the annual reviews undertaken to assist the Council's External Auditors in their annual audit. The review was undertaken to ensure that Benefits payments for both rent allowance claims and council tax benefit claims and any overpayments that occur are assessed appropriately and calculated accurately.

A sample of 20 accounts with Housing Benefit and 20 accounts with Council Tax Benefit entitlement was selected and examined in detail to ensure there is adequate proof of income and / or valid Department of Works and Pensions notification; adequate proof of capital and any income from capital is correctly calculated. That the level of disregards against income, non-dependant income and allowances and premiums have been assessed and applied correctly. There is a signed benefit application form and evidence of proof of identity. Additional testing for Housing benefit included verifying the benefit is based on the correct eligible rent. Additional testing for Council Tax Benefit included confirming that the Civica Council Tax records were appropriately updated, that the property is not void and the claimants are the liable people to pay Council Tax.

A sample of 20 accounts with a Housing Benefit overpayment and 20 accounts with a Council Tax Benefit overpayment was selected and examined in detail to ensure that the overpayment was appropriately assessed. The detailed testing included verifying that the original benefit assessment was calculated accurately, the revised assessment was calculated accurately and the overpayment was correctly stated in the subsidy and overpayment reports produced by the Civica (Benefits) computer system, and being recovered in accordance with legislation.

Conclusion

On the basis of the work undertaken, the review has concluded that within the procedures in operation for assessing entitlement to and payment of Housing Benefits, Council Tax Benefits and the recovery of overpayments there are opportunities for improvement. In particular, regarding the information provided by claimants being recorded on the Civica computer system and the elements to be taken into consideration for calculating income. However, these recommendations are for a small element of the overall Benefits assessment process and reasonable assurance can be given that other elements of the system are well managed.

The overall conclusion therefore, is that **SOME** assurance can be given that the internal controls in place within the system for the assessment of Housing and Council Tax Benefits are operating effectively in this key system.

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AUDIT REPORT TITLE: NNDR Reconciliation 2009/2010	DRAFT REPORT DATE ISSUED: 31st March 2010	SERVICE: Director of Resources (Revenues)
BUDGET: £30,865,781 (Gross Debit) REF: P100	FINAL REPORT DATE ISSUED: 20 th May 2010	RESPONSE RECEIVED DATE: 17 th May 2010

Assurance Levels	Definition	Recommendation Rankings	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration
Some	Sufficient framework of controls but some weakness identified – provides adequate assurance.	Other	Medium risk - action required but not urgent
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.	Significant	High risk – urgent action needed
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.		

Overview

This Audit forms part of the annual reviews undertaken to assist the Council's External Auditors in their annual audit. The review was undertaken to ensure that there are regular reconciliations between the NNDR (Open Revenues – Civica) system and the Agresso Financial Management System, the Radius Cash Receipting and the Valuation Office rateable value listings and that the Gross Debit reconciliation for 2009/2010 had been promptly undertaken. The review also concentrated on ensuring that there are adequate controls over the processes in place for the completion of the NNDR1 return and the monitoring of NNDR arrears and exceptions. Further examination was undertaken on the NNDR business plan 2009/2010 and performance monitoring.

The detailed assessment of the September 2009 reconciliation, between the NNDR system and the Agresso & Radius systems, established that unaccountable differences had been recorded, however the reconciliation has subsequently been revisited and all differences have been correctly identified and allocated; there are still issues regarding the clarity of the information included within the reconciliation. Five Valuation Office reconciliations were assessed dating from May, July, September, November 2009 and January 2010; these reconciliations were found to have been undertaken in a timely manner and each had been independently reviewed with supporting documentation for all entries. The Gross Debit reconciliation for 2009/2010 was found to have been appropriately completed prior to the start of the financial year and the NNDR1 return for 2009/2010 had been completed and returned within the required time frame (Feb 2009); arrears monitoring reports had been regularly and appropriately reviewed as were exception reports and the performance indicator for collections rates was up to date. The 2009/2010 business plan reflects the commitments and aspirations of the previous Principal Officer; these have been met or are in the process of being met by continuous monitoring.

There have been signification restructuring to the management of the NNDR section, changes to key personnel and budgetary constraints continue; reasonable assurance can be given however that the new management team are exploring all opportunities to make improvements to the service; with the commitment of the Revenues employees and new working practices, improvements have already been seen. As an observation, two advisory recommendations have been included within the report to ensure that a training program is maintained and revenues risks are re-assessed.

Conclusion

On the basis of the work undertaken, the review has concluded that the systems in operation for the reconciliation and monitoring of the NNDR system are working effectively with the reconciliations being undertaken regularly and appropriately reviewed and signed in a timely manner. The overall conclusion therefore, is that **SOME** assurance can be given on the internal controls in place for the reconciliation of the NNDR systems.

