

Open

Audit Committee

Agenda

6.00 pm
Thursday 29th September 2011
The Earl Baldwin Suite
Duke House
Clensmore Street
Kidderminster



Audit Committee

Members of Committee:

Chairman: Councillor J Holden
Vice-Chairman: Councillor M A Salter
Councillor G W Ballinger
Councillor J A Hart
Councillor K H Prosser
Councillor P Dyke
Councillor M B Kelly
Councillor C Rogers

Information for Members of the Public:

Part I of the Agenda includes items for discussion in public. You have the right to request to inspect copies of Minutes and reports on this Agenda as well as the background documents used in the preparation of these reports.

Part II of the Agenda (if applicable) deals with items of "Exempt Information" for which it is anticipated that the public may be excluded from the meeting and neither reports nor background papers are open to public inspection.

There are particular circumstances when the Ethics and Standards Committee may exclude the public, which are in addition to those available at meetings of the Council, its Cabinet and Committees etc. These apply when the Ethics and Standards Committee considers the following:

Information relating to a particular chief officer, former chief officer or applicant to become a chief officer of a local probation board within the meaning of the Criminal Justice and Court Services Act 2000.

Information which is subject to any obligation of confidentiality.

Information which relates in any way to matters concerning national security.

Declarations of Interest - Guidance Note

Code of Conduct

Members are reminded that under the Code of Conduct it is the responsibility of individual Members to declare any personal or personal and prejudicial interest in any item on this agenda. A Member who declares a personal interest may take part in the meeting and vote, unless the interest is also prejudicial. If the interest is prejudicial, as defined in the Code, the Member must leave the room. However, Members with a prejudicial interest can still participate if a prescribed exception applies or a dispensation has been granted.

Section 106 of the Local Government Finance Act 1992

If any Member is two months or more in arrears with a Council Tax payment, they may not vote on any matter which might affect the calculation of the Council Tax, any limitation of it, its administration or related penalties or enforcement.

For further information:

If you have any queries about this Agenda or require any details of background papers, further documents or information you should contact Sue Saunders, Committee/Scrutiny Officer, Civic Centre, Stourport-on-Severn. Telephone: 01562 732733 or email susan.saunders@wyreforestdc.gov.uk

Wyre Forest District Council

Audit Committee

Thursday, 29th September 2011

The Earl Baldwin Suite, Duke House, Clensmore Street, Kidderminster

Part 1

Open to the press and public

Agenda item	Subject	Page Number
1.	Apologies for Absence	
2.	Appointment of Substitute Members To receive the name of any Councillor who is to act as a substitute, notice of which has been given to the Director of Legal & Corporate Services, together with the name of the Councillor for whom he/she is acting.	
3.	Declarations of Interest In accordance with the Code of Conduct, to invite Members to declare the existence and nature of any personal or personal and prejudicial interests in the following agenda items. Members should indicate the action they will be taking when the item is considered. Members are also invited to make any declaration in relation to Section 106 of the Local Government Finance Act 1992. (See guidance note on cover.)	
4.	Minutes To confirm as a correct record the Minutes of the meeting held on the 29 th June 2011.	5
5.	Annual Governance Report External Audit To receive a report from the Audit Commission detailing the findings of the audit of accounts for 2010/11. (To follow)	-
6.	Statement of Accounts 2010/11 To consider a report from the Director of Resources and the Financial Services Manager on the Statement of Accounts 2010/11 following changes required by the Audit Commission as a result of their audit and to consider and approve the letter of representation in respect of the audit for 2010/11 audit year. (To follow)	-

7.	<p>Internal Audit – Revised Annual Audit Plan 2011/12</p> <p>To receive a report from the Director of Resources advising of recent changes to the Annual Audit Plan 2011/12.</p>	9
8.	<p>Internal Audit Monitoring Report Quarter Ending 30th June 2011</p> <p>To receive a report from the Principal Auditor which informs Members of the Internal Monitoring Report for the quarter ended 30th June 2011.</p>	26
9.	<p>To consider any other business, details of which have been communicated to the Director of Legal and Corporate Services before the commencement of the meeting, which the Chairman by reason of special circumstances considers to be of so urgent a nature that it cannot wait until the next meeting.</p>	
10.	<p>Exclusion of the Press and Public</p> <p>To consider passing the following resolution:</p> <p>“That under Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting during the consideration of the following item of business on the grounds that it involves the likely disclosure of “exempt information” as defined in the paragraph 1 of Part 1 of Schedule 12A to the Act”.</p>	

Part 2

Not open to the Press and Public

11.	<p>To consider any other business, details of which have been communicated to the Director of Legal and Corporate Services before the commencement of the meeting, which the Chairman by reason of special circumstances considers to be of so urgent a nature that it cannot wait until the next meeting.</p>	
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WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE

THE EARL BALDWIN SUITE, DUKE HOUSE, CLENSMORE STREET,
KIDDERMINSTER

29TH JUNE 2011 (6.00PM)

Present:

Councillors: J Holden (Chairman), M A Salter (Vice-Chairman), P Dyke, J A Hart, M B Kelly, K H Prosser and C Rogers.

Observers:

Councillors: J-P Campion, N J Desmond and J A Shaw.

AUD.1 Apologies for Absence

Apologies for absence were received from Councillor G W Ballinger.

AUD.2 Appointment of Substitutes

There were no substitutes appointed.

AUD.3 Declaration of Interests

There were no declarations of interest.

AUD.4 Minutes

Agreed: The minutes of the meeting held on 14th March 2011 be confirmed as a correct record of the meeting and signed by the Chairman.

AUD.5 External Funding Position Statement – Quarter 4 2010/2011

The Committee considered a report from the Director of Planning and Regulatory Services regarding the amount of external funding being attracted to the district during Quarter 4 of the 2010/11 financial year and of the variety of project work for which the funding was contributing towards.

