

## AUDIT COMMITTEE

28 JUNE 2012

### REPORT OF HEAD OF INTERNAL AUDIT

#### A.1 REPORT ON INTERNAL AUDIT – MARCH 2012, ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2011/12 AND ANNUAL REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT

(Report prepared by Steve Blake)

#### PART 1 – KEY INFORMATION

##### PURPOSE OF THE REPORT

To provide a periodic report on the Internal Audit function for March 2012, the Head of Internal Audit's Annual Report, and the annual review of the effectiveness of the system of internal audit, as required to comply with legislative requirements and best practice.

##### EXECUTIVE SUMMARY

The periodic report provides a review of the activity of the Internal Audit function during March 2012. In order to provide a more complete picture for the Head of Internal Audit's Annual Report detail has been included for 2011/12 plan year audits completed early in 2012/13.

During the period under review there was only one audit report issued where the assurance was less than adequate.

The Head of Internal Audit in his Annual Report is required to include an opinion on the overall adequacy and effectiveness of the Council's control environment, and therefore needs to take account of external reviews undertaken, in addition to audits undertaken in house. The Annual Report concludes that reasonable assurance can be given regarding the overall control environment of the Council.

It can be concluded from the annual review of the effectiveness of the system of internal audit that the Council has an effective system of internal audit.

##### RECOMMENDATION(S)

- (a) That the contents of the report be noted.
- (b) That Members determine which, if any, of the audit reports completed in the period they wish to receive for detailed consideration at the next Audit Committee meeting.

#### PART 2 – IMPLICATIONS OF THE DECISION

##### DELIVERING PRIORITIES

Provision of adequate and effective internal audit helps demonstrate the Council's

commitment to corporate governance matters.

#### **FINANCE, OTHER RESOURCES AND RISK**

##### **Finance and other resources**

The Internal Audit function is operating within the budget set.

##### **Risk**

Review of the functions of the Council by Internal Audit assists in identifying exposure to risk, and its mitigation.

#### **LEGAL**

The Council has a statutory responsibility to maintain adequate and effective internal audit.

#### **OTHER IMPLICATIONS**

**Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.**

**Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.**

Internal Audit activity assists the Council to maintain a control environment that mitigates the opportunity for crime.

During the course of internal audit work issues regarding equality and diversity, and health inequalities may be identified and included in internal audit reports.

There is no specific effect on any particular ward.

### **PART 3 – SUPPORTING INFORMATION**

#### **BACKGROUND**

The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (2006) (the code) requires the Head of Internal Audit to make arrangements for reporting to the organisation during the course of the year, and for producing an annual report. The code identifies the types of issue that the Head of Internal Audit should bring to the attention of the Audit Committee.

The Accounts and Audit (England) Regulations 2011 make it a statutory requirement that the Council maintains an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices relating to internal control.

#### **CURRENT POSITION**

##### **REPORT ON INTERNAL AUDIT FOR MARCH 2012**

##### **CIPFA Code of Practice 2006**

The code was published in December 2006. The code's requirements are mandatory for all local authorities subject to the Accounts and Audit Regulations.

The Internal Audit function is currently considered to be fully compliant with the

requirements of the Code of Practice.

At the last meeting of the Committee, Members were made aware that CIPFA are proposing to introduce a common set of public internal audit standards from 1<sup>st</sup> April 2013. At the current time information regarding this is awaited from CIPFA, this will be reported to the Committee when available.

### **Internal Audit Objectives**

The code requires the Head of Internal Audit to submit to the Audit Committee documents that describe how the Internal Audit function will fulfil its objectives. The documents are: -

**Internal Audit Terms of Reference and Internal Audit Strategy** – These were last approved by this committee on 22nd March 2012, and are subject to an annual review.

**Internal Audit Plan** – The 2011/12 plan was approved by this Committee on 24<sup>th</sup> March 2011, the 2012/13 plan was approved by the Committee at its last meeting in March 2012.

### **Progress Against Objectives**

The code requires the Head of Internal Audit to report to the Audit Committee on progress made against objectives set. The progress made in the period under review is as set out below: -

**Internal Audit Plan 2011/12 Progress** – Appendix A provides detail of the status of each audit in the plan at 31<sup>st</sup> March 2012 and an updated position at mid May 2012. Details regarding issues identified in those audits still in progress at the latter date will be brought to the next meeting of the Committee.

**Quality Assurance** – The Internal Audit function uses four indicators as a measure of its performance. Detail regarding performance has been included in the Annual Report.

**Adequacy of Management Response to Internal Audit Reports** – At 31<sup>st</sup> March 2012 there were a small number of audit reports where the response was overdue, but these were not at a stage requiring any action by the Committee.

### **Outcomes of Internal Audit Work**

The code requires the Head of Internal Audit to report to the Audit Committee on the outcomes of internal audit work undertaken. 15 Internal audit reports relating to the 2011/12 plan have been issued since the last report to this Committee. Appendix B includes brief details from each audit report issued of findings scored as medium or higher, where assurance was adequate or lower.

<b>Assurance</b>	<b>Colour</b>	<b>Number this Period</b>	
Minimal	Red	None	-
Limited	Pink	1	see Appendix B
Adequate	Light Green	9	see Appendix C
Substantial	Dark Green	4	-

There was one audit on Housing Tenancy Fraud where it was identified that at the time of audit work was ongoing to establish the way forward regarding the prevention and detection of tenancy fraud. It was considered inappropriate given the developmental position to give an opinion at the time, but for a follow up audit to be undertaken in due course to ensure that appropriate measures have been put in place commensurate with the exposure to this risk.

There was one audit, on the Windows and Doors 2009/10 – Harwich and Dovercourt contract where Limited Assurance was given. This was due to the incomplete nature of the file. Audit of more recent windows and doors contract files has indicated that this is not an ongoing problem.

## **ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2011/12**

### **Opinion on the Overall Adequacy and Effectiveness of the Council's Internal Control Environment**

The Internal Audit function completed 60 audits during the year, and a further 9 2011/12 audits had been completed by mid May 2012. For these 69 audits, assurance was classified as: -

<b>Assurance</b>	<b>2011/12 Plan</b>
Substantial	23
Adequate	40
Limited	5
Minimal	0
Assurance Rating Not Provided (see March 2012 report above)	1

Taking into account the issues identified in the audits included in the table above and listed in Appendix A, and reviews by other assurance providers, it is possible to provide reasonable assurance that the systems of internal control were generally operating adequately and effectively.

A summary of the issues identified in the audits completed has been included in each periodic report produced during the year, and the committee's attention drawn to any significant issues where the level of assurance was classified as Limited.

There have been two requested audits completed during the year, and the results have been included in the totals above. There were no special investigations undertaken during the year.

The Internal Audit function can only provide reasonable assurance. It is not possible to provide absolute assurance as many activities of the Council are audited on a less than annual frequency, and also it is not practical to examine every significant decision / transaction within those functions reviewed in any one year.

### **Qualification to the Opinion**

The opinion given above is based upon the level of Internal Audit activity that it proved possible to deliver with the resources available during the year. It was not possible to fully complete the planned work for the year, although all key audits have been undertaken or were in progress at the year-end. In forming an opinion, issues identified, but not reported until the 2012/13 plan year have been taken into account. Issues affecting delivery of the audit plan were brought to the attention of members during the year. The level of coverage achieved is considered sufficient to be able to provide the assurance required.

### **Summary of the Internal Audit Work Undertaken to Formulate the Opinion, and Reliance Placed on the Work by Other Assurance Bodies**

The 2011/12 plan made provision for the audit of all key systems. It also included audits of a selection of other functions of the Council, selected using a risk assessment process to produce the plan. In addition audits incomplete at 31<sup>st</sup> March 2011 were completed during

2011/12. For those audits completed brief details of findings were included in appendices to the periodic reports presented to the committee throughout the year.