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AUDIT REPORT TITLE: Payroll Audit 2009/10 Reconciliations BUDGET: £7,471,024 REF: VARIOUS	DRAFT REPORT DATE ISSUED: 30th April 2010 FINAL REPORT ISSUED: 3rd June 2010	SERVICE: Resources Directorate – Accountancy, Payroll RESPONSE RECEIVED: 27th May 2010
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Assurance Levels	Definition	Recommendation Rankings	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration
Some	Sufficient framework of controls but some weakness identified – provides adequate assurance.	Other	Medium risk - action required but not urgent
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.	Significant	High risk – urgent action needed
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.		

Overview:

This audit forms part of the annual reviews undertaken to assist the Council’s external auditors in their annual audit. The review sought to ensure that there is a system in place for the reconciliation of the CHRIS payroll system to the general ledger and the Council’s bank account. The review comprised examination and reconciliation of the records maintained by the Accountancy Section and Payroll within the Resources Directorate.

Payroll control reports for five weekly (Weeks 32,33,34,35 and 42) and two monthly (Months 8 November 2009 & 10 January 2010) payrolls were obtained from the CHRIS payroll system and reconciled against information in the Financial Management System (Agresso). Detailed compliance testing was undertaken to ensure all elements matched in both systems., that account coding is correct in Agresso and to ensure the payroll control account reconciled to Agresso and the Council’s bank account.. It was noted during the audit review, that owing to workloads, reconciliations were not always carried out in a timely manner and balancing differences not always investigated promptly and the appropriate action taken. During the course of the audit, Internal Audit worked with both the Accountancy and Payroll Sections to resolve issues in respect of balancing differences, with supporting evidence provided to the Audit Team of action taken.

Conclusion:

On the basis of the work undertaken, the review has concluded that the system in operation for the reconciliation of the CHRIS payroll system to the Agresso Financial Management System and the Council’s bank account are working effectively as intended. The overall conclusion therefore is that **SOME** assurance can be given that there are internal controls in place for this Key System.

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AUDIT REPORT TITLE: Postal and Franking Machine Expenditure 2009/2010 BUDGET: £6,000 REF: R170	DRAFT REPORT ISSUED: 16th March 2010 FINAL REPORT ISSUED: 30th April 2010	SERVICE: Directorate of Resources (Green St) RESPONSE RECEIVED: 14th April 2010
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Assurance Levels	Definition	Recommendation Rankings	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration
Some	Sufficient framework of controls but some weakness identified – provides adequate assurance.	Other	Medium risk - action required but not urgent
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.	Significant	High risk – urgent action needed
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.		

Overview

A review was undertaken to ensure that there are adequate controls in place for the payment of postal charges across the Council including confirmation that franking machines are held securely and that appropriate records on imprest & expenditure accounts are maintained. Verification was also made on franking machine maintenance contracts, inventory and insurance registers to ensure that all machines had been appropriately recorded. Further examination was undertaken on a sample of payments charged to the dedicated postage account 45010 to ensure all necessary checks had been carried out prior to payment and that payments are recorded and expenditure monitored.

The detailed assessment of the processes in place observed that the franking machine held at the Green Street site was not secured by an authenticate PIN number. All other processes were found to be operating as expected and well managed.

Conclusion:

On the basis of the work undertaken, the review has concluded that there are opportunities for improvement within the system for monitoring postal charges and the administration of franking machine expenditure. However, the recommendation is for a small part of the process overall, reasonable assurance can be given that other parts of the system are well managed.

The overall conclusion therefore, is that **LIMITED** assurance can be given that the internal controls in place within the system for postal and franking machines is operating effectively in this key system.

Ref.	OBSERVATIONS	CONTROL RISK	RECOMMENDATION	MANAGEMENT COMMENTS
SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS				
1	<p>It was observed that the Resources franking machine held at the Green Street site was not securely managed with the use of an authenticated PIN number.</p> <p>Additional Observation:</p> <p>As the franking machine is in full view of the three employees trained to use it. Any use of the machine would be immediately evident. This could be regarded as a compensating control.</p>	<p>Unauthorised use of council property.</p> <p>Misappropriation of council funds.</p>	<p>To ensure franking machine funds are held securely and used appropriately, nominated employees are issued with an authenticated PIN number. Alternatively the franking machine could be kept in a secure area when not in use by the two authorised employees.</p> <p>Comments by Management Accountant:</p> <p>The machine at Green Street does not have the capability to hold a Pin number AND be able to allocate charges to more than one cost centre. Will be reviewed.</p>	<p>Responsible Manager:</p> <p>Management Accountant</p> <p>Recommendation to be Actioned and completed by (Date):</p> <p>June 2010</p>

Quarter Report to the 30th June 2010

SECTION 2

Summaries of Follow up Reviews undertaken in the Quarter

KEY	
Assurance Levels	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.
Some	Sufficient framework of controls but some weakness identified – provides adequate assurance.
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.