Decision: The amount of External Funding being attracted to the District be noted.

AUD.6 Internal Audit – Terms of Reference Update

The Committee received a report from the Section 151 Officer on the updated Terms of Reference for the work undertaken by Internal Audit.

Members were advised that there had been a change of words in Regulation 6 of the Accounts and Audit (England) Regulations 2011 from “A relevant body must **maintain** an adequate and effective internal audit etc” to “A relevant body

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must **undertake** an adequate and effective internal audit etc and this needed to be approved by the Audit Committee.

In response to a Member question, it was confirmed that should the Audit plan dramatically change in the future this would be reported back to the Audit Committee.

Decision: The updated Terms of Reference for the work undertaken by the Internal Audit Section be approved.

AUD.7 Internal Audit Monitoring Report – Quarter Ended 31st March 2011

The Committee received a report which informed Members of the Internal Audit Monitoring Report for the quarter ended 31st March 2011.

It was brought to Members' attention that no 'unsound' or 'limited' reports had been issued.

The Section 151 Officer advised Members that the performance target of 90% had again been exceeded and as this was consistent, it was agreed that the target would be increased to 95%.

Decision:

- 1. The Internal Audit Monitoring Report for the quarter ended 31st March 2011 be considered.**
- 2. The performance target would be increased to 95%.**

AUD.8 Annual Report from the Section 151 Officer 2010/2011

The Committee received the Annual Report for 2010/2011 from the Section 151 Officer.

Members noted that the Director of Resources, as the Council's Section 151 Officer was required to give a personal opinion on the overall adequacy and effectiveness of the Council's internal control environment. Members noted that last year the Council moved itself up to the highest rating that could be given which was satisfactory and it was agreed this would remain for 2010/11.

The Audit Finance team were congratulated on their excellent continued efforts.

In response to a Member query regarding the one audit report in 2010/11 with a Limited Assurance, the Section 151 Officer advised that as the Licensing function had been transferred to Regulatory Services, feedback would be received from Bromsgrove District Council through their audit team who had been made aware of the issues by the Principal Auditor. The Audit Commission would undertake audit checks.

Decision: The Annual Report from the Section 151 Officer for 2010/2011 be approved.

AUD.9 Annual Governance Statement

The Committee received a report from the Director of Resources that asked for approval of the Annual Governance Statement declaring the degree to which it meets the Governance Framework for inclusion within the Statement of Accounts.

The Director of Resources explained that the Council was required to produce an Annual Governance Statement and highlighted the following to Members:

- a. The Council were now working under the 2011 Accounts and Audit Regulations which replaced the regulations from 2003.
- b. Included in the main issues that the Council had to address were the Icelandic investments and the new Council Headquarters.
- c. A new group 'Wyre Forest Forward' had been established which would look at Council services and how they were expected to operate in the future. This would particularly important when there could be cuts in the government support over the next 4 years.

Decision: The Annual Governance Statement be approved.

AUD.10 Report on Final Accounts

The Committee received a report from the Director of Resources which asked the Committee to consider a pre-audit copy of the Council's Statement of Accounts for the financial year ended 2010/11.

The Director of Resources went through the report and highlighted the following:

- a. The initial approval of the Statement of Accounts before the end of June each year, now fell under the responsibility of the Section 151 Officer and not the Audit Committee although Audit Committee was still required for the final approval before the end of September each year.
- b. There was an under spend of £412,400 for 2010/11 and this would go into the general reserves account.
- c. The Financial Team were congratulated on the work they had done with preparing the Final Accounts.
- d. There had been a good response from Kaupthing Singer and Friedlander Ltd in that 82% is the current total forecast recovery of the original £5m investment, with 58% being received to date.
- e. If the Council are successful, 94.85% of the Landsbanki investment could be recovered ; this will be heard in the Final Court of Appeal in September 2011.
- f. On 11th July 2011, the Audit Commission would work from Duke House, Kidderminster for five weeks to work on the accounts. The accounts will be available for public inspection between the 3rd August and the 31st August with the Audit Commission being available for questions on the

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appointed day of the 1st September 2011. Any changes will be reported back to the Audit Committee in September 2011 prior to the accounts being published.

The Statement of Accounts was tabled and the Financial Services Manager advised that the document had a different appearance to previous years which included changes in the presentation of details of fixed assets, property plan and equipment.

Decision:

- 1. The pre-audit Statement of Accounts approved by the Director of Resources be endorsed.**
- 2. The additional reserves of £412,400 generated from the 2010/11 surplus be reconsidered in accordance with the Council's Finance Strategy, as part of the 2012/15 Budget Process.**
- 3. The Financial Services Manager would circulate to Members an Index to Notes of the Pre- Audit Statement of Accounts with would include page numbers for ease of reference.**

AUD.11 Consultation Response – Future of Local Public Audit

The Committee received a report from the Section 151 Officer detailing for approval the responses to the Government consultation paper on the 'Future of Local Public Audit'.

Members were informed of the following:

- a. Of the 50 questions that sought responses, only 41 related to the Council.
- b. The Audit Committee required an Act of Parliament to be passed before it could be abolished and that had not yet been passed.
- c. The Audit Commission would be abolished in 2013 and then could potentially be transferred to the public sector.
- d. There was no brief available at present on appointing any future auditors. This could be done in conjunction with other local authorities to achieve better value for money.
- e. Once the new auditors had been agreed, this would be a recommendation to Council from the Audit Committee.

Decision: The draft response identified at Appendix A of the report to the Audit Committee be approved.

Before the Chairman closed the meeting, Members were informed that the 29th September meeting could be bought forward to 15th September. Members would be advised accordingly.

The meeting closed at 6.50pm.

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
29TH SEPTEMBER 2011**Internal Audit – Revised Annual Audit Plan 2011-2012**

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger Communities
CORPORATE PLAN PRIORITY:	Delivering Together with Less
CABINET MEMBER:	Councillor N J Desmond
DIRECTOR:	S151 Officer
CONTACT OFFICER:	David Buckland Ext. 2100 david.buckland@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 Revised Internal Audit Plan 2011~12 Appendix 2 ~Briefing Note Reduction in Days

1. PURPOSE OF REPORT

- 1.1 To present for approval a revised Internal Audit – Annual Audit Plan 2011–2012. The Plan has been prepared in accordance with the requirements of the CIPFA Code of Practice for Internal Audit in Local Government.

2. RECOMMENDATIONS

The Audit Committee is asked to:

- 2.1 Consider and approve the Revised Internal Audit –Annual Audit Plan 2011 – 2012, attached at Appendix 1.
- 2.2 That approval be given for the Section 151 Officer to amend the plan in light of developments arising during the year as described in paragraph 3.8 of this report and in accordance with paragraph 3.3 (b) of the approved Terms of Reference for Internal Audit.

3. BACKGROUND

- 3.1 The Management of the Authority are obliged to safeguard and use public funds in an efficient and effective way and so providing value for money. An effective internal audit service is vital in helping management to meet these important duties. It is an independent appraisal function for the review of the Council's internal control system.
- 3.2 The Internal Audit section operates in accordance with Chartered Institute of Finance and Accountancy (CIPFA) professional standards and guidelines outlined in the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. This document defines:

“**Internal Audit** is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation’s objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.”

And adds:

“The organisation is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. **Internal Audit** plays a vital part in advising the organisation that these arrangements are in place and operating properly ... The organisation’s response to internal audit activity should lead to the strengthening of the control environment and therefore contribute to the achievement of the organisation’s objectives”.

- 3.3 The role played by Internal Audit is key in **assessing the internal controls** in operation and **making recommendations** for improvement working in partnership **with management**. Further the role assists in working with managers to the Council’s corporate plan striving for continuous improvement.
- 3.4 The CIPFA Code of Practice set out the definitions and principles (the **standards**) which establish how a professional internal audit service should operate in the modern local government context.
- 3.5 As part of the Council’s Business planning process the Internal Audit section documents how it contributes to the Council’s objectives in the Financial Services Divisional Business Plan.
- 3.6 Audit Committee at its meeting on the 14th March 2011 recommended approval of the Annual Internal Audit Plan 2011 ~ 2012. The annual plan is viewed flexibly as issues may arise during the currency of the plan, which divert Internal Audit away from planned work.
- 3.7 The plan is therefore seen as a **statement of intent** that can be amended as necessary without having a damaging effect on the overall direction of the internal audit service.
- 3.8 The existing plan required revising following a request in a reduction of hours from a member of the audit team.
- 3.9 Performance of the service will continue to **monitored** against this plan during the year by way of a quarterly monitoring report to this committee, to the Corporate Management Team and to the external auditors.

4. KEY ISSUES

- 4.1 The approved Terms of Reference for Internal Audit require:

“3.3 The Section 151 Officer will:

- b) Prior to the beginning of each financial year, following consultation with the Corporate Management Team, provide:

a detailed operational plan showing how resources will be allocated in the coming financial year in order to meet the requirements of the strategic plan.”

- 4.2 As part of the preparations for this annual plan the Section 151 Officer has discussed with each Director their requirements for the forthcoming year for consideration for inclusion within the plan.
- 4.3 In order to ensure that the audit service cost is minimised to the authority the Internal Audit Team work with External Audit to ensure full liaison of planned internal audit work.
- 4.4 The Revised Internal Audit – Annual Audit Plan 2011–2012 has been prepared in accordance with the requirements of the CIPFA Code of Practice for Internal Audit in Local Government.
- 4.5 The areas in the audit plan have been identified by an objective risk assessment. This has produced an overall revised needs assessment for the internal audit service of 540 days. This is a reduction of 25 days available to complete the approved 2011-12 Audit Plan. However, with the recent decision to review the arrangements regarding the Revenues and Benefits Section, and the arrangements for the Management of the Sports and Leisure Centres it is considered that the reduction of days is not detrimental to the revised audit plan as detailed in **Appendix 2**.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no direct financial implications arising from this report.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 The Accounts and Audit (England) Regulations 2011 section 6(1) require that:

“A relevant body must undertake an adequate and effective 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 The Revised Internal Audit - Annual Audit Plan 2011-2012 has been prepared in accordance with the requirements of the CIPFA Code of Practice. This requires the plan to be informed by the Council’s risk management, performance management and other assurance processes. Where the risk management process is not fully developed or reliable an independent risk assessment is undertaken by the Principal Auditor in consultation with the Section 151 Officer.

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 Revised Annual Audit Plan 2011 – 2012 summarises the work to be undertaken by the Internal Audit section and provides its overall direction. It is presented to members in accordance with the approved Terms of Reference for the Internal Audit section.

10. CONSULTEES

- 10.1 Corporate Management Team.
10.2 Leader of the Council.

11. BACKGROUND PAPERS

- 29th June 2011~ Internal Audit Terms of Reference (Update).
Accounts & Audit Regulations (England) 2011 (SI 817).
14th March 2011 ~ Annual Internal Audit Plan 2011~12.
29th June 2009 ~ Audit Committee ~ Compliance with Cipfa Code of Practice.



INTERNAL AUDIT

REVISED

ANNUAL AUDIT PLAN

2011 ~ 2012

WYRE FOREST DISTRICT COUNCIL		
ANNUAL AUDIT PLAN 2011 - 2012		
		Days
Systems and Probity Audits	Page 7	340
Computer Audit	Page 13	65
Contract Audit	Page 14	40
Sub-total Planned Work		445
Consultancy and Advice	-	40
Irregularity Contingency	-	40
Specific Service Duties	Page 15	15
WORKLOAD		540
AVAILABLE DAYS	Page 16	540

OVERALL COMMENTS

The areas in this plan have been identified by an objective risk assessment and has been prepared in accordance with the CIPFA Code of Practice for Internal audit.

WYRE FOREST DISTRICT COUNCIL
ANNUAL AUDIT PLAN 2011 - 2012
SYSTEMS AND PROBITY AUDITS

		Annual Plan
		<u>2011/12</u>
		<u>Days</u>
Corporate Systems	Page 8	125
Community & Partnerships	Page 9	20
Resources Directorate	Page 10	120
Legal & Corporate Services	Page 11	30
Planning & Regulatory Services	Page 12	45
TOTAL SYSTEMS & PROBITY AUDITS		340

WYRE FOREST DISTRICT COUNCIL
ANNUAL AUDIT PLAN 2011 - 2012
CORPORATE SYSTEMS

	<u>2011/12</u> <u>Days</u>
Car Loans	5
Civil Contingencies & Business Continuity Planning	10
Corporate Governance Note 1	25
Creditors Note 2	25
Debtors	5
Mobile/Flexible/Home Working Hours	10
Petty Cash Payments	5
Post Opening Procedures Note 3	5
Procurement & Corporate Contracts Note 4	15
Scale of Charges Note 5	20
TOTAL	125

Note 1 - Includes items from the following areas:

Anti Fraud & Corruption policies & strategies; Data Protection;
 Freedom of Information; ICT security; Records Management;
 Register of members interests; Standing orders relating to Contracts & Financial Regulations;
 Scheme of Delegation; Corporate Governance Framework; Code of conduct for Employees &
 Members; Employee register of interests, gifts & hospitality; Use of Resources assessment.

Note 2 – Includes

Purchase Order Process; Periodical Payments and Payments Using procurement Cards

Note 3 – As required by the Audit commission – Benefit Fraud Inspectorate

Note 4 - Tender Openings, Recording, Awarding and Monitoring of Contracts

Note 5 – Includes Items From Approved Service Options not Covered Elsewhere within the Plan

Items covered on a rolling basis include:

Allotments; Blue Badges; Open Spaces; Other Sports Facilities;
 Playschemes; Young rangers; Air Pollution; Copy Documents; Ordnance Survey; Minutes &
 Agendas; Electoral Registers; Bulky Refuse Collection.

WYRE FOREST DISTRICT COUNCIL
ANNUAL AUDIT PLAN 2011 - 2012
COMMUNITY & PARTNERSHIP SERVICES

Director – Linda Collis

		<u>2011/12</u> <u>Days</u>
Worcestershire Hub	Note 1	20
TOTAL		20

Note 1 - Includes:

Cashiering and Cash to Bank; Reception & Switchboard Functions; Monitoring of Hub Partnership Agreement to include SLA with Community Housing Group; e-Shop Reporting.

WYRE FOREST DISTRICT COUNCIL
ANNUAL AUDIT PLAN 2011 - 2012
RESOURCES DIRECTORATE

Director – David Buckland

		<u>2011/12</u> <u>Days</u>
Accounting	Note 1	20
Benefits	Note 2	30
Budget Control & Monitoring		10
Council Tax		15
NNDR		15
Payroll Inclusive of Travel		
Claims	Note 3	10
Risk Management	Note 4	10
Treasury Management		10
TOTAL		120

Note 1 Includes Bank Reconciliation; Journals & Transfers; Agresso FMS

Note 2 Includes Benefit payments; Overpayments; Performance Standards; NI's;
Rent Referrals; Statistical & Subsidy returns

Note 3 SLA with Redditch Borough Council April 2011. Will include Wyre Forest District Council in-house roles and responsibilities.

Note 4 Includes Covalent:Web~Based Risk Management System

WYRE FOREST DISTRICT COUNCIL
ANNUAL AUDIT PLAN 2011 - 2012
LEGAL AND CORPORATE SERVICES

Director - Caroline Newlands

		<u>2011/12</u> <u>Days</u>
Management of Town & Civic Halls		10
Recruitment	Note 1	10
Trading Estates & Property Debts		10
TOTAL		30

Note 1 SLA with Worcestershire County Council. Will include Wyre Forest District Council in-house roles and responsibilities.

WYRE FOREST DISTRICT COUNCIL
ANNUAL AUDIT PLAN 2011 - 2012
PLANNING AND REGULATORY SERVICES

Director - Mike Parker

		<u>2011/12</u> <u>Days</u>
Car Parks	Note 1	10
Food Safety Inspections	Note 2	5
Hackney Carriages & Private Hire	Note 2	5
Litter Notices		5
On Street Parking		10
CHG Agency (Homelessness)		10
TOTAL		45

- Note 1** Includes Pay & Display Income/Cash Collection Arrangements; Parking Fees
- Note 2** Part of the Worcestershire Regulatory Shared Service from June 2010. Review of the SLA for Wyre Forest District Council. Assurance to be provided by the Worcestershire Internal Audit Shared Service. Wyre Forest District Council will review in-house roles and responsibilities.

WYRE FOREST DISTRICT COUNCIL
ANNUAL AUDIT PLAN 2011 - 2012

Computer Audit Applications (40 days per annum)

		<u>2011/12</u> <u>Days</u>	Lead Directorate
Application Control Reviews:			
Civica Fraud	Benefits	5	Resources
Radius	Cash Receipting (KIOSKS)	15	Community Partnerships
Internet, Website & Email Security (See Note 1)		15	Resources
MisPlus 6	Land Charges	5	Legal & Corporate
TOTAL		40	

Notes:

Review of Internal, Website and E-mail Security will encompass Mobile, Flexible and Home Working IT arrangements.

WYRE FOREST DISTRICT COUNCIL
ANNUAL AUDIT PLAN 2011 - 2012

Computer Audit Other (25 days per annum)

Assistance & advice to users re:

ICT Strategy and Implementation

BACS

Computer Operations

ICE Group/IT Security Group

E-government

Internet Security & E-mail Policy & Procedures

Corporate Project Management to include EDRMS

Corporate Systems Development & Feasibility Studies

Internet/Email Access/Usage

Network Security ICT Main Controls

WYRE FOREST DISTRICT COUNCIL
ANNUAL AUDIT PLAN 2011 - 2012

Contract Audit (40 days per annum)

Contract Audit includes:

- Contract Specifications
- Tendering Process including opening & recording
- Award of Contract
- Contract Monitoring
- Contract payments
- Contract register
- Final accounts as appropriate
- Post contract reviews

On contracts selected from the approved Revenue & Capital budgets.

Single Site
Crematorium
Disposal of Council Assets

WYRE FOREST DISTRICT COUNCIL
ANNUAL AUDIT PLAN 2011 - 2012

Specific Service Duties – (15 days per annum)

1. Monitoring of the Issue and Control of Cheques
2. National Fraud Initiative
3. Year End Reconciliation of Petty Cash Balances
4. Monitoring of Salaries/Wages BACS Limits
5. Collation and Distribution of Authorised Signatory Lists

WYRE FOREST DISTRICT COUNCIL

STRATEGIC AUDIT PLAN 2009 TO 2012

AVAILABLE AUDIT DAYS 2011/2012

	Principal Auditor	Senior Auditor (PT) (22.5Hrs)	Auditor (PT) 30 hrs	Auditor (PT) 30 hrs	TOTAL Per Annum	TOTAL %
GROSS	260	156	220	208	844	100
Less:						
Bank Holidays	10	6	9	8	33	3.9
Annual Leave	30	17	18	23	88	10.4
Sick/Special Leave	5	3	4	4	16	1.9
Training	5	3	4	3	15	1.8
Less:						
Audit Admin	40	15	9	8	72	8.5
Audit Management	50	-	-	-	50	6.1
Risk Management	20	10	0	0	30	3.5
Available audit days	100	102	176	162	540	63.9
TOTAL AVAILABLE AUDIT DAYS					540	



Appendix 2

Briefing Note:

Annual Audit Plan 2011/12~Reduction of Available Audit Days

- Original Annual Audit Plan approved by Audit Committee on 14th March 2011
- As noted at 4.5, there is a further reduction of 25 available audit days for 2011/12.
- The planned audits removed from the plan have been done so on an assessment of either risk (being considered low for the Council) or incorporated into other system reviews.
- The reduction of days is as follows :

Corporate Systems (Page 8) (15 Days)

Annual Governance Statement	10 Days (Removed:-Report prepared by S151 Officer in conjunction with annual report on the work of both the Internal Audit Team in liaison with the Principal Auditor and the External Auditors).
Creditors	5 Days (A reduction from 30-25 ~ Purchase Ordering Processing in place; issues arising from the 2010/11 review addressed and with the support of the Corporate Admin Team orders and invoices are processed centrally. Previously the audit covered the Green Depot Site as a separate review to include the Servitor application in situ as an aid for job costing).

Community & Partnership Services (Page 9) (10 Days)

Management of Leisure Contract	5 Days (Removed: Future Arrangements under review with a recent report to Cabinet 21 st June 2011).
Playschemes	5 Days (Removed:-Audit of 08/09 gave a level of Assurance "Some". For 2011/12 this will be part of the Corporate Scale of Charges reviews).

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
29TH SEPTEMBER 2011**Internal Audit Monitoring Report Quarter Ended 30th June 2011**

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME	Stronger Communities
CORPORATE PLAN PRIORITY:	Delivering Together with Less
CABINET MEMBER:	Councillor N J Desmond
DIRECTOR:	S151 Officer/Resources
CONTACT OFFICER:	Cheryl Ellerton, Ext. 2116 cheryl.ellerton@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 Internal Audit Monitoring Report for the Quarter ended 30 th June 2011

1. PURPOSE OF REPORT

- 1.1 To inform members of the Internal Audit Monitoring Report for the Quarter ended 30th June 2011, attached as Appendix 1.

2. RECOMMENDATIONS

The Audit Committee is asked to CONSIDER:

- 2.1 **The Internal Audit Monitoring Report for the Quarter ended 30th June 2011 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 2011 – 2012 in March 2011. This plan takes into account changes in priorities or risk in accordance with the CIPFA 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 Actual performance of the Internal Audit service is monitored against the Audit Plan each quarter during the year by way of this quarterly monitoring report to the Audit Committee, 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 Teams 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 monitoring 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 Team operate 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 Team 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 (England) Regulations 2011 section 6(1) require that:

"A relevant body must undertake an adequate and effective 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 the Internal Audit Team in the quarter ended 30th June 2011 is reported within Appendix 1. This information is presented to members in accordance with the Terms of Reference for the Internal Audit Team.

9.2 The work undertaken by the Internal Audit Team 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 29th June 2011 ~ Audit Committee ~ Internal Audit Terms of Reference ~ Update.
14th March 2011 ~ Audit Committee ~ Annual Audit Plan 2011~2012.
16th March 2009 ~ Audit Committee ~ Strategic Audit Plan 2009~2012.
Accounts and Audit (England) Regulations 2011 (SI 817).



INTERNAL AUDIT

INTERNAL AUDIT MONITORING REPORT

**QUARTER ENDED
30th June 2011**

INTERNAL AUDIT
QUARTERLY AUDIT REPORT
QUARTER ENDED 30TH JUNE 2011

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DAVID BUCKLAND
SECTION 151 OFFICER

15TH AUGUST 2011

SECTION 1 FINAL AUDIT REPORTS ISSUED IN THE QUARTER ENDED 30 TH JUNE 2011		
	ASSURANCE	PAGE
CORPORATE		
Key Systems		
Debtors 2010~11	S	33
COMMUNITY & PARTNERSHIPS		
Subsidiary Systems		
Allotments ~ Scale of Charges 2010~11 & 2011~12	F	-
Cemetery ~ Scale of Charges 2010~11 & 2011~12	F	-
LEGAL & CORPORATE SERVICES		
Key Systems		
Xpress Solutions (Elections) Computer Application 2010~11	S	34
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Land Charges Scale of Charges 2010~11 & 2011~12	F	-
RESOURCES DIRECTORATE		
Key Systems		
Agresso (Financial Management System) Computer Application 2010~11	S	35
Benefit Reconciliations 2010~11 (Accountancy)	S	36
Benefit Reconciliations 2010~11 (Revenues & Benefits)	S	37
MOT Testing Station 2010~11	S	38
Payroll ~ Establishment & Compliance 2010~11	F	-
Subsidiary Systems		
Commercial Waste Contracts ~ Scale of Charges 2011~12	F	-
Travel & Subsistence ~ Corporate Guidance Review 2010/11	N/A	-

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.

AUDIT REPORT TITLE: Corporate Debtors 2010-11	DRAFT REPORT ISSUED: 5 th April 2011	SERVICE: Resources Directorate (No 1,2,3 & 4) Planning & Regulatory Services (No 5) Legal & Corporate Services (No 6 & 8) Community & Partnership Services (No 7)
BUDGET: VARIOUS		
REF:	FINAL REPORT ISSUED: 30 th June 2011	RESPONSE RECEIVED: May 2011

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 the system in place for the raising of Sundry Debtor accounts and collection of income due complied with identified control objectives.

The review comprised examination of the Council's procedures for the raising of Sundry Debtor accounts the reconciliation of the Debtors Control Account within the Agresso Financial Management System to both the independent Radius Cash Receipting system and Council bank accounts. The control account reconciliation for the months of May and September were examined in detail and this was supported by detailed compliance testing of a sample of debtor invoices. The sample of 35 Debtor accounts was selected for testing to ensure that invoices were raised promptly, with the correct approved amount being charged to the customer. The review also ensured that the recovery process was implemented on debts that were not paid by the due date. This review did not include the procedures for the recovery of Housing Benefit overpayments debtor invoices and the procedures undertaken by the legal team for any unpaid debts.

The review ensured that there are procedures in place to monitor outstanding debts however the system of recovery of outstanding debts will be subject to an independent audit review and will be reported under separate cover.

Conclusion:

The review concluded there are areas within the Debtors system that are well managed and controlled, however improvements could be made to enhance the system by ensuring debtor accounts are raised and sent out prior to, or as soon as the service has been provided to the customer. To ensure full compliance with Financial Regulations, all charges should either be approved by Council as part of the Financial Strategy or any variation evidenced and agreed by a Senior Employee. Employees should be made aware of any increases in charges prior to the increase date.

The conclusion therefore, is that **SOME** assurance can currently be given that the internal controls in place within the key system for Debtors are operating as intended.

Agenda Item No. 8

AUDIT REPORT TITLE: Xpress Solutions Application Audit 2010/11 (Electoral Services) BUDGET £316,960 Revised Budget 10/11 REF: P136	ACTION PLAN ~ January 2011 DRAFT REPORT DATE ISSUED: 6th May 2011 FINAL REPORT DATE ISSUED: 20th June 2011	SERVICE: Legal & Corporate Services RESPONSE DATE: 6th June 2011
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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 Audit examined the arrangements in place relating to the Xpress Application used for Electoral Registration and canvassing purposes. It is mainly used in the Electoral Team but also throughout the Authority on a read only basis. The application provides a tool which can be used by nominated employees to manage the electoral process, record data and produce the electoral registers. The system is used widely within Local Government and locally three local district councils use it. The system is heavily prescribed with little variation allowed.

The Xpress system has been operational since February 2010 having replaced the Northgate Pickwick system which the Council had used for many years. The Xpress system is used solely for the Elections process and maintaining the Electoral Register. The Elections Team is a small Section and update access to the system is limited but there is wider view only access due to the Hub based Customer Service Team assisting with queries. Overall ownership of the system is with the service area. ICT currently look after the server aspect of the system and are involved in loading new releases and exporting files. The Elections Team look after the remaining system housekeeping aspect. The System Administration is shared predominantly between ICT and the Electoral Services Officer but the Democratic Services Manager is also involved. There is a developing system administration role but business resilience is compromised as ICT have not received any recognised Xpress system administration training although technical support from Xpress is good, it provides for the needs of the service, and, there are new releases being received to enhance functionality. The system is a 'windows' based environment. Currently the system is not integrally linked to Gazetteer information although the system has the functionality. The proximity of both the Local and General Elections to the implementation of the system has impacted on the Electoral Team's ability to become fully conversant with its full functionality and system administration requirements.

The application has an audit trail known as a 'local audit trail' but this does not appear to have integrity. There are controls on data input to assist data cleansing and uniformity of input data. System back ups appear to be sufficient. The application is held on a virtual server which is contained in the server room at the Town Hall. Users are provided with access to the system via their network logon and appropriate icon. Their rights and permissions are set in order to view, create or update data. Security pertaining to the rights and permissions of the users has the effect of limiting the functionality available to them within the system through dynamic menus. An Escrow Agreement is under consideration which would allow the ICT Section to obtain the core code if there was an issue with the Software House. However, this has not been agreed at the time of the audit. The audit has identified some points which have been discussed with Management and should enhance control, reduce risk and add value to the service.

Conclusion:

The overall conclusion based on the overview above is that **SOME** assurance can be given that the internal controls are in place within the key system for control of Xpress. Implementation of the following recommendations will ensure that the controls are strengthened.

Agenda Item No. 8

AUDIT REPORT TITLE: Agresso Application Audit 2010/11 (Financial Management System) BUDGET £15,277,740 Net Expenditure on Services 10/11 REF:	ACTION PLAN ~ NOVEMBER 2010 DRAFT REPORT DATE ISSUED: 3rd February 2010 FINAL REPORT DATE ISSUED: 6th May 2011	SERVICE: Director of Resources (Accountancy) RESPONSE DATE: 18th April 2011
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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 purpose of the audit was to examine the arrangements in place relating to the Agresso Financial Management System, administered in the Accountancy Section, Resources Directorate and used throughout the Council. It should be noted that a Benefits Realisation exercise has also been produced by consultants to assist in the development of the system.

The application provides a tool which can be used by nominated employees in the Council to record, produce and report on all financial matters. A significant upgrade from version 5.4 to 5.5.3 has taken place recently to improve functionality and implement electronic purchase order processing.

Agresso has been in place since 2005 and is considered to be a stable system with continual development. This is a key financial system within the Council and reliance is placed on it for the financial management. The application has an audit trail known as a 'logging report'. There are controls on data input to assist data cleansing and uniformity of input data. System back ups appear to be sufficient. The application is held on a virtual server which is contained in the server room at the Town Hall. Users are provided with access to the system using roles in order to view, create or update data. Security pertaining to the rights and permissions of the users has the effect of limiting the functionality available to them within the system through dynamic menus. Roles are used to provide access within the system to different data streams and are administered by the System Administrators. There is an Escrow Agreement which would allow the ICT Section to obtain the core code if there was an issue with the Software House. There is some remote/home working, which is being trialled by the System Administrator on a day a week basis. The Council has a Home Working Policy in place. Assurance can be provided for the access link and is contained in the audit.

The Audit has identified a number of points around application management and logical and physical access which Management should consider to enhance overall security, reduce risk and strengthen control. Overall, the control environment evidenced during the audit indicated a satisfactory level of security and integrity of information storage. The application appears to be operating as intended with a clearly defined development cycle to address the teething problems with the roll out of the Purchasing Order Processing. The review does acknowledge the prompt and remedial action taken by the Accountancy Team when addressing the issue of access rights for those employees who had been transferred across to the shared county wide Regulatory Services, with an advisory recommendation that user profiles are reviewed on a regular basis.

Conclusion:

The overall conclusion based on the overview above is that **SOME** assurance can be given that the internal controls are in place within the key system for control of Agresso. Implementation of the following recommendations will ensure that the controls are strengthened.

AUDIT REPORT TITLE: Housing Benefits Reconciliation 2010/11	DRAFT REPORT DATE ISSUED: 11th March 2011	SERVICE: Director of Resources - Accountancy
BUDGET: £37,780,070 10/11 Estimate Benefit Payments	FINAL REPORT ISSUED: 6th May 2011	RESPONSE RECEIVED: 20th April 2011
REF: A280		

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 of the Benefits paid via the Civica (IBS) system to the Agresso Financial Management System and the Benefit Debtors for overpayments to the Agresso Financial Management System & Radius Cash Receipting System.

The detailed assessment of the processes in place for Benefit payments within the ICT Operations Section, the Resources Support Services, Accountancy and Benefits Sections, established that the Accountancy September 2010 Benefits to Agresso reconciliation had not been completed accurately or subjected to review by another employee. In addition the Accountancy September 2010 Benefits Debtor (overpayments) monthly reconciliation contained discrepancies; had not been undertaken in a timely manner and had not been independently reviewed. Amendments had been made to the Collections & Deposit book (a core financial record) without being appropriately authorised. A new system for reconciling unrepresented cheques had been introduced; improvements suggested during the audit were immediately implemented enhancing the process.

Conclusion

On the basis of the work undertaken, the review has concluded that there are opportunities for improvement within the internal controls system for the Accountancy reconciliations of the Benefits Civica system records to the Agresso Financial Management system & Radius cash receipting system records and the recording of information on the Collections & Deposits book. However, these recommendations are for a small part of the Benefits reconciliation process overall, reasonable assurance can be given that other parts 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 reconciliation of the Benefits Civica system to other Council Systems are operating effectively in this key system.

AUDIT REPORT TITLE: Housing Benefits Reconciliation 2010/11	DRAFT REPORT DATE ISSUED: 11 th March 2011	SERVICE: Director of Resources – Benefits Section & ICT Section (Rec 1)
BUDGET: £37,780,070 10/11 Estimate Benefit Payments	FINAL REPORT ISSUED: 1 st June 2011	RESPONSE RECEIVED: 18 & 20th April 2011 & 6 th May 2011
REF: A280		

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 of the Benefits paid via the Civica system to the Agresso Financial Management System and the Benefit Debtors for overpayments to the Agresso Financial Management System & Radius Cash Receipting System. The review also concentrated reviewing unrepresented cheques, committee reporting and the preparation of the initial, mid-term and final claims; also that data matching exercises and arrears monitoring regularly take place. Further examination was undertaken on the Benefits business plan 2010/2011.

The detailed assessment of the processes in place for Benefit payments within the ICT Operations Section, the Resources Support Services, Accountancy and Benefits Sections, established that the ICT September 2010 daily logs, for payments raised, had not been reviewed and the control sheets had not been appropriately completed. The Benefits debtors spreadsheet contained discrepancies, which were corrected immediately during the audit. Amendments had been made to the Collections & Deposit book (a core financial record) without being appropriately authorised. A new system for reconciling unrepresented cheques had been introduced; improvements suggested during the audit were immediately implemented enhancing the process; committee reporting are all undertaken appropriately, in accordance with agreed procedures and in a timely manner. The data matching exercises are undertaken in line with DWP requirements and form part of the Audit Commission National Fraud Initiative; examination of the initial & mid-term claims confirmed they had been completed and returned within the required time frame and all supporting evidence had been retained on file. The Arrears monitoring process is undertaken regularly and actions taken had been evidenced on the September 2010 report however with the implementation of home working, for ease of use, these reports have been transferred in excel format which can easily be amended, there is nothing no evidence of when the monitoring was undertaken and no evidence of review . The commitments and aspirations recorded on the 2010/2011 business plan are being met by continual monitoring.

Conclusion

On the basis of the work undertaken, the review has concluded that there are opportunities for improvement within management of electronic documents and the identification of discrepancies during the reconciliation process. However, these recommendations are for a small part of the Benefits reconciliation process overall, reasonable assurance can be given that other parts of the system are well managed. Advisory recommendations have been included within this report which refers a the review of Benefit risks, making minor amendments to the monitoring schedules and the validity of documents held on the Council’s intranet

The overall conclusion therefore, is that **Some** assurance can be given that the internal controls in place within the system for the reconciliation of the Benefits Civica system to other Council Systems are operating effectively in this key system.

Agenda Item No. 8

AUDIT REPORT TITLE: Garage- MOT centre 2010/2011 BUDGET: REF: R229/P070	DRAFT REPORT DATE ISSUED: 31st March 2011 FINAL REPORT ISSUED: 1st June 2011	SERVICE: Resources Directorate Community & Partnership Directorate (No 2 & 5) RESPONSE RECEIVED: 9th May 2011/23rd May 2011
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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 sought to ensure that the systems in place for the MOT Centre operate within the Vehicle & Operator Services Agency (VOSA) guidelines, fees have been appropriately set, income is reconciled and banked in accordance with the Council's Financial Regulations and the Centre is managed effectively. The review comprised examination of the current legislation and records maintained by the Garage Manager.

VOSA issued the Garage Manager with a procedure manual covering all aspects of the operation and outlined the expected standards for running and maintaining an MOT test centre. In January 2011 VOSA carried-out an unannounced site inspection for which the Council's MOT centre achieved an excellent 'satisfactory' report. Three of the four minor points raised have been addressed by the Garage Manager, the fourth referred to the pit fees charged not being set to the VOSA maximum levels, the fees set have been approved by Council as part of the Financial Strategy 2010/2013 and are in line with fees charges elsewhere in the area.

There was no evidence to suggest that a reconciliation was been undertaken between the MOT certificates issued, fees collected and the Agresso Financial Management system. MOT fees, whilst correctly charged, were found to have been incorrectly coded to vehicle service charges, on the Agresso Financial Management system leading to MOT test income initially being mis-represented in the financial records. It was also identified that banking of cash collected on 6th January 2011 had been delayed until 24th January 2011, contravening Financial Regulation 9.3, however Internal Audit acknowledge that a new system has been put in place to ensure that future banking delays do not re-occur. Reports extracted from the booking system were initially identified as being incorrect due to inaccurate information being entered onto the booking system and a lack of consistency in procedures regarding the recording of income at the reception desk. Two advisory recommendations have been included within this report regarding the advertising of the fees charged on the Council's website and the closure of the Green Street reception.

Conclusion:

On the basis of the work undertaken, the review has concluded that the systems in operation for the MOT Centre are operating well and are being managed effectively, those matters arising during the audit review are only for a part of the service provided. Controls could be improved within the reconciliation and banking of income and the reporting processes.

The overall conclusion therefore is that **SOME** assurance can be given that the internal controls in place for the operating and administration of the MOT Centre are operating effectively.

Quarter Report to the 30th June 2011

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	
RESOURCES							
Council Tax Compliance 2010~11	K	S	1	1	-	-	-
Council Tax Gross Debit Reconciliations 2010~11	K	S	3	3	-	-	-
NNDR Compliance 2010~11	K	S	1	1	-	-	-
NNDR Gross Debit Reconciliations 2010~11	K	S	2	2	-	-	-
Revenues & Benefits Civica Computer Application Audit 2010~11	K	S	7	0*	-	-	-

* The Revenues & Benefits Manager has advised that these recommendations are still on-going and will form part of the current Transformation Work in progress as part of the Revenues & Benefits Service Review.

SECTION 3		
DRAFT AUDIT REPORTS ISSUED IN THE QUARTER ENDED 30TH JUNE 2011		
TITLE	DATE OF ISSUE	CURRENT STATUS OF REPORT
Payroll (Reconciliations) 2010~11	01.07.11	Response 12.08.11/Final Issued 05.09.11

INTERNAL AUDIT

PERFORMANCE AGAINST ANNUAL PLAN FOR THE FINANCIAL YEAR 2011/12

Quarter ended 30th June 2011

Year to 30th June 2011

	<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	104.50	91.25	114.52%	System and Probity	104.50	365	28.63%
Computer Audit	4.00	16.25	24.62%	Computer Audit	4.00	65	6.15%
Contract Audit	1.75	10.00	17.50%	Contract Audit	1.75	40	4.38%
Consultancy and Advice	18.00	10.00	180.00%	Consultancy and Advice	18.00	40	45.00%
Irregularity	2.00	10.00	20.00%	Irregularity	2.00	40	5.00%
Specific Service Duties	8.00	3.75	213.33%	Specific Service Duties	8.00	15	53.33%
Sub Total	138.25	141.25	97.88%	Sub Total	138.25	565	24.47%

TARGET

95.00%

23.75%

Audit Resource Statistics

For the quarter to 30th June 2011 actual against plan is **97.8 %** compared to a target of **95%**. Within the time allocated in the above table, during this first quarter of 2011~12 the Internal Audit Team have responded to 90 requests for advice and consultancy and issued Action Plans to Managers in respect of Housing Benefits, Cash to Bank (HUB) and Corporate Debtors to cover the current on-going testing for required by the External Auditors for which formal reports will be presented to the Audit Committee in due course.