The committee requested and received further details regarding issues raised as a result of work undertaken by the Internal Audit function.

The computer audit element of the plan was undertaken by TIAA Ltd and the audits were all completed, albeit the report for one was not finalised until April 2012.

The Internal Audit function undertook contract final account audit during the year under review. Issues arising from such work have been included in the appendices to the periodic reports, and the opinions formed in each instance are included in the totals above.

The plan included for the production of anti fraud and corruption newsletters and the undertaking of anti fraud and corruption audits. A newsletter was produced, and some of the audits originally planned completed. It is necessary with this type of work to take account of emerging fraud risks, therefore those audits not undertaken will only be considered for inclusion in 2012/13 if of sufficient priority in relation to emerging risks.

The Internal Audit function undertakes unscheduled investigations when required. Whilst a number of issues were drawn to the attention of the Internal Audit function during the year, none were found following initial research to require a full investigation to be undertaken.

In accordance with best practice and the requirements of the Code of Practice, the 2011/12 plan included for the follow up of issues found at previous audits. During the year the approach was changed from a formal follow up audit process either embedded within the assurance work scheduled, or as a separate follow up audit, to one of tracking the action taken on each issue with departments with submission of evidence / spot checking as appropriate. This process was still being embedded at the year end. As previously requested by the Audit Committee, Head's of Department attention was drawn to any issues where issues were found to remain outstanding at the subsequent audit undertaken on any area.

The Internal Audit function has also provided advice and assistance to services upon request during the year.

Detail of the audit work undertaken during 2011/12 is included at Appendix A.

Upon completion of each audit a report was issued to the appropriate Head of Department, containing details of any findings requiring addressing that had been identified. Heads of Department are required to confirm that they are to take the action required to resolve each finding. Reminders are periodically issued if no response is forthcoming. There were no instances during the year where it was necessary to bring to the attention of the Committee any issues regarding obtaining the confirmation required.

No specific reliance has been placed upon the work of any other assurance provider in lieu of internal audit coverage during the year. There is a requirement however for the Head of Internal Audit to take account in forming his annual opinion on the overall adequacy and effectiveness of the control environment, of the assurance given by other providers as well as directly by the Internal Audit function. The contents of reports issued by other providers have therefore been taken into account in the opinion made.

#### **Issues Relevant to the Preparation of the Annual Governance Statement**

No issues have been identified that are relevant to the preparation of the Annual

Governance Statement.

### Performance of the Internal Audit Function

Four performance measures were set for the Internal Audit function, including two of a qualitative nature.

Performance Measure	Target Set	Actual 2011/12	Actual 2010/11	Actual 2009/10	Actual 2008/09
Percentage of Audit Plan Completed	90%	81.25%	86%	77%	73%
Target Deadlines for Issue of Draft and Final Audit Reports	90%	95%	90%	65%	68%
Percentage of Satisfactory Responses to Satisfaction Surveys Issued with Final Audit Reports	90%	98%	98%	100%	96%
Overall Satisfaction Level Following Periodic Satisfaction Survey	3 (on scale 1 – 5)	N/A	4	4	4

The 2011/12 plan did not include provision for any significant levels of vacancy during the year. Due to the need to tender for the Council's Internal Audit work and the changed level of staff resources required from 2012/13 onwards arising, it was necessary to hold posts vacant during the year. Whilst some corrective action was possible which enabled part of the shortfall to be recovered, it was not possible to achieve the target set.

Due to the restructuring of the Council and senior management changes it was determined that it was inappropriate to undertake the Periodic Satisfaction Survey in 2011/12.

The quality of work on each audit undertaken was reviewed, and audits were not considered complete and reports were not issued until any quality issues had been addressed.

### Compliance with the CIPFA Code of Practice for Internal Audit

The current Code was published by CIPFA in December 2006, and was applicable for the entire period under review. The Internal Audit function was considered to be operating in accordance with the requirements of the code.

### REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

The review has been undertaken in accordance with guidance issued by CIPFA in 2009. It can be concluded that an effective system of internal audit exists based upon the four key elements the guidance identifies which are detailed below: -

#### The Risk Management System

The Council has risk management processes and maintains a Risk Management Strategy and a Strategic Risk Register, which was the subject of a report to the Audit Committee in March 2012. Arrangements exist to identify emerging risks, review existing risks and manage risks to limit exposure as far as is practical.

#### Assurance Gained Over Controls

The Head of Internal Audit, in his annual report above, has been able to form an opinion based on an adequate level of audit coverage across the key financial and other systems of the Council. Issues scored above low risk raised in Internal Audit reports were included

in the appendices of his periodic reports throughout the year to the Audit Committee, and the specific attention of the Committee drawn to the more significant issues found – the number of instances where this was necessary was low in 2011/12. The Audit Committee has the opportunity, where it has concerns regarding the control issues being reported, to seek additional assurance from senior management – this option was exercised during the year where the Committee deemed it appropriate to do so.

The Internal Audit function is not the sole provider of internal reviews of activities of the Council, for example the Public Experience Department undertake Health and Safety audits of the Council's functions. All departments were contacted and information regarding other internal reviews undertaken sought. No material issues were identified from such reviews identified as reported during the year.

Functions of the Council are also subject to external review, by organisations such as the Audit Commission. All departments were contacted and details of external reviews where the reports were received during 2011/12 sought. No material issues were identified.

### **Adequacy And Effectiveness Of Remedial Action**

As detailed earlier in this report arrangements are in place to review and monitor progress regarding issues identified and reported in Internal Audit reports.

The need to seek assurance that appropriate actions are being taken in response to the Audit Commission's recommendations is a core activity undertaken by the Audit Committee. A mechanism is in place whereby the committee receives regular reports identifying progress made regarding each recommendation made, which provides the assurance required.

### **Operation Of The Audit Committee And Internal Audit To Current Codes and Standards**

The Audit Committee last self assessed its effectiveness in December 2010.

A self assessment of the Internal Audit function with regards to compliance with the CIPFA Code of Practice for Internal Audit 2006 has been undertaken. The function is currently considered to be compliant.

## **BACKGROUND PAPERS FOR THE DECISION**






Internal Audit Reports  
Reports to Audit Committee in 2011/12  
CIPFA Code of Practice 2006 Self Assessment Working Papers 2011/12  
External Review Reports  
Reports by Other Internal Review functions

## **APPENDICES**

A.1 Appendix A – Internal Audit Plan 2011/12 Progress Report  
A.1 Appendix B – Internal Audit Reports Issued – Limited Assurance  
A.1 Appendix C – Internal Audit Reports Issued – Adequate Assurance

**Tendring District Council Internal Audit Plan 2011/12**  
 (Updated to reflect position at mid May 2012)

**Appendix A**

<b>Audit Subject</b>	<b>Status 31/03/12</b>	<b>Status Mid May 12</b>	<b>Opinion</b>	<b>Comments</b>
<b><u>Assurance Work - Compulsory</u></b>				
Asset Management	Completed		Adequate Assurance	
Bank Account	Allocated	Draft Final Report		
<b>Business Rates</b>	<b>Completed</b>		<b>Adequate Assurance</b>	
Cashiers	Completed		Substantial Assurance	
<i>Corporate Governance and Risk Management</i>				
Corporate Governance and Risk Management (2010/11)	Completed		Adequate Assurance	
Corporate Governance and Risk Management (2011/12)	Allocated	Draft Report		
Council Tax	Completed		Substantial Assurance	
<b>Creditors - Central Functions</b>	<b>Completed</b>		<b>Adequate Assurance</b>	
<b>Housing Benefits</b>	<b>Completed</b>		<b>Adequate Assurance</b>	
<b>Housing Rents</b>	Draft Report	<b>Completed</b>	<b>Adequate Assurance</b>	
Housing Repairs and Maintenance	Completed		Adequate Assurance	
<i>Main Accounting System</i>				
Main Accounting System (2010/11)	Completed		Substantial Assurance	
<b>Main Accounting System (2011/12)</b>	<b>Completed</b>		<b>Substantial Assurance</b>	
Payroll - Central Functions	Completed		Adequate Assurance	
<i>Purchasing and Invoice Authorisation</i>				
Community Services Purchasing and Invoice Authorisation (2010/11)	Completed		Adequate Assurance	



**Tendring District Council Internal Audit Plan 2011/12**  
(Updated to reflect position at mid May 2012)

**Appendix A**

<b>Audit Subject</b>	<b>Status 31/03/12</b>	<b>Status Mid May 12</b>	<b>Opinion</b>		<b>Comments</b>
<b>Public Experience Purchasing and Invoice Authorisation (2011/12)</b>	Draft Report	<b>Completed</b>	<b>Adequate Assurance</b>	✓	
Life Opportunities Purchasing and Invoice Authorisation (2011/12)	Completed		Adequate Assurance		
<i>Sundry Debtors - Central Function</i>					
Sundry Debtors - Central Function (2010/11)	Completed		Adequate Assurance		
<b>Sundry Debtors - Central Function (2011/12)</b>	Draft Report	<b>Completed</b>	<b>Adequate Assurance</b>	✓	
Treasury Management	Fieldwork	Fieldwork			Fieldwork delayed
<b><u>Assurance Work (Systems and Other Audits)</u></b>					
Abandoned Vehicles	Completed		Adequate Assurance		
Architectural and Building Services	Completed		Adequate Assurance		
<i>Architectural and Building Services Term Contracts</i>					
Gas Servicing Contracts	Fieldwork	Draft Report			
Heating Refurbishment	Completed		Adequate Assurance		
<i>BACS</i>					
BACS (2010/11)	Completed		Adequate Assurance		
BACS (2011/12)	Draft Report	Draft Final Report			
Brightlingsea Sports Centre	Completed		Adequate Assurance		
Building Control	Completed		Substantial Assurance		
<b>Central Purchasing</b>	Draft Report	<b>Completed</b>	<b>Adequate Assurance</b>	✓	
Concessionary Fares	Completed		Adequate Assurance		
Contact Centre	Deferred				Low priority audit deferred to 2012/13
<i>Contract Audit</i>					
Vyntoner House Refurbishment Phase 3	Completed		Substantial Assurance		
Windows and Doors 2008/09 - Weeley and Great	Completed		Adequate Assurance		

**Tendring District Council Internal Audit Plan 2011/12**  
 (Updated to reflect position at mid May 2012)

**Appendix A**

<b>Audit Subject</b>	<b>Status 31/03/12</b>	<b>Status Mid May 12</b>	<b>Opinion</b>	<b>Comments</b>
Bromley Pier Avenue South – Highway Improvements	Completed		Adequate Assurance	
Dovercourt Toilets	Fieldwork	Fieldwork		Awaiting information
Spendells Close Phase 3	Completed		Substantial Assurance	
<b>Windows and Doors 2009/10 – Harwich and Dovercourt</b>	<b>Completed</b>		<b>Limited Assurance</b>	<b>X</b>
Windows and Doors 2010/11 – Groom House and Greenfields	Completed		Substantial Assurance	
Emergency Repairs Open Stone Revetment West End Dovercourt	Completed		Substantial Assurance	
Window and Door Replacement 2010/11	Completed		Substantial Assurance	
<b>Environmental Improvements Churchill Court Phase 1</b>	Fieldwork	<b>Completed</b>	<b>Adequate Assurance</b>	✓
<b>Structural Repairs 6 Edward Close</b>	<b>Completed</b>		<b>Substantial Assurance</b>	✓✓
<b>Painting Group 1 Clacton 2009/10</b>	Fieldwork	<b>Completed</b>	<b>Adequate Assurance</b>	✓
<b>Structural Repairs 43 / 45 Harcourt Avenue</b>	Fieldwork	<b>Completed</b>	<b>Substantial Assurance</b>	✓✓
Credit and Debit Card Payments	Completed		Limited Assurance	
Estates Management	Completed		Adequate Assurance	
<i>Follow Up of Previous Audits</i>				
Benefits and Revenues Follow Up (2010/11)	Completed		Substantial Assurance	
Environmental Services Follow Up (2010/11)	Completed		Substantial Assurance	
Financial Services Follow Up (2010/11)	Completed		Substantial Assurance	
Human Resources and Customer Services Follow Up (2010/11)	Completed		Adequate Assurance	
Legal Services Follow Up (2010/11)	Completed		Substantial Assurance	
Technical and Procurement Follow Up (2010/11)	Completed		Adequate Assurance	
Food and Health and Safety	Completed		Adequate Assurance	


**Tendring District Council Internal Audit Plan 2011/12**  
(Updated to reflect position at mid May 2012)

**Appendix A**

<b>Audit Subject</b>	<b>Status 31/03/12</b>	<b>Status Mid May 12</b>	<b>Opinion</b>	<b>Comments</b>
Frinton Walton Pool	Fieldwork	Draft Report		
Grants / Financial Assistance	Completed		Adequate Assurance	
Heritage and Conservation	Deferred			Deferred due to Planning FSR
Homelessness	Completed		Substantial Assurance	
Household Waste and Recyclable Materials	Deferred			Deferred to 2012/13 due to commencement of new contract
Housing Allocations	Deferred			Deferred to 2012/13
Housing Benefit Fraud	Completed		Adequate Assurance	
Human Resources	Deferred			Deferred to 2012/13 due to HR workload
ICT Services	Cancelled			Content substantially duplicated by Management of 3 <sup>rd</sup> Party IT Services audit under Computer Audit heading
Insurance	Draft Report			
Inventories	Cancelled			Content incorporated in future Departmental Procurement audits
Legal Services	Completed		Substantial Assurance	
Major Capital Projects	Completed		Substantial Assurance	
Parking Services	Completed		Adequate Assurance	
Planning Enforcement	Deferred			Deferred to 2012/13
Public Conveniences	Completed		Adequate Assurance	
Regeneration / Special Projects	Deferred			Deferred to 2012/13
Residential Health	Deferred			Low priority audit deferred
Sheltered Units - Wardens	Completed		Adequate Assurance	

**Tendring District Council Internal Audit Plan 2011/12**  
(Updated to reflect position at mid May 2012)

**Appendix A**

<b>Audit Subject</b>	<b>Status 31/03/12</b>	<b>Status Mid May 12</b>	<b>Opinion</b>	<b>Comments</b>
Tenant Relations	Completed		Substantial Assurance	
<i>Theatres and Entertainments</i>				
Theatres and Entertainments (2010/11)	Cancelled			Merged into 2011/12 audit
Theatres and Entertainments (2011/12)	Deferred			Deferred to 2012/13 to allow audit of new Box Office IT system to be included
<i>Timesheets and Allowance Claims</i>				
Resource Management Timesheets and Allowance Claims	Completed		Adequate Assurance	
Life Opportunities Timesheets and Allowance Claims	Fieldwork	Draft Report		
Tourist Information Centres	Completed		Limited Assurance	
<b><u>Assurance Work (Computer Audit)</u></b>				
CAPS Application Review	Completed		Limited Assurance	
Data Protection	Completed		Substantial Assurance	
IT Physical and Environmental Management	Completed		Substantial Assurance	
IT Project Management	Completed		Adequate Assurance	
Main Financial System Application Review	Completed		Adequate Assurance	
<b>Management of 3rd Party IT Services</b>	Draft Report	<b>Completed</b>	<b>Substantial Assurance</b>	
<i>Computer Audit Follow Ups</i>				
Computer Audit Follow Up (2009/10 and 2010/11)	Completed		Adequate Assurance	
Computer Audit Follow Up (2011/12)	Allocated			Carried forward to 2012/13
<b><u>Requested Audits</u></b>				
Leisure External Funding	Cancelled			Cancelled in consultation with Leisure Services due

**Tendring District Council Internal Audit Plan 2011/12**  
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**Appendix A**

<b>Audit Subject</b>	<b>Status 31/03/12</b>	<b>Status Mid May 12</b>	<b>Opinion</b>	<b>Comments</b>
Benefits and Revenues CoCo Compliance	Cancelled			to reduction in external funding To be incorporated in 2012/13 Benefits and Revenues Computer Application Audit
Planning Enforcement - Data Security	Completed		Adequate Assurance	
Clacton Leisure Centre - Condition Management Programme	Completed		Limited Assurance	
<b><u>Anti Fraud Audit</u></b>				
Card Fraud	Unallocated			To be considered for 2012/13
Cash Income	Unallocated			To be considered for 2012/13
Council Tax Discounts	Cancelled			Incorporated into scope of Council Tax audit
Creditors Details Fraud	Completed		Adequate Assurance	
Money Laundering	Completed		Adequate Assurance	
Recruitment Fraud	Deferred			Deferred to 2012/13 due to HR workload
Tenancy Fraud	Final Report	<b>Completed</b>	<b>Opinion not given</b>	Processes at a de
Unsolicited Invoices	Unallocated			To be considered for 2012/13

## Internal Audit Reports Issued March - May 2012 (Appendix B)

This appendix lists only those Internal Audit reports with findings of a medium or higher risk

Audit Opinion / Area	Issues Raised In Report
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### Limited Assurance

#### Windows and Doors 2009/10 - Harwich / Dovercourt etc

##### 2 - High

CON3 CONTRACT FINAL  
ACCOUNT AUDIT - CURRENT  
CONTRACT

No evidence could be found of any written contract instructions being issued for the variations identified during this contract

##### 3 - Medium

CON2 CONTRACT FINAL  
ACCOUNT AUDIT - PRE  
CONTRACT

The specification and the works tendered / undertaken were not consistent regarding one property

CON4 CONTRACT FINAL  
ACCOUNT AUDIT - POST  
CONTRACT

There was an unexplained price variance on the final account for properties in one road. The final account has therefore been reduced to the tendered sum for these properties

There was no evidence that a Practical Completion Certificate was issued at the time of practical completion, or that extensions of time were agreed

## Internal Audit Reports Issued March - May 2012 (Appendix C)

This appendix lists only those Internal Audit reports with findings of a medium or higher risk

Audit Opinion / Area	Issues Raised In Report
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### Adequate Assurance

#### Business Rates (2011/12)

##### 3 - Medium

F Liability	The revision of the NNDR Discretionary Hardship Rate Relief Policy to include clarification regarding authority to grant subsequent awards to claimants
I Recovery and Enforcement	Copies of proof of debt submissions not retained as background evidence for write offs. Process has been changed to retain copies.
H Collection and Refunds	Additional narrative required in some instances to explain transfers between accounts.

#### Central Purchasing (2011/12)

##### 3 - Medium

C Documented Procedures	Procurement Strategy available on the Intranet was out of date. Subsequently replaced with current version.
D Data Security	Access rights on the ordering system had not been kept up to date. Corrected during the audit.
E IDEA Marketplace Database	Testing identified that there was no evidence of the weekly spend checks having occurred. Checklist to be maintained and reports annotated in future.  There was no current management information regarding supplier spend being produced which could identify potential purchasing savings and collaborative working opportunities  The Register of Contracts as required by Procurement Procedure Rules was no longer being maintained.

##### 6 - Efficiency

E IDEA Marketplace Database	Testing identified a small number of companies where there was non-contracted spend in excess of £50,000. Such cases were not being monitored for opportunities for savings by aggregation of works into larger contracts.
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#### Creditors - Central Functions (2011/12)

Audit Opinion / Area	Issues Raised In Report
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3 - Medium

F Processing of Invoices, Credit Notes, Pro Formas Etc and Feeders	Different versions of authorised signatories lists held by Exchequer and Accountancy. To be resolved by placing scanned copies of latest lists on shared network drive.
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6 - Efficiency

G Payment of Creditors	Late payments report produced monthly, but with low number of issues found each run could be reduced in frequency.
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## Environmental Improvements Churchill Court Phase 1

3 - Medium

CON3 CONTRACT FINAL ACCOUNT AUDIT - CURRENT CONTRACT	2 weeks additional preliminaries had been added on contract instructions, but practical completion was only 1 week after end of the contract period. Final account reduced accordingly.
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## Housing Benefits (2011/12)

3 - Medium

H Payments	The reconciliation contained unresolved differences. Issue has subsequently been investigated by Benefits and System Support staff and the reconciliation process revised
F Post Opening	No documented procedures in place regarding the document scanning process
I Overpayments	Previously identified computer system fault resulting in overpayment write offs being incorrectly recorded as entered by staff not authorised for such transactions was still outstanding. Software supplier to be reminded of need for resolution of problem
	Testing identified two unauthorised 'local authority' overpayment write offs.
G Assessment	Appeal decision notices not always scanned into the system, but kept on paper.

## Housing Rents (2011/12)

2 - High

G Collection of Rent Income	Files containing personal data were not adequately secured. Action taken during audit to resolve issue.
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3 - Medium



<b>Audit Opinion / Area</b>	<b>Issues Raised In Report</b>
E Housing Rents Database	Corrections to rent accounts not subject to authorisation
G Collection of Rent Income	System report not subject to management review regarding manual adjustments. Process subsequently has been revised. Incorrect details recorded on paperwork resulted in remittance advice in small number of cases being sent to wrong address. Action taken to resolve issue.
H Arrears Management and Recovery	External debt collection arrangements did not appear as effective as they could be.  A small number of debts had been incorrectly categorised when submitted for write off and had therefore been subject to an incorrect authorisation. A consistent approach to supporting evidence for write offs is required. The existing external debt collection arrangements have been in place for many years and require review.

## 6 - Efficiency

G Collection of Rent Income	Tenants paying by Standing Order do not have the correct payment type recorded on the Rents database
H Arrears Management and Recovery	The costs of the external debt collection arrangements regarding tracing former tenants is higher than that incurred for tracing people by other parts of the Council.

## Painting - Clacton Group 1 2009/10

### 3 - Medium

CON4 CONTRACT FINAL ACCOUNT AUDIT - POST CONTRACT	Additional painting on one block had not been included on a contract instruction or on the final account. Final account to be amended.
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## Public Experience - Purchasing and Invoice Authorisation (2011/12)

### 3 - Medium

C Procurement of Goods, Works or Services	Examples found where orders raised after invoice received, or no order raised at all. Procedures subsequently amended.  Instance identified where order raised by one department, but paid by another. This causes issues with Ordering System due to system permissions, and increases the risk of duplicate payments being made. Incorrect coding of expenditure identified. Subsequently corrected. Instance identified where insufficient quotes obtained to meet requirements of Procurement Procedure Rules.
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Audit Opinion / Area	Issues Raised In Report
D Certification and Payment of Invoices	Small number of examples identified where the required division of duties had not been achieved.
F Petty Cash	VAT not correctly recorded in petty cash records.
<b>6 - Efficiency</b>	
C Procurement of Goods, Works or Services	Spreadsheet being maintained which duplicates data held in the Ordering and Main Accounting systems.
<b>Sundry Debtors (2011/12)</b>	
<b>3 - Medium</b>	
H Debt Management and Recovery	Debt Recovery Policy remains outstanding. To now be produced as part of work currently being undertaken.
	Inadequate explanations recorded regarding suppressions. Instructions have subsequently been issued to departments regarding this. Options being considered regarding central monitoring.
J Periodic Income	The need to hold old records to be reviewed.
<b>6 - Efficiency</b>	
J Periodic Income	Periodic income details are retained on Agresso and in hard copy. Records of payments made are also recorded on hard copy as well as being held electronically. The need to maintain the duplicate records to be reviewed.