TITLE	SYSTEM TYPE <small>K=Key S=Subsidiary</small>	ASSURANCE LEVEL OF FINAL REPORT	IMPLEMENTATION STAGE PER CHIEF OFFICER AND/OR RESPONSIBLE MANAGER AT TIME OF FOLLOW UP REVIEW				Page No.
			No of Recommendations	No of Recommendations Implemented	No of Significant Recommendations	No of Recommendations Implemented	
Community & Partnership Services							
Scale of Charges 09/10 ~ Open Spaces	S	S	7	7	-	-	-
Scale of Charges 09/10 ~ Other Sports Facilities	S	S	4	3	1	-	18
Scale of Charges 09/10 ~ Rangers	S	S	3	2	-	-	-
Legal & Corporate Services							
Members Allowances 09/10	K	S	8	7	-	-	-
Planning & Regulatory Services							
Building Control	K	S	2	2	-	-	-
Resources							
Training Expenses 09/10	S	S	5	3	-	-	-

**Wyre Forest District Council
Internal Audit
Follow Up Review
Scale of Charges – Other Sports Facilities (CPS) (Some)
Revised Final Report Issued 30th December 2009
Follow Up Review issued 30th March 2010
Follow Up Review Finalised 27th April 2010**

<u>Implementation Stages</u>
1. Not yet implemented
2. Complete
3. In Process

No.	Recommendation	Agreed Imp. Date	Responsible Officer	Updated Response	Imp. Stage
SIGNIFICANT RECOMMENDATION					
1	<p>The procedure in place for the recovery of Other Sport Facilities debts is reviewed to ensure that services provided are paid in accordance with the terms as stated on the Council's invoices and in line the Sundry/Property Debtor Management Policy.</p> <p>Management Comments This procedure is to be reviewed by the Management Accountant to ensure that a proper procedure is in place to chase debts and that bookings are not taken from groups or organisations who owe the Council money.</p>	12 th November 2009	Management Accountant (Resources)	There is a need to link the Agresso system to the Top Level system so that correct credit control processes can be properly applied (as originally planned). This has yet to be achieved within current resources because of the workloads arising from the POP project. There is provision for the appropriate Bookings Officer to be provided with a monthly version of the outstanding debtors list so that amounts outstanding can be chased up.	3

HEAD OF SERVICE:

PLEASE NOTE: WHEN ALL RECOMMENDATIONS ARE '2' COMPLETE, PLEASE ADVISE INTERNAL AUDIT

SECTION 3		
DRAFT AUDIT REPORTS ISSUED IN THE QUARTER ENDED 30TH JUNE 2010		
TITLE	DATE OF ISSUE	CURRENT STATUS OF REPORT
COMMUNITY & PARTNERSHIP SERVICES <u>Key Systems</u> Corporate Creditors Compliance Testing 2009/10 Worcestershire HUB ~ Cash to Bank 2009/10	18.06.10 14.06.10	Final Report Issued 23.08.10 Final Report Issued 15.07.10
RESOURCES DIRECTORATE <u>Key Systems</u> Benefits Reconciliations 2009/10 Corporate Creditors Compliance Testing 2009/10 Council Tax Gross Debit Reconciliation 2009/10	20.05.10 18.06.10 30.04.10	Final Report Issued 19.07.10 Final Report Issued 23.08.10 Final Report Issued 29.07.10

INTERNAL AUDIT SECTION

PERFORMANCE AGAINST ANNUAL PLAN FOR THE FINANCIAL YEAR 2010/11

Quarter ended 30th June 2010

Year to 30th June 2010

	<u>Quarter Actual</u>	<u>Quarter Plan</u>	<u>Quarter Actual as a % of Plan</u>		<u>Year Actual</u>	<u>Annual Plan</u>	<u>Year to Date Actual as a % of Plan</u>
	<u>Days</u>	<u>Days</u>	<u>%</u>		<u>Days</u>	<u>Days</u>	<u>%</u>
System and Probity	118.50	98.75	120.00%	System and Probity	118.5	395	30.00%
Computer Audit	0.50	10.0	27.50%	Computer Audit	0.50	40	1.25%
Computer Audit Contract	0.00	12.5	0.00%	Computer Audit Contract	0.00	50	0.00%
Contract Audit	0.00	10.0	0.00%	Contract Audit	0.00	40	0.00%
Consultancy and Advice	12.50	10.0	125.00%	Consultancy and Advice	12.50	40	31.25%
Irregularity	7.00	10.0	70.00%	Irregularity	7.00	40	17.50%
Specific Service Duties	4.00	3.75	106.67%	Specific Service Duties	4.00	15	26.67%
Sub Total	142.50	155.0	91.94%	Sub Total	142.50	620	22.98%

TARGET

90.00%