

AUDIT COMMITTEE

26 JUNE 2014

REPORT OF AUDIT AND GOVERNANCE MANAGER

A.1 REPORT ON INTERNAL AUDIT – MARCH – MAY 2014, ANNUAL REPORT OF THE AUDIT AND GOVERNANCE MANAGER 2013/14 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 to May 2014, the Audit and Governance Manager's Annual Report for 2013/14, and the annual review of the effectiveness of the system of internal audit as required in order to comply with legislative requirements and best practice.

EXECUTIVE SUMMARY

- During the period March – May 2014, there were three audits completed where the assurance given was limited.
- The annual report of the Audit and Governance Manager concludes that reasonable assurance on the overall adequacy and effectiveness of the Council's control environment can be given for the 2013/14 financial year.
- The annual review of the effectiveness of the Council's system of internal audit has identified that three of the four key elements of the Council's system of internal audit have been met, the fourth being only partially met due to a change in standards where progress towards compliance was ongoing.

RECOMMENDATION(S)

- (a) That the contents of the report be noted.

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 Public Sector Internal Audit Standards require the Audit and Governance Manager to make arrangements for reporting to senior management (Management Board) and to the board (Audit Committee) during the course of the year, and for producing an annual Internal Audit opinion and report that can be used to inform the Annual Governance Statement.

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 - MAY 2014

In order to provide the Committee with as up to date information as is possible, this section of the report provides detail relating to outstanding period in 2013/14 not previously reported, and in addition the early part of the new financial year.

Public Sector Internal Audit Standards

Detail regarding progress against the standards was reported to the Committee at its March meeting. Progress continues regarding assessment of the Internal Audit function against the requirements set by the standards, and development of processes and working practices to achieve and demonstrate compliance.

Internal Audit Plan – The 2013/14 plan was approved by this Committee on 21st March 2013, with the 2014/15 plan being approved by the Committee at its last meeting in March 2014.

Internal Audit Plan 2013/14 Progress – Appendix A provides detail of the status of each audit in the plan at 31st March 2014 and an updated position in May 2014.

At 31st March 2014 the equivalent of 94% of the 2013/14 plan had been completed. The Audit and Governance Manager's Annual Report identifies that the effect of this did not impact materially on the forming of an overall opinion on the Council's Internal Control environment.

With a small number of exceptions, all audits currently have either been completed or are at draft report stage. Where the audit is not yet shown as completed, any issues requiring reporting to the Committee will be brought to your next meeting, following issue of the final report on each assignment.

Internal Audit Plan 2014/15 Progress – Detail has been included in Appendix A of progress to date.

A vacancy arose in the Internal Audit function in April 2014 and action has been taken to recruit to the vacancy. Following the recruitment process the post has been filled internally, but the appointment made has created a further vacancy within the team. The recruitment process for this further vacancy is underway, but at the current time the overall impact of these vacancies on delivery of the plan cannot be fully determined. An update will be provided to the Committee in September.

Quality Assurance – Detail regarding performance has been included in the Annual Report.

Outcomes of Internal Audit Work

The standards require the Audit and Governance Manager to report to the Audit Committee on the outcomes of internal audit work undertaken. 12 Internal audit reports relating to the 2013/14 plan have been issued since the last report to this Committee. Appendix B provides brief details for audits where only limited assurance was achieved.

Assurance	Colour	Number this Period	
Substantial	Dark Green	2	-
Adequate	Light Green	7	-
Limited	Pink	3	Appendix B
Minimal	Red	0	-

Regarding the audits completed since the last periodic report, the following issues are drawn to the Committee's attention and will be presented to the Committee at its September meeting for further consideration including progress against any significant outstanding issues: -

Asset Management

The issues raised identified that there was no corporate approach that addresses both the central and departmental roles and consolidates data into one system.

Parking Services

The audit identified a number of issues regarding the processing and reconciliation of income. Discussion was held between the Auditor and senior staff in Parking Services following completion of the audit, and assurances were given regarding revised procedures to resolve the issues identified. A follow up audit has been included in the 2014/15 Internal Audit Plan to enable the issues identified to be revisited later this year.

Public Experience Procurement

The delegated authority for the arrangements regarding a repair and maintenance contract had expired and at the time of audit no action had been taken to either tender the works or seek a further exemption. The department has advised that action is now being taken to rectify this issue.

There were a number of issues where compliance with the Council's Procurement Procedure Rules had not been achieved consistently across all procurement tested.

Management Response to Internal Audit Reports – There are processes in place to track action taken regarding issues raised in Internal Audit reports and to seek assurance that appropriate corrective action has been taken, with follow up work being undertaken where necessary.

