



AUDIT COMMITTEE REPORT

Report Title	Internal audit progress report
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	26 February 2008
Policy Document:	NO
Directorate:	Governance and Improvement
Accountable Cabinet Member:	Malcolm Mildren

1. Purpose

1.1 To provide the Audit Committee with a report summarising progress made against the approved internal audit plan and highlighting key issues identified in internal audit work to date.

2. Recommendations

2.1 Receive the report

3. Issues and Choices

3.1 Report Background

3.1.1 Introduction

The report is produced to inform the Committee on internal audit activity in the current year up to the date of the Committee meeting. The report will give an update on reports issued and recommendations made as well as highlighting any issues that are considered appropriate to bring to the attention of the Committee

3.1.2 Plan Outturn

We have undertaken work in accordance with the 2007/08 Internal Audit Plan which was presented to and approved by the Audit Committee at their meeting in February 2007.

An outturn statement detailing assignments undertaken and actual activity for the year is shown in Appendix One. This shows that we have now completed our fieldwork on a number of assignments and have commenced a number of further reviews. Reports have been issued in both draft and final form and details are provided in section 2.

3.1.3 Reporting and activity progress

Draft reports

We have issued the following reports in draft format and are currently awaiting management responses:-

07/08 NBC 08 Creditors – This review focused upon access to the creditors system and that all transactions are accurately recorded in a timely manner. We will issue our final report on receipt of management responses.

07/08 NBC 10 Payroll – This review focused upon ensuring that controls are in place and operating effectively over the main monthly and weekly payrolls. We will issue our final report on receipt of management responses.

07/08 NBC 11 Housing Benefits – This review focused upon the controls and processes in place over housing benefits. We will issue our final report on receipt of management responses.

Fieldwork completed

Work has been completed for a number of internal audit reviews with draft reports about to be issued.

Other work performed

Work in progress – Work has also commenced in a number of other areas.

Our overall assessment of systems where work has been completed is summarised in Appendix 2

3.1.4 Summary of Key Risks

Overview

Our reports to date include a total of 134 recommendations of which 48 relate to this reporting period. A breakdown of these can be found in Appendix Two, which summarises the risk ratings associated with each finding and recommendation. No critical risks have been identified to date that need to be brought to the immediate attention of the Audit Committee.

In the current reporting period, we have identified 8 instances where a high risk rating has been given and whilst these issues may have a high impact for the system, function or process under review, they do not have a significant impact on the achievement of the overall objectives of the Authority. The key issues were noted during the creditors, payroll and housing benefits reviews and recommendations were made to address them;

Creditors

- During testing of adherence to procurement policy we identified that:
 - In 16 out of 30 cases adequate number of quotations had not been obtained in line with standing orders.

- 3 out of 30 officers consulted were not fully aware of procurement policy.

Payroll

- It was noted that the authorised signatory list does not refer to BACS payments. As such any officer who can authorise an invoice for payment can also authorise BACS payments. Given that payments made in respect of payroll vary from £70,000 for weekly payroll to £1.5 million for monthly payroll these should be more closely controlled. In addition the reconciliation of the BACS payment to Payroll is not being dated when evidenced as reviewed.
- During our testing of a sample of 25 overtime claim sheets (10 monthly, 15 weekly) we identified a number of issues connected with the authorisation process.
- Although the authority has implemented an authorisation list, it is not complete. This was highlighted during testing of overtime where we noted that supervisors were not included on the authorised signatory list and as such these overtime forms could not be verified as appropriately authorised. In addition payroll staff advised that the authorisation rights of certain individuals do not appear to be in line with their roles.
- During our testing of a sample of 20 expense claims we identified a number of issues primarily connected with the authorisation process.
- Members of the HR admin team have the same levels of access as payroll team to payroll data. Furthermore members of the payroll team can also access and amend HR information.

Housing benefits

- The Authority ceased usage of the IHSL Housing Rents system in October. Prior to this, reconciliation of the Housing Rents and Benefits systems was not possible due to a large number of reconciling items. The Authority is presently undergoing a process of reconciling individual accounts to ensure that the cumulative balance agrees at year end.
- The level of housing benefits debt at the Authority appears to have increased over the year. (Approx. £2.1 as at December 2007)

3.1.5 Other issues

Team Central – recommendation tracking update

All 2005/06 and 2006/07 recommendations have been transferred onto Team Central and emails sent to all responsible officers on 3 January 2008.

These responses are now being assessed and where implemented follow up action will be undertaken if appropriate prior to the issues being closed. There were over 200 recommendations and over 20 responsible officers asked to comment on these.

We are currently in the process of establishing the type of reporting that would best suit management and the Committee's needs. Once these have been determined regular reports can be run for Management and for the Committee.

One suggested approach could be for all the detail relating to High Risk recommendations being reported to the Committee and a summary of recommendations and number actioned for each assignment.

Given that the system is new to users at the Authority there have been teething troubles and issues over accessing the system. As part of the roll out we contacted all users to ensure that they could access the system and continue to provide support. Work is also being undertaken to ensure that the right level of staff have access to any recommendations that may impact upon them.

Next Stage: A reminder email will be sent out to all in March and 2007/08 recommendations to be added to the system.

3.2 Issues

3.2.1 As detailed in the report

3.3 Choices (Options)

3.3.1 N/a

4. Implications (including financial implications)

4.1 Policy

4.1.1 No implications other than enabling monitoring of internal audit reporting performance.

4.2 Resources and Risk

4.2.1 Risks may be highlighted as a result of audit issues being reported. In this instance, there are no reported significant control issues.

4.3 Legal

4.3.1 N/a

4.4 Equality

4.4.1 N/a

4.5 Consultees (Internal and External)

4.5.1 Director of Finance and Head of Finance

4.6 Other Implications

4.6.1 N/a

5. Background Papers

5.1 Appendices to the report

- Appendix 1 - Progress against approved plan
- Appendix 2 – Summary of recommendations made

5.2 Individual internal audit reports are available if required.

Chris Dickens
Senior Manager
PricewaterhouseCoopers LLP
01509 604041