

Agenda Item No. 7 (Reformatted)

**WYRE FOREST DISTRICT COUNCIL**

**AUDIT COMMITTEE**  
**25<sup>th</sup> JUNE 2012**

**INTERNAL AUDIT MONITORING REPORT**  
**QUARTER ENDED 31<sup>st</sup> MARCH 2012**

<b>OPEN</b>	
<b>SUSTAINABLE COMMUNITY STRATEGY THEME</b>	Stronger Communities
<b>CORPORATE PLAN PRIORITY</b>	Delivering Together with Less
<b>CABINET MEMBER</b>	Councillor Nathan Desmond
<b>DIRECTOR</b>	S151 Officer/Resources
<b>CONTACT OFFICER:</b>	Cheryl Ellerton, Extension 2116 <a href="mailto:cheryl.ellerton@wyreforestdc.gov.uk">cheryl.ellerton@wyreforestdc.gov.uk</a>
<b>APPENDIX</b>	Appendix 1 Internal Audit Monitoring Report for the Quarter ended 31 <sup>st</sup> March 2012

**1. PURPOSE OF REPORT**

- 1.1 To inform members of the Internal Audit Monitoring Report for the Quarter ended 31<sup>st</sup> March 2012, attached as Appendix 1.

**2. RECOMMENDATIONS**

**The Audit Committee is asked to CONSIDER:**

- 2.1 **The Internal Audit Monitoring Report for the Quarter ended 31<sup>st</sup> March 2012 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 with a revised Annual Plan approved by the Committee in September 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 5 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**
  - Section 5 Work In Progress
  - Section 6 Final Audit Reports issued in the period 1<sup>st</sup> April 2011 to 31<sup>st</sup> December 2011.

In addition to the managed audits, within the audit plan resources are allocated to **consultancy and advice** for which a summary of the requests dealt with by Internal Audit is included within the performance statistics. A number of other reviews are currently in progress. To support the work in progress, a summary of **action plans** issued is detailed within this section for Member information.

- 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 discernible impacts on the six equality strands.

## **9. CONCLUSION**

- 9.1 The work undertaken by the Internal Audit Team in the quarter ended 31<sup>st</sup> March 2012 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 29<sup>th</sup> September 2011 ~ Audit Committee ~ Revised Annual Audit Plan 2011~2012  
29<sup>th</sup> June 2011 ~ Audit Committee ~ Internal Audit Terms of Reference ~ Update  
14<sup>th</sup> March 2011 ~ Audit Committee ~ Annual Audit Plan 2011~2012  
16<sup>th</sup> 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  
31<sup>st</sup> MARCH 2012**

**INTERNAL AUDIT**  
**QUARTERLY INTERNAL AUDIT MONITORING REPORT**  
**QUARTER ENDED 31<sup>ST</sup> MARCH 2012**

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Joanne Wagstaffe/Tracey Southall  
SECTION 151 OFFICER

20<sup>th</sup> May 2012

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.

FINAL AUDIT REPORTS ISSUED IN THE QUARTER ENDED 31 <sup>ST</sup> MARCH 2012		
	ASSURANCE	PAGE
<b>COMMUNITY ASSETS &amp; LOCALISM</b>		
<b>Key Systems</b>		
Elections & Electoral Register 2010~11/2011~12	S	8
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Council Tax Compliance Testing 2011~12	F	~
Council Tax Reconciliations 2011~12	S	14
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Payroll Compliance ~ (RBC) Assurance Statement Redditch BC 2011~12	S	18
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<b>AUDIT REPORT TITLE: Elections &amp; Electoral Registration 2010/11</b>	<b>ACTION PLAN ISSUED: 6<sup>th</sup> May 2011</b>	<b>SERVICE: Legal &amp; Corporate Service ~ Elections (29.02.12) (Community Assets &amp; Localism ~ 01.03.12)</b>
<b>BUDGET: £291,070 (Estimated)</b>	<b>DRAFT REPORT DATE ISSUED: 5<sup>th</sup> September 2011</b>	<b>RESPONSE RECEIVED: 13<sup>th</sup> January 2012</b>
<b>REF: R500</b>	<b>FINAL REPORT ISSUED: 17<sup>th</sup> January 2012</b>	

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	<b>Sufficient framework of controls but some weakness identified – provides adequate assurance.</b>	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.		

N.B. Assurance level for this system is highlighted.

**Overview**

The review was undertaken to ensure that there are appropriate arrangements in place relating to the administration of the electoral register and for undertaking elections within Wyre Forest District Council. An assessment was undertaken of the processes in place for access and additions/deletions/amendments to the register of electors and for recording costs and expenses claim from other bodies; also that statutory requirements are met for the carrying out of elections including suitable arrangements for the administration, receipt and count of postal votes and that fees received from the sale of the register are in line with legislation and with approved scale of charges.

A new electronic elections system (X-Press) was implemented in 2010 it was observed that procedure notes had not been amended to reflect this change. During the review and to assist the Democratic Services Manager, an Action Plan was issued in May 2011. The aim of the action plan being to advise of any matters arising during the period of testing in order that they can be addressed promptly and remedial action taken. Those recommendations actioned following the issue of the action plan are detailed below for completeness. Where matters arising have not been actioned, these observations and recommendations have been included with the body of the report for further consideration. During the review it was found that system documentation in respect of the elections and electoral register made reference to ex-employees and was therefore out of date. A sample of new electoral registrations was selected for detailed testing, all were found to have been appropriately updated in a timely manner; however electronic register updates, made by the Election Reform Service directly into the X-press system, were not independently reconciled for accuracy. Fees and charges were found to be accurate however, although payments were received prior to distribution, sales order invoices are not always raised and recorded on Agresso (Financial Management system). Elections pay rates were available, however were not within one single document for ease of reference or publication. There was no evidence that election travel claims are subject to the standard employee verification checks. The procurement of election printing is not currently inline with the Council's corporate procurement policy. In addition, two advisory recommendations have been included within this report for consideration regarding the employment of elections employees.

**Conclusion**

On the basis of the work undertaken, the review has concluded that systems in operation for the administration of the electoral register and for undertaking elections within the Wyre Forest District are operating well and are being managed effectively; however there are some areas where there are opportunities for improvement.

The overall conclusion therefore, is that **SOME** assurance can be given on the internal controls in place. The implementation of the advice given and the following recommendations has given and will continue to give opportunities for improvement, to further strengthen the system in place and raise the level of assurance



<b>AUDIT REPORT TITLE: Management of Town &amp; Civic Halls</b>	<b>DRAFT REPORT DATE ISSUED: 8<sup>th</sup> November 2011</b>	<b>SERVICE: Legal &amp; Corporate Services 29.02.12 (Community Assets &amp; Localism ~ 01.03.12)</b>
<b>BUDGET: Customer Client Receipts (Estimated 2011~12) Kidderminster Town Hall £55,520/Stourport Civic Centre £20,060 REF: R216/R221</b>	<b>FINAL REPORT ISSUED: 17<sup>th</sup> February 2012</b>	<b>RESPONSE RECEIVED: 9<sup>th</sup> February 2012 Supported by Meeting 24<sup>th</sup> November 2011</b>

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
<b>Limited</b>	<b>Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.</b>	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 was undertaken to ensure that there are appropriate arrangements in place in relation to the management of Kidderminster Town Hall and Stourport Civic Centre with regard to the promotion of room hire at both venues, the terms and conditions of hire, booking processes and pricing structure including the grand aid scheme, the collection and payment of performing rights fees and collection/banking and recording of the income. This review did not cover the contracts in place for bar and electrical/lighting provision. It was observed that the Town and Civic Halls Management Team are ensuring that, in an economic downturn, booking rates are maintained; they are making every effort to increase hall usage by encouraging repeat, mid-week and wedding bookings; they are also in the process of developing an equipment inventory register which will ensure that all equipment is fully accounted for at all times including those items loaned out to the venue hirers. The Management Team are enthusiastic and are continually looking to improve the services offered; they have been working with Internal Audit to address issues arising from this audit although it should be noted that any recommended changes to working practices will have an impact on administration resources. The following areas were identified as requiring further attention.

Terms and Conditions of hire to cover the two Civic Venues were found to be inconsistent and in some instances inaccurate with those for the hire of Kidderminster Town Hall for Weddings and Civil Partnerships. Charges were found to be inconsistent with those approved by Council and it was unclear as to how commercial judgement fees are being calculated; the Management Team are now revisiting the terms and conditions and the charging structure to ensure these inconsistencies are addressed. Tickets are being sold by the Town Hall on behalf of other organisations however, there was no procedure in place to receipt/reconcile these sales, this issue was addressed during the Audit and a transfer/reconciliation form has been introduced. The new electronic booking system proposed in 2008 has not been fully implemented; therefore prime records are manual documents which will need to be addressed in accordance with the corporate move towards an electronic records management system. The raising of invoices and the banking of income was found to be unduly delayed due in part to the administration of these functions being based at the Civic Centre in Stourport, away from the Kidderminster Town Hall base of the Civic Halls Management Team. Two significant areas were identified as requiring specific attention: Performing Rights Society (PRS) recharges and returns and the Grant Aid budgets having been exceeded in the last financial year were not being appropriately monitored for 2011~12. New working practices were discussed for implementation during the audit and these are included as management comments within the report.

### Conclusion

On the basis of the work undertaken, the review has concluded that in some areas the systems in operation for the Management of Town and Civic Halls are operating effectively with a level of SOME assurance; however there are areas where there are opportunities for improvement and where risks could be reduced. At the time of the audit review, only **LIMITED** assurance could be given on the controls in place for the administration of the PRS fees/charges and application of Grant Aid as detailed in the report below. The Town & Civic Halls Management team acknowledged that all the following recommendations have resource implications. Following detailed discussions with the Civic Halls Manager and Deputy Manager following this review, Internal Audit can confirm that every effort is being and will continue to be made to address the issues detailed in order to raise the level of assurance. At the time of finalising this review, the issues regarding the allocation of grant aid have been addressed with evidence made available to Internal Audit.

<b>AUDIT REPORT TITLE: Trading Estates &amp; Property Debts 2011/2012</b>	<b>DRAFT REPORT DATE ISSUED:</b> 14 <sup>th</sup> December 2011	<b>SERVICE: Legal &amp; Corporate Services 29.02.12</b> <b>(Community Assets &amp; Localism ~ 01.03.12)</b>
<b>BUDGET: 2011~12 Customer Client Receipts Estimated</b> <b>(£170,800 Other Industrial Estates)</b> <b>(£133,030 Hoobrook Enterprise Centre)</b> <b>(£293,260 Other Property To Include Comberton Place)</b>	<b>FINAL REPORT ISSUED:</b> 17 <sup>th</sup> February 2012	<b>RESPONSE RECEIVED:</b> <b>Legal &amp; Corporate Services - 3<sup>rd</sup> February 2012</b> <b>Resources Directorate - 14<sup>th</sup> February 2012</b>
<b>REF: P085 Industrial Estates &amp; Other Property</b>		

Assurance Levels	Definition	Recommendation Rankings	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration
<b>Some</b>	<b>Sufficient framework of controls but some weakness identified – provides adequate assurance.</b>	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 the procedures in place in respect of the administration of the Council's Trading Estates and Property Debts and the processing of letting properties, rent valuations and collecting and banking of such rents are operating as intended.

The review comprised of selecting a sample of 10 Property Debt accounts and undertaking a detailed examination to ensure that there are legal tenancy documents for each letting which provide adequate information of income due and, where applicable, rent reviews are undertaken in accordance with the tenancy agreement. The 10 accounts were further examined to ensure that a subscription record is maintained on the Agresso Financial Management System (FMS) detailing the invoice period and amounts to be invoiced and verified to the legal tenancy documents; invoices are promptly and correctly raised and are followed-up when no payment has been received. Cancellations and write-offs for Property Debts were also examined to ensure they were justified, reasonable and authorised in line with Financial Regulations.

There is currently no comprehensive database with details of all the Trading Estates, land and commercial properties owned by the Council, which would enable rent reviews, lease renewals etc to be easily diarised and carried out promptly. There is, therefore, a risk that the reviews could be missed, potentially resulting in a loss of income to the Council. This is mitigated by the current property market being slow; lease renewals "roll-over" so the rents continue (although an opportunity to increase the rent may be missed) and rent reviews can legally, in accordance with the lease agreements, be carried out at a later date.

Following the identification of a rent review not actioned during the audit review, a change in working practices was introduced. There is not a checklist in operation to ensure the Administration Officer is informed of all amendments required to the subscription accounts on the Agresso Financial Management System. The procedures in place to monitor and pursue outstanding / aged debts are well managed, with comprehensive documentation and an action log maintained.

#### **Conclusion**

On the basis of the work undertaken, the review has concluded that the controls in place in respect of the management of the Council's trading Estates and Property Debts are operating well and are being managed effectively with the exception of an efficient database, therefore, there are some areas where there are opportunities for improvement. The overall conclusion therefore, is that **SOME** assurance can be given that the internal controls in place in respect of the Council's Trading Estates and Property Debts are operating effectively. The implementation of the following recommendations will further strengthen the system in place and raise the level of assurance.

<b>AUDIT REPORT TITLE: Journals 2011~12 (Part of Budgetary Control &amp; Monitoring)</b>	<b>DRAFT REPORT DATE ISSUED: 29<sup>th</sup> February 2012</b>	<b>SERVICE: Resources Directorate (Accountancy)</b>
<b>BUDGET: Various REF:</b>	<b>FINAL REPORT DATE ISSUED: 2<sup>nd</sup> April 2012</b>	<b>RESPONSE RECEIVED: 23<sup>rd</sup> March 2012</b>

Assurance Levels	Definition	Recommendation Rankings	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration
<b>Some</b>	<b>Sufficient framework of controls but some weakness identified – provides adequate assurance.</b>	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.		

NB: Assurance level for this system is highlighted

**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 journal transfers complied with control objectives; that each journal is uniquely referenced; includes adequate narrative explaining the transfer and are correctly authorised; that there is independent review of exceptions and the report tree, that Journals are not being actioned to prevent full authorisation of virements and that there is an independent review of suspense account and holding account balances.

The review comprised examination of the Council's procedures for the raising and posting of journals to the Agresso Financial Management System (FMS). A sample of journals was checked to ensure that only authorised employees were creating them, with signatures confirming this. Once the journals are raised, checks were made to confirm that the transfers had been correctly posted into the Agresso (FMS). A report detailing journals raised and posted to Agresso (FMS) within Accountancy was checked to verify that they were reviewed by the Principal Accountant. It was found that it was not always possible to identify which authorised employee had certified the journal and in one instance a journal had not been signed at all.

From the examination of the suspense and holding accounts areas for improvement were identified. In particular the holding code for purchase order invoices (DUMMY99999) to ensure that the information held on the Agresso system is made available to the relevant employees with responsibility for monitoring this code this has lead to an advisory recommendation being added to the report. The error suspense account is monitored, it was however reported that the holding account for monitoring unknown income had not been reviewed since August 2011 due to resource issues. At the time of audit the Principal Accountant had already identified this and was addressing the issue. There were no matters arising from the testing undertaken on new account codes/cost centres to be allocated in the reporting trees at the end of the financial year. As is custom and practice, exception reports are not "cleared down" until the year end. Evidence was provided following the previous year end close down in June 2011 to confirm the process in place. Corresponding evidence will be made available to Internal Audit following the 2011~12 close down

**Conclusion:**

On the basis of the work undertaken, the review concluded that on the whole the internal controls in place for the raising and posting of Journals to the Agresso (FMS) system is well managed. However, there were opportunities for improvement for which the implementation of the following recommendations will further enhance the system. The overall conclusion therefore, is that **SOME** assurance can be given on the internal controls in place for this processing and reconciliations of Journals within the financial records.

<b>AUDIT REPORT TITLE: Housing Benefits Reconciliation 2011/12</b>	<b>DRAFT REPORT DATE ISSUED: 8<sup>th</sup> March 2012</b>	<b>SERVICE: Resources Directorate– Housing Benefits</b>
<b>BUDGET: £42,249,640 Estimated Benefit Payments 11~12</b>	<b>FINAL REPORT ISSUED: 12<sup>th</sup> March 2012</b>	<b>RESPONSE RECEIVED: 9<sup>th</sup> March 2012</b>
<b>REF: A280</b>		

<b>Assurance Levels</b>	<b>Definition</b>	<b>Recommendation Rankings</b>	<b>Definition</b>
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration
<b>Some</b>	<b>Sufficient framework of controls but some weakness identified – provides adequate assurance.</b>	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

**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 the Benefit payments raised via the Civica System are reconciled to the Agresso Financial Management System and that Benefits Debtors overpayments are reconciled the Agresso Financial Management System & Radius Cash Receipting System and that Benefit Arrears are monitored. Additional audit work was also undertaken on unrepresented cheques, committee reporting, the preparation of the initial and mid-term claims, data matching and a sample of fraud cases.

From the detailed assessment of the processes in place for the payments of Benefit and monitoring of overpayments operating within the Benefits Team it was found that the systems to be working effectively. The Arrears monitoring process is undertaken regularly and actions taken evidenced. Unrepresented cheques had been dealt with 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; from the sample of fraud cases examined a discrepancy was found with the filing of electronic documents, this however was addressed at the time of the audit. 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. Issues were identified regarding the accuracy checking of the claim assessments processed into the subsidy claim.

**Conclusion**

On the basis of the work undertaken, the review has concluded that the systems in place, within the Benefits team, for Benefits reconciliations are well managed however there are opportunities for improvement referring to the monitoring of the accuracy of benefit claims going forward in to 2012-13.

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. It should be noted that currently the Benefits Section are undergoing an exercise in systems thinking, which will involve process changes and have major effects on the way the section operates.

<b>AUDIT REPORT TITLE: Cash Income Reconciliation (Miscellaneous Income &amp; Housing Act Advances) 2011-12</b>	<b>DRAFT REPORT DATE ISSUED: 23<sup>rd</sup> January 2012</b>	<b>SERVICE: Resources Directorate (Accountancy)</b>
<b>BUDGET: Various</b> <b>REF:</b>	<b>FINAL REPORT DATE ISSUED: 3<sup>rd</sup> February 2012</b>	<b>REPLY DATE; 24<sup>th</sup> January 2012</b>

<b>Assurance Levels</b>	<b>Definition</b>	<b>Recommendation Rankings</b>	<b>Definition</b>
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration
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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 forms part of the Cash to Bank compliance testing and concentrated on the subsidiary systems of Miscellaneous Income (Holding Codes) and Housing Act Advances repayments both of which stand alone from other income streams reported under their respective system reviews.

The October 2011 income reconciliation for Housing Act Advances was selected for compliance testing to ensure all repayments had been receipted and reconciled against their respective Account, recorded within the Financial Records and independently reconciled to the Council's Bank Account. No errors were found.

Verification was undertaken on the half yearly outstanding balances to include the interest calculation. In some instances payments had not been recorded on summary of payments for all outstanding mortgages, also minor errors were identified within the formula calculations for recording individual payments which had on two accounts resulted in small differences in the six monthly interest calculations. Although not materialistic, the Principal Accountant was advised and the errors were acknowledged in order that they could be promptly addressed and this has been reported as Management Comments within the attached recommendation.

The detailed testing of miscellaneous income posted to holding codes was also undertaken in October 2011; the transaction lists were examined to ensure that all income receipted against a holding code had been correctly and promptly reallocated to the Agresso Financial Management System. No errors were found.

**Conclusion:**

On the basis of the work undertaken the review has concluded that the systems in operation for the processing of Miscellaneous Income payments into the Council's Agresso Financial Management System are working effectively. The processing of Housing Act Advance payments into the Council's Agresso Financial Management System is also working effectively however; immediate improvements are required in manual processes outside the Financial Management System. The overall conclusion therefore, is that **SOME** assurance can be given on the internal controls in place for the reconciliation of all miscellaneous income into the council's bank accounts

<b>AUDIT REPORT TITLE: Council Tax Reconciliation 2011/2012</b>	<b>ACTION PLAN DATE OF ISSUE 7<sup>th</sup> October 2011</b>	<b>SERVICE: Resources Directorate (Revenues)</b>
<b>BUDGET £59,875,375 Gross Debit 2011/2012</b>	<b>DRAFT REPORT DATE ISSUED: 17<sup>th</sup> February 2012</b>	<b>RESPONSE DATE: 2<sup>nd</sup> March 2012</b>
<b>REF: A270/R310</b>	<b>FINAL REPORT DATE ISSUED: 7<sup>th</sup> March 2012</b>	

Assurance Levels	Definition	Recommendation Rankings	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration
<b>Some</b>	<b>Sufficient framework of controls but some weakness identified – provides adequate assurance.</b>	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 Council Tax (Civica – Open Revenues) system with the Agresso Financial Management System (FMS), the Radius Cash Receipting System, the Valuation Office Property Listings and that the Gross Debit reconciliation for 2011/2012 had been promptly undertaken. The review also concentrated on ensuring that there are adequate controls over the processes in place for the monitoring of Council Tax arrears & exceptions.

A detailed examination of the June and October 2011 reconciliations between the Council Tax system and the Agresso (FMS) and Radius systems was carried out to ensure the accuracy of the information recorded. In respect of the October reconciliation a difference of £154 between the daily banking records and the Civica system had been identified by the Principal Revenues Officer, however it was not possible to establish the reason for the difference as a result the reconciliation was not signed as completed until 17<sup>th</sup> January 2012. Four Valuation Office reconciliations were assessed for April, June, July and November 2011; 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 2011/2012 had been appropriately completed prior to the start of the financial year, which had identified an unexplained difference of £1607.71 which had been raised with Civica. The parameters had been independently reviewed as part of the Gross Debit Calculation following Council approval. Arrears monitoring and exception reports had been regularly reviewed. The performance indicators were reported to the Overview & Scrutiny Committee on 3<sup>rd</sup> November 2011.

Following the initial phase of testing which incorporated the gross debit calculation, June cash collection reconciliation and the Valuation Office listings up to and including July, an action plan was issued to the Revenues and Benefits Manager. The aim of the action plan being to advise of any matters arising during the period of testing in order that they can be addressed promptly and remedial action taken where appropriate. Those observations arising from the initial testing were acknowledged with supporting evidence provided to the Internal Audit Team and are detailed below for completeness.

**Conclusion:**

On the basis of the work undertaken, the review has concluded that the systems in operation for the reconciliation and monitoring of Council Tax are working effectively with the reconciliations being undertaken regularly and appropriately reviewed. There were two areas identified for improvement in respect of the reconciliation of the Valuation Office Listing to the Gross Debit Calculation for the annual billing and the reconciliation of the Civic Council Tax system with the Agresso (FMS), with differences of £1607.71 and £154 respectively. In terms of materiality (gross debit of £59,875,375) these only form part of the detailed reconciliations that are undertaken throughout the year for which the following recommendations will further strengthen the system in place and raise the level of assurance. The overall conclusion therefore, is that **SOME** assurance can be given on the internal control processes in place for the reconciliation of Council Tax.

<b>AUDIT REPORT TITLE: Corporate Creditors 2011/12 (Reconciliation and Systems)</b>	<b>DRAFT REPORT DATE ISSUED: 3<sup>rd</sup> February 2012</b>	<b>SERVICE: Resources Directorate (Accountancy)</b>
<b>BUDGET: Various</b>	<b>FINAL REPORT ISSUED: 9<sup>th</sup> March 2012</b>	<b>RESPONSE RECEIVED: 5<sup>th</sup> March 2012</b>
<b>REF:</b>		

<b>Assurance Levels</b>	<b>Definition</b>	<b>Recommendation Rankings</b>	<b>Definition</b>
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration
<b>Some</b>	<b>Sufficient framework of controls but some weakness identified – provides adequate assurance.</b>	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 concentrated on ensuring that the controls in place over the system for the payment of the Council's creditors made via Accounts Payable within the Agresso Financial Management System are operating as intended. The review comprised examination to ensure that supplier accounts are set appropriately, system roles and responsibilities are adequately monitored, exceptions reviewed and that open orders are reviewed; also that the Council's reconciliation procedures are regularly undertaken,

It was recognised that the process in place for maintaining the system roles and responsibilities is an onerous task which requires regular attention. There are number of employees with system administer rights, this is not recommended good practice in the case of ICT security, the Financial Services Manager acknowledged and accepted this risk at the time of audit. Though there are a number of employees with system administrator rights only one employee is fully conversant with the role, in addition there is a lack of detailed system notes. As previously reported there are a large number of open orders within the Agresso (Accounts Payable) system which need to be cleared; if left uncleared these open orders may possibly have an effect on commitment accounting and reporting. The reconciliation processes within the Accountancy and Support Services Teams were working effectively however minor issues were identified within the Accountancy element of the information provided.

Advisory recommendations have been added regarding enhancing the information recorded against the creditor invoices. It has been identified that within the system for the set up of new supplier accounts there are areas where improvements could be made to ensure the supplier details held on the Agresso Financial Management System are relevant and accurate. It was observed that not all invoices are being forwarded directly to Duke House (Accountancy Team) and payments on occasion are being delayed. From 1<sup>st</sup> December 2011 all purchases of goods and services require orders to be raised; this should improve system delivery and payment processing. The information held on the Accountancy intranet page was found to be outdated.

It should be acknowledged that advancements have been made following on from the 2010/2011 review. The Accountancy Team are continually working with Internal Audit to address issues as and when they arise to ensure that the risks from process changes are identified, evaluated and minimised. During this time of transformational change working practices are being regularly reviewed to ensure that efficiencies are being achieved and business improvements enhance the service delivery.

### Conclusion

On the basis of the work undertaken, the review has concluded that there are areas where there are further opportunities for improvement. The overall conclusion therefore, is that at this time **SOME** assurance can be given that the internal controls in place for the electronic ordering, processing and payment of the Council's Accounts Payable are operating effectively.

<b>AUDIT REPORT TITLE:</b> NNDR Compliance Testing 2011-12	<b>ACTION PLAN DATE OF ISSUE:</b> 29 <sup>th</sup> September 2011	<b>SERVICE:</b> Resources Directorate (Revenues)
<b>BUDGET:</b> £31,729,779 Gross Debit 11~12	<b>DRAFT REPORT DATE ISSUED:</b> 23 <sup>rd</sup> January 2012	<b>RESPONSE DATE:</b> 31 <sup>st</sup> January 2012
<b>REF:</b>	<b>FINAL REPORT DATE ISSUED:</b> 14 <sup>th</sup> February 2012	

Assurance Levels	Definition	Recommendation Rankings	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration
<b>Some</b>	<b>Sufficient framework of controls but some weakness identified – provides adequate assurance.</b>	<b>Other</b>	<b>Medium risk - action required but not urgent</b>
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 concentrated on ensuring that there are procedures in place for recording and processing a change in circumstance, that appropriate recovery action is taken and correct authorisation is obtained prior to write-off of National Non-Domestic Rates (NNDR) debts.

A sample of NNDR accounts with a change of circumstance was selected and examined in detail to ensure the effective date was recorded, charges were calculated using the correct NNDR Multiplier, small business rate relief / supplement and the period charge were calculated correctly and the rateable value was checked for accuracy to the Valuation Office's Rateable Value Listings.

A sample of NNDR accounts was selected at different stages of the recovery process and examined to ensure that correct recovery action is being taken in accordance with legislation. The detailed testing included verifying that arrears were promptly identified, recovery action had been taken in accordance with procedures and each stage of recovery recorded, accounts were debited with costs where applicable, arrangements to pay were in place and payments monitored and further action taken as required. There was one instance where the wrong account was closed. This was identified up at the time of the audit and brought to the attention of the Principal Revenues Officer whereupon it was promptly rectified.

The write-off report submitted to Cabinet 18<sup>th</sup> October 2011 was examined to confirm that write-offs were noted in accordance with the Financial Regulations 9.7 A schedule of write-offs authorised by the Director of Resources was examined to confirm that approval was given in accordance with the Scheme of Delegation of Officers (as approved 27<sup>th</sup> July 2011). One account from both the report and the write-off schedule was selected to confirm there was necessary documentary evidence to support the write-offs.

#### **Conclusion**

On the basis of the work undertaken, the review has concluded that the procedures in operation for the processing of change of circumstance, recovery action and write-offs within the NNDR system are working as intended and are well managed. The overall conclusion therefore, is that **SOME** assurance can be given that the internal controls in place are operating effectively in the NNDR system.



<b>AUDIT REPORT TITLE: NNDR Reconciliation 2011/2012</b>	<b>ACTION PLAN DATE OF ISSUE:</b> 20 <sup>th</sup> October 2011	<b>SERVICE: Resources Directorate (Revenues)</b>
<b>BUDGET: £31,729,779 (Gross Debit)</b>	<b>DRAFT REPORT DATE ISSUED:</b> 23 <sup>rd</sup> January 2012	<b>RESPONSE RECEIVED DATE: 31<sup>st</sup> January 2012</b>
<b>REF:</b>	<b>FINAL REPORT DATE ISSUED:</b> 14 <sup>th</sup> February 2012	

<b>Assurance Levels</b>	<b>Definition</b>	<b>Recommendation Rankings</b>	<b>Definition</b>
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration
<b>Some</b>	<b>Sufficient framework of controls but some weakness identified – provides adequate assurance.</b>	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 (Civica - Open Revenues) system and the Agresso Financial Management System (FMS), the Radius Cash Receipting and the Valuation Office rateable value listings and that the Gross Debit reconciliation for 2011/2012 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.

A detailed examination of the June and October 2011 reconciliations between the NNDR system and the Agresso (FMS) & Radius systems was carried out to ensure the accuracy of the information recorded; there is a difference of £55 between the daily bankings recorded on the two systems. Four Valuation Office reconciliations from each of the 2005 & 2010 Rating Lists and 2 from each of the 1995 & 2000 Lists were assessed dating from April to November 2011; these reconciliations were found to have been undertaken in a timely manner and each had been independently reviewed with supporting documentation for all entries. There is a difference of £3,900 between the NNDR system and the 2010 Rating List, which is currently under review with the Valuation Office. The above differences had been identified by the Principal or Senior Revenues Officer as part of their routine reconciliations. The NNDR1 return for 2011/2012 had been completed and returned within the required time frame (February 2011). The review of the accuracy for the parameters set in the Civica system prior to the annual billing run is evidenced by the Revenues & Benefits Manager and the Principal Revenues Officer. Arrears monitoring and exception reports had been regularly reviewed and evidenced by the appropriate officer. The performance indicators were reported to the Overview & Scrutiny Committee on 3<sup>rd</sup> November 2011.

Following the initial phase of testing which incorporated the gross debit calculation, June reconciliations and the NNDR1 return, an action plan was issued to the Revenues and Benefits Manager. The aim of the action plan being to advise of any matters arising during the period of testing in order that they can be addressed promptly and remedial action taken where appropriate. Those observations arising from the initial testing were acknowledged with supporting evidence provided to the Internal Audit Team and are detailed below for completeness.

### **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. There were some areas identified for improvement in the recording of any additional work undertaken as evidence that differences detected during reconciliations are followed up, for which the following recommendations will further strengthen the procedures in place. The overall conclusion therefore, is that **SOME** assurance can be given on the internal controls in place for the reconciliation of the NNDR.

<b>AUDIT REPORT TITLE: Payroll Audit 2011-12</b>	<b>ACTION PLAN: 20<sup>th</sup> September 2011</b>	<b>SERVICE: Redditch Borough Council (21.3 of SLA) Resources Directorate ~ Accountancy</b>
<b>BUDGET: £45,000 (RBC~SLA Only) £6,6639,251 Estimated Net Payroll 2011/12</b>	<b>DRAFT REPORT DATE ISSUED: 25<sup>th</sup> January 2012</b>	<b>RESPONSE RECEIVED: 7<sup>th</sup> March 2012</b>
<b>REF: VARIOUS</b>	<b>FINAL REPORT/ASSURANCE STATEMENT ISSUED: 8<sup>th</sup> March 2012</b>	

<b>Assurance Levels</b>	<b>Definition</b>	<b>Recommendation Rankings</b>	<b>Definition</b>
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration
<b>Some</b>	<b>Sufficient framework of controls but some weakness identified – provides adequate assurance.</b>	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. Both Human Resources and Payroll services are provided by external suppliers, Worcestershire County Council and Redditch Borough Council respectively. The review sought to ensure that the WFDC payroll, processed by Redditch Borough Council, was correct and accurate. The Service Level Agreement between Wyre Forest District Council and Redditch Borough Council provide for the audit of the service to be undertaken by the Internal Audit Team of Wyre Forest District Council (21.3) and that the outcome of the audit should be reported to the Director of Resources (RBC) for information.

The review examined the control sheet reconciliations, exception reporting and the system parameters. Verification was made on a selection of salary payments made in the May and October 2011 payrolls to ensure they were accurate, processed correctly and in a timely manner. All starter and leaver forms (April to October) were checked to ensure that they had been appropriately updated onto the CHRIS 21 payroll system. Following the May testing an action plan was issued to the Redditch Borough Council Financial Services Manager. The aim of the action plan being to advise of any matters arising during the period of testing in order that they can be addressed promptly and remedial action taken. With the knowledge that the initial testing was undertaken at an early point after the transfer, the Financial Services Manager (RBC) has advised that additional knowledge and training has now been passed on to the other team members to assist with processing Wyre Forest District Council payroll. The Payroll Manager for the Wyre Forest District Council payroll has since responded to the Action Plan and these comments are included within the observations contained in the report for completeness. Of the observations arising it was found that travel claim forms had been incorrectly paid and in some instances paid to the wrong employees. Input documents had not been stamped 'PAID' to evidence that they had been processed and there was nothing on the exceptions report to evidence which exceptions had been reviewed. The October 2011 testing included two employees who had transferred into Economic and Regeneration under a TUPE agreement, Internal Audit were unable to verify the accuracy of the payments made to these employees as WFDC do not hold the employees historic payroll files.

**Conclusion/Assurance Statement:**

This report specifically concentrated on the services delivered by Redditch Borough Council under the Service Level Agreement and has concluded that there are some areas where there are opportunities for improvement and where risks could be reduced. At the time of the audit review, **SOME** assurance could be given on the controls in place for the administration of the Wyre Forest District Council payroll by Redditch Borough Council as detailed in the report below.

**Signed:** \_\_\_\_\_ **T. Southall Acting Section 151 Officer**

**Date:** \_\_\_\_\_

<b>AUDIT REPORT TITLE: Payroll Audit 2011/12</b> {Compliance & Reconciliation} <b>BUDGET: £6,639,251 Estimated Net Payroll 2011/12</b> <b>REF: VARIOUS</b>	<b>ACTION PLAN: 14<sup>th</sup> September 2011</b> <b>DRAFT REPORT ISSUED: 25<sup>th</sup> January 2012</b> <b>FINAL REPORT ISSUED: 2<sup>nd</sup> April 2012</b>	<b>SERVICE: Resources Directorate ~ Accountancy</b> <b>(Payroll)</b> <b>RESPONSE RECEIVED: 23<sup>rd</sup> March 2012</b>
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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	<b>Sufficient framework of controls but some weakness identified – provides adequate assurance.</b>	Other	<b>Medium risk - action required but not urgent</b>
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 also sought to ensure that all input documents processed by WFDC were correct and refer to bona fide employees; that a monthly reconciliation is undertaken between the CHRIS 21 payroll system, the Agresso Financial Management system and the Council's Bank Account. Both Human Resources and Payroll services are provided by external suppliers, Worcestershire County Council and Redditch Borough Council respectively, therefore, observations made in reference to the establishment and payroll processing to be addressed by Worcestershire County Council and Redditch Borough Council will be reported under separate reports. The payroll control reports were examined for the months of June and October 2011 and reconciled to the Agresso Financial Management System and Council's Bank Account. It was found that both reconciliations were accurate and had been completed in a timely manner. Testing was undertaken on 22 employee's salary/members payments over the financial year, ensuring that payments were made correctly to bona fide employees. A check was undertaken to ensure that all input documentation processed by WFDC was accurate and processed in a timely manner. Detailed compliance testing was undertaken on the May and October 2011 payroll runs. Following the initial phase of testing in May an action plan was issued to the WFDC Financial Services Manager. The aim of the action plans being to advise of any matters arising during the period of testing in order that they can be addressed promptly and remedial action taken. Those recommendations actioned following the issue of the action plan are detailed below for completeness. It should be noted that Overtime forms were not being signed to evidence that they had been verified by WFDC before being passed to the Redditch BC Payroll Team for processing. However following the action plan prompt remedial action was taken by the Accountancy Team to address this matter. Further detailed testing was also undertaken on a sample of travel/subsistence and overtime claim forms processed for payment in November 2011 to ensure that claims were in accordance with approved procedures and that October hours worked had been correctly recorded. Of the observations arising from the testing, it was established that the contracts, allowance and deduction instructions were available and correct and that the payments made were accurate with the exception of two employees. These employees had transferred to WFDC under a TUPE arrangement from Bromsgrove and Redditch Councils; at the time of audit their personnel/payroll files had not been transferred to WFDC and it was therefore not possible to confirm the accuracy of their allowances and deductions. From the additional testing undertaken on the travel claim forms it was observed that some forms were being amended but the amendments were not being appropriately signed to evidence who had made them. In addition, in some instances a narrative was not being included where subsistence only was being claimed as is required by the guidance available to employees. Members travel claim forms are checked by the Members Secretary however, they are not being independently authorised by the Democratic Services Manager. This has been raised with the Democratic Services Manager. Both the WFDC Payroll and Administration teams have worked with Internal Audit to address the issues arising and it is intended that any recommended changes to working practices will have a minimum impact on current/future resources.

**Conclusion:**

Following the transfer of the Human Resources Service to the County Council in November 2010 and the Payroll Services to Redditch Borough Council from 1<sup>st</sup> April 2011, this report concentrated specifically of the Payroll service delivered by WFDC and has concluded that the areas assessed during the 2011-12 audit were generally found to be effective and in particular the monthly reconciliations were being undertaken promptly. However there are areas where there are opportunities for improvement and where risks could be reduced. At the time of the audit review, **SOME** assurance could be given on the controls in place for the administration procedures in place for the processing of travel claims in particular as detailed in the report below.

**Quarter Report to the 31<sup>st</sup> March 2012**  
**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 K=Key S=Subsidiary	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	
<b>RESOURCES DIRECTORATE</b>							
Budgetary Control & Monitoring	K	S	2	2	-	-	

## SECTION 3

<b>DRAFT AUDIT REPORTS ISSUED IN THE QUARTER ENDED 31<sup>st</sup> MARCH 2012</b>		
TITLE	DATE OF ISSUE	CURRENT STATUS OF REPORT
<b>CORPORATE</b> Debtors 2011~12	27.02..12	Final Report 07.06.12
<b>COMMUNITY WEEL-BEING &amp; ENVIRONMENT</b> Cash to Bank (Worcestershire Hub) 2011~12	29.02.12	Final Report 20.04.12
<b>RESOURCES</b> Benefits (Reconciliations ~Accountancy) 2011~12	29.02.12	Final Report 07.06.12

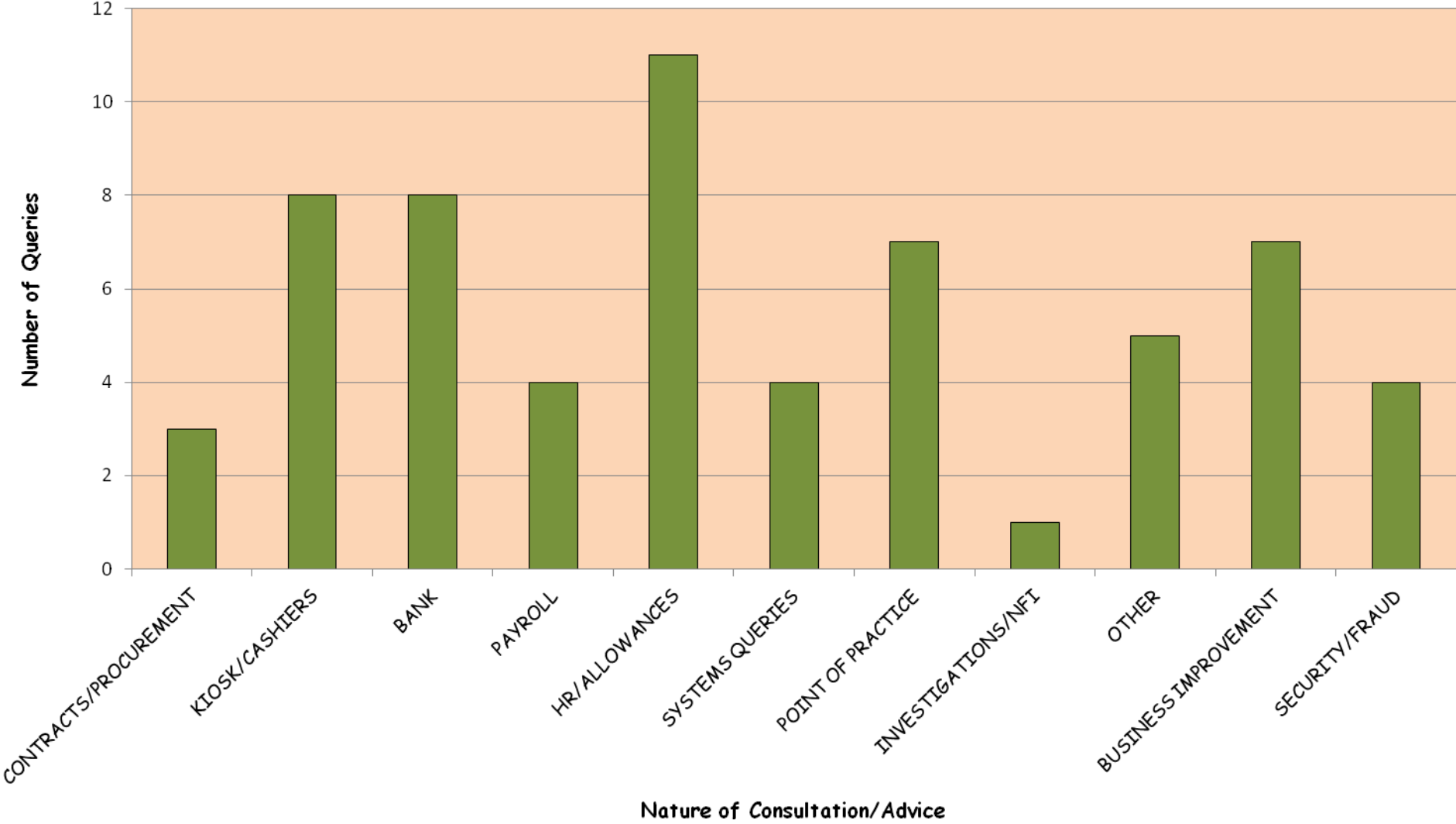
**INTERNAL AUDIT****PERFORMANCE AGAINST ANNUAL PLAN FOR THE FINANCIAL YEAR 2011/12****Quarter ended 31<sup>ST</sup> March 2012****1<sup>st</sup> April to 31<sup>st</sup> March 2012**

	<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	104.25	85.00	122.65%	System and Probity	399.50	340	117.50%
Computer Audit	1.00	16.25	6.15%	Computer Audit	25.75	65	39.62%
Contract Audit	5.75	10.00	57.50%	Contract Audit	20.00	40	50.00%
Consultancy and Advice	9.00	10.00	90.00%	Consultancy and Advice	45.25	40	113.13%
Irregularity	6.00	10.00	60.00%	Irregularity	17.50	40	43.75%
Specific Service Duties	6.75	3.75	180.00%	Specific Service Duties	22.25	15	148.33%
<b>Sub Total</b>	132.75	135.00	98.33%	<b>Sub Total</b>	530.25	540	98.19%

**TARGET                      95.00%****Audit Resource Statistics**

For the quarter to 31<sup>st</sup> March 2012 actual against plan is **98.1 %** compared to a target of **95%**. Within the time allocated in the above table, during this fourth quarter of 2011~12 the Internal Audit Team has responded to 62 requests for advice and consultancy to include 1 investigation as detailed below:-

# Summary of Audit Advice - January to March 2012



## SECTION 5

The table below shows the status of reviews currently in progress 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. In view of the findings arising from the detailed review of the Establishment process for 2011/12, Interim Reports were issued to the Director of Community Assets and Localism in order that prompt remedial action could be taken on the observations arising. The full outcome of this review will be included within the Monitoring Report to the Audit Committee in September 2012.

<b><u>WORK IN PROGRESS AS AT 31<sup>ST</sup> MARCH 2012</u></b>		
<b>AUDIT REVIEW</b>	<b>DATE OF ISSUE Action Plan No 1</b>	<b>DATE OF ISSUE Action Plan No 2</b>
Creditors Compliance 2011~12	12.01.12	~
<b><u>INTERIM REPORTS ISSUED AS AT 31<sup>ST</sup> MARCH 2012</u></b>		
Payroll ~ Establishment Data Base 2011~12	23.01.12	~
Payroll ~ Staff Record Forms 2011~12	23.01.12	~

## SECTION 6

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.
<b>FINAL AUDIT REPORTS ISSUED IN THE PERIOD 1<sup>ST</sup> APRIL 2011 TO 31<sup>ST</sup> DECEMBER 2011 - KEY SYSTEMS</b>	
<b>QUARTER ENDED 30<sup>TH</sup> JUNE 2011</b>	<b>ASSURANCE</b>
<b>CORPORATE</b>	
Debtors 2010~11	<b>S</b>
<b>COMMUNITY ASSETS &amp; LOCALISM</b>	
Xpress Solutions (Elections) Computer Application 2010~11	<b>S</b>
<b>RESOURCES</b>	
Agresso (Financial Management System) Computer Application 2010~11	<b>S</b>
Benefit Reconciliations 2010~11 (Accountancy)	<b>S</b>
Benefit Reconciliations 2010~11 (Revenues & Benefits)	<b>S</b>
MOT Testing Station 2010~11	<b>S</b>
Payroll ~ Establishment & Compliance 2010~11	<b>F</b>
<b>QUARTER ENDED 30<sup>TH</sup> SEPTEMBER 2011</b>	
<b>COMMUNITY WELL-BEING &amp; ENVIRONMENT</b>	
Performance Management & Data Quality 2010~11	<b>S</b>
<b>RESOURCES</b>	
Payroll ~ Establishment Verification (Human Resources) 2010~11	<b>F</b>
Payroll ~ Reconciliations 2010~11	<b>S</b>
Payroll ~ Transfer Review (Establishment/Payroll Records) 2011	<b>F</b>
VAT 2010/11 ~ 2011/12	<b>F</b>
<b>QUARTER ENDED 31<sup>ST</sup> DECEMBER 2011</b>	
<b>COMMUNITY ASSETS &amp; LOCALISM</b>	
Payroll Compliance & Establishment ~ Members 2010~11	<b>S</b>
<b>RESOURCES</b>	
Bank Reconciliations 2011~12	<b>F</b>
Benefits Compliance Testing 2011~12	<b>S</b>
Budgetary Control & Monitoring 2010~11	<b>S</b>