The number of high severity issues outstanding was as follows: -

Status	Number	Comments
Overdue more than 3 months	0	
Overdue less than 3 months	10	Regular reminders issued to relevant managers to establish the action taken / encourage resolution
Not yet due	4	

ANNUAL REPORT OF THE AUDIT AND GOVERNANCE MANAGER 2013/14

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

The Internal Audit function completed 49 audits during the year, and a further 7 2013/14 audits had been completed by May 2014. For the audits completed, assurance was classified as: -

Assurance	Number of Audits
Substantial	9
Adequate	37
Limited	10
Minimal	0

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. Whilst there have been audits during the year given this level of assurance, these need to be viewed in the context of restructuring of services and reduction in staff resources available, and the Council's appetite to risk. No audits came close to being given Minimal assurance.

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 during the year as detailed elsewhere in this report, 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 2014/15 plan year have been taken into account. 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 2013/14 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 31st March 2013 were completed during 2013/14. For those audits completed where the assurance was considered Limited 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 audit plan for 2013/14, in addition to assurance work on functions and systems, included some areas of focussed audit activity: -

- The Computer Audit element of the plan was undertaken in house, rather than by an external for the first time in a number of years. The audit coverage within this specialism was amended during the year to reflect changing requirements, and all audits were either completed or in progress at the year end.
- Audit work regarding Major Council Projects was incorporated into the relevant assurance audits scheduled.
- Two specifically targeted Proactive Anti-Fraud Audits were undertaken, with further work embedded in assurance audits. In addition, an Anti-Fraud newsletter was produced to raise fraud awareness across the Council.
- The Internal Audit function undertakes unscheduled investigations and ad hoc audit work as and when required. The Internal Audit function was not involved in any unscheduled assignments of this type during the year.

In accordance with best practice and the requirements of the Code of Practice, the 2013/14 plan included for the follow up of issues found at previous audits. This took the form of: -

- Separate follow up audits and embedded work within assurance audits. In these cases any outstanding issues were formally reported to management, with any significant issues drawn to the attention of the Committee.
- Action Tracking – monthly reminders being issued, and responses verified by evidence where it was appropriate to do so.

The Internal Audit function has also provided advice and assistance to functions of the Council upon request, and following audits, as appropriate during the year.

A schedule of the audits undertaken during 2013/14 is included at Appendix A.

Upon completion of each audit a draft report was issued to the appropriate Corporate

Director / Head of Department, containing details of any findings requiring addressing that had been identified. Subsequent discussions were held with appropriate senior managers and final reports issued, which included detail of agreed actions to resolve the issues identified. There were no instances, for the reports issued during 2013/14, where a satisfactory action had not been identified and agreed.

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 Audit and Governance Manager 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

The performance measures used during 2013/14 were as follows: -

Performance Measure	Actual 2013/14	Actual 2012/13	Actual 2011/12	Actual 2010/11	Actual 2009/10
Percentage of Audit Plan Completed	94%	91%	81%	86%	77%
Percentage of Satisfactory Responses to Satisfaction Surveys Issued with Final Audit Reports	100%	96%	98%	98%	100%

The 2013/14 plan approved took into account the planned days required by the in house tender bid in 2011/12, and the resource requirements needed to provide that level of service. As a consequence of a vacancy in 2012/13, a higher volume of incomplete audits rolled over into 2013/14 than had been anticipated, and this had a subsequent impact on delivery of the 2013/14 plan. The number of audits that have rolled forward from 2013/14 into 2014/15 is at a reduced level. It should however be borne in mind that operationally, the plan needs to be considered as a rolling plan rather than one rigidly compartmentalised into financial years.

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 Public Sector Internal Audit Standards

The Public Sector Internal Audit Standards were introduced from 1st April 2013. Progress updates were reported to the Committee during the year, on the work being undertaken to demonstrate conformance with the requirements of the Standards. At 31st March there remained some work outstanding before consideration could be given to submitting the function to the external assessment required by the standards. Until that external assessment has been undertaken successfully, the Internal Audit function cannot be considered fully compliant with the Standards. Professional guidance is currently awaited regarding external assessment.

ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

The review has been undertaken in accordance with guidance issued by CIPFA in 2009. Whilst three of the four key elements in the guidance have been fully met, the fourth is only partially met due to a change in the standards applicable for the Internal Audit function. The four key elements the guidance identifies are detailed below: -

The Risk Management System

The Council has a Risk Management Procedure that was subject to review during 2013/14 and the refreshed approach was reported to the Audit Committee in December 2013. An updated risk register is the subject of a separate report to this meeting. The Council's approach to risk management includes: -

- Regular review and update of Departmental Risk Registers
- Regular review and update of the Corporate Risk Register by Management Team
- Reporting of the Corporate Risk Register to Audit Committee every 6 months

Assurance Gained Over Controls

The Audit and Governance Manager, 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 identified in audits where Limited Assurance was awarded were drawn to the attention of the Audit Committee – the number of instances where this level of assurance applied was low in relation to the work undertaken over the course of the year.

The Audit Committee has the opportunity, where it has concerns regarding the control issues being reported, to seek additional assurance from senior management. The Committee requested attendance of relevant managers at its meetings, where it considered an explanation or an update on progress was required.

The Internal Audit function is not the sole provider of reviews of activities of the Council. All departments were contacted and information regarding other reviews undertaken sought. No material issues were identified from such reviews identified as reported during the year.

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, and to draw to the attention of the Committee to any high severity issues identified as remaining unresolved significantly beyond their resolution due date. There were no instances during the year that required the Committee's attention.

The need to seek assurance that appropriate actions are being taken in response to external auditor 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 undertook a detailed self-assessment of its effectiveness in December 2010. An update regarding outstanding issues from that assessment were considered by the Committee in September 2013, with the outstanding actions at that time in progress.

The Public Sector Internal Audit Standards were introduced from April 2013, and replaced

the previous Code of Practice for Internal Audit. The Audit Committee have received reports during 2013/14 regarding progress made by the Internal Audit function towards achieving compliance with the Standards. Substantial progress had been achieved during the year, but the Internal Audit function had not yet achieved full compliance. There are no significant issues with the current position regarding delivery of an Internal Audit function, the position reflects the workload in adopting and demonstrating compliance with a new set of standards.

BACKGROUND PAPERS FOR THE DECISION

Internal Audit Reports
Reports to Audit Committee in 2013/14
Other Review Reports

APPENDICES

A.1 Appendix A – Internal Audit Plan Progress
A.1 Appendix B – Internal Audit Reports Issued – Limited Assurance

Audit Subject	Status 31st March 2014	Status May 2014	Opinion	Comments
<u>AUDITS UNDERTAKEN / COMPLETED IN 2013/14</u>				
<u>2012/13 Internal Audit Plan</u> (Audits where Final Report not issued as at 31 st March 2013)				
<u>Assurance Work – Key Systems</u>				
Cashiers / Income Control	Completed		Adequate Assurance	Reported June 2013
Corporate Governance	Completed		Adequate Assurance	Reported September 2013
Council Tax	Completed		Adequate Assurance	Reported June 2013
Planning Department Procurement	Completed		Limited Assurance	Reported June 2013
Housing and Council Tax Benefits	Completed		Adequate Assurance	Reported June 2013
Housing Rents	Completed		Adequate Assurance	Reported June 2013
National Non Domestic Rates	Completed		Substantial Assurance	Reported June 2013
<u>Assurance Work - Other Systems</u>				
Corporate / Cross Cutting Projects – Families with Complex Needs	Completed		Substantial Assurance	Reported September 2013
Contract Final Account Audit - Dovercourt Toilets	Completed		Substantial Assurance	Reported December 2013
Development Management	Completed		Adequate Assurance	Reported September 2013
Emergency Planning	Completed		Adequate Assurance	Reported September 2013
Household Waste and Recyclable Materials	Completed		Adequate Assurance	Reported September 2013
Housing Allocations	Completed		Adequate Assurance	Reported September 2013
Housing Repair and Maintenance Contract Audit - Crooked Elms Stair Tower Extension	Completed		Adequate Assurance	Reported June 2013
Human Resources	Completed		Adequate Assurance	Reported September 2013
Information Management	Completed		Limited Assurance	Reported September 2013
Performance Management	Completed		Adequate Assurance	Reported September 2013
Regeneration	Completed		Adequate Assurance	Reported June 2013
Telephony / Switchboard	Completed		Substantial Assurance	Reported June 2013

Tendring District Council Internal Audit Plan
(Position at May 2014)

Appendix A

Audit Subject	Status 31st March 2014	Status May 2014	Opinion	Comments
Theatres and Entertainments	Completed		Limited Assurance	Reported September 2013
<u>Assurance Work - Computer Audit</u>				
Computer Audit Follow Up	Completed		Adequate Assurance	Reported September 2013
Disaster Recovery	Completed		Adequate Assurance	Reported September 2013
<u>Proactive Anti Fraud Audits and Initiatives</u>				
Housing Tenancy Fraud	Completed		Limited Assurance	Reported December 2013
<u>2013/14 Internal Audit Plan</u>				
<u>Assurance Work – Key Systems</u>				
Bank Account	Completed		Substantial Assurance	Reported March 2014
Cashiers / Income Control	Draft Report	Completed	Adequate Assurance ✓	
Corporate Governance	Fieldwork	Draft Report		
Council Tax	Completed		Adequate Assurance ✓	
Creditors	Completed		Substantial Assurance ✓✓	
<i>Housing and Council Tax Benefits</i>				
Local Council Tax Benefits Scheme – Post Implementation Review	Completed		Adequate Assurance	Reported March 2014
Housing Benefits	Draft Report	Completed	Adequate Assurance ✓	
Housing Rents	Completed		Limited Assurance	Reported March 2014
Main Accounting System	Fieldwork	Completed	Substantial Assurance ✓✓	

Tendring District Council Internal Audit Plan
(Position at May 2014)

Appendix A

Audit Subject	Status 31st March 2014	Status May 2014	Opinion	Comments
National Non Domestic Rates	Draft Report	Completed	Adequate Assurance ✓	
Payroll	Completed		Substantial Assurance	Reported March 2014
<i>Procurement</i>	Completed		Adequate Assurance	Reported March 2014
Life Opportunities Procurement	Draft Report	Completed	Limited Assurance ✗	
Public Experience Procurement	Fieldwork	Draft Report		
Planning Procurement Follow Up	Fieldwork	Completed	Adequate Assurance ✓	
Sundry Debtors	Completed		Adequate Assurance	Reported March 2014
Treasury Management				
<u>Assurance Work - Other Systems</u>				
Asset Management	Completed		Limited Assurance ✗	
BACS	Completed		Adequate Assurance	Reported September 2013
Big Society Fund	Completed		Adequate Assurance	Reported December 2013
Building Control	Completed		Adequate Assurance	Reported September 2013
Cemeteries and Crematorium	Completed		Adequate Assurance	Reported December 2013
Cheques	Completed		Adequate Assurance	Reported September 2013
Coast Protection	Completed		Substantial Assurance	Reported December 2013
Corporate / Cross Cutting Projects	Deferred			In 2014/15 plan
Credit and Debit Card Payments	Completed		Limited Assurance	Reported December 2013
<i>Departmental Staffing</i>				
Planning Staffing	Completed		Adequate Assurance	Reported September 2013
Life Opportunities Staffing	Completed		Adequate Assurance	Reported December 2013
Elections / Electoral Registration	Deferred			In 2014/15 plan
Grants / Financial Assistance	Fieldwork	Draft Report		
<i>Housing Repairs and Maintenance</i>				

Tendring District Council Internal Audit Plan
(Position at May 2014)

Appendix A

Audit Subject	Status 31st March 2014	Status May 2014	Opinion	Comments
Housing Repairs and Maintenance – Contracts	Completed		Adequate Assurance	Reported December 2013
Housing Repairs and Maintenance – Contract Final Account Audit	Cancelled			Content originally intended for this audit covered within audit above
Housing Strategy and Development	Deferred			In 2014/15 plan
Member and Civic Support	Allocated	Fieldwork		
Parking Services	Completed		Limited Assurance	
Planning Policy	Completed		Adequate Assurance	Reported March 2014
Risk Management	Allocated	Fieldwork		
<i>Seafront</i>				
Seafront	Completed		Limited Assurance	Reported September 2013
Seafront Follow Up	Completed		Adequate Assurance	Reported March 2014
Theatres and Entertainments	Fieldwork	Fieldwork		
<u>Assurance Work - Computer Audit</u>				
Cash Receipting Application Review	Completed		Adequate Assurance	
Code of Connection	Cancelled			No longer required
IT Procurement and Disposals	Cancelled			Audit Committee agreed to replacement with IT Governance Audit – December 2013
<u>Northgate Housing Application Review</u>				
IT Governance	Draft Report	Completed	Adequate Assurance	
	Fieldwork	Draft Report		
<u>Assurance Work – Major Council Projects</u>				
Coast Protection – Holland – on - Sea	Completed			Incorporated into Coast Protection above

Tendring District Council Internal Audit Plan
(Position at May 2014)

Appendix A

Audit Subject	Status 31st March 2014	Status May 2014	Opinion	Comments
Jaywick – Empty Homes Grants	Fieldwork	Draft Report		Incorporated into Grants / Financial Assistance audit
Office Accommodation Rationalisation	Completed			Incorporated into Asset Management audit
<u>Proactive Anti Fraud Audits and Initiatives</u>				
Council Tax Discounts and Exemptions	Completed		Adequate Assurance	Reported September 2013
<i>Procurement</i>				
Life Opportunities Procurement	Completed		Adequate Assurance	Reported March 2014
Public Experience Procurement	Draft Report	Completed	Limited Assurance	See Assurance audit for opinion
Sports Sites Cash / Income	Completed		Adequate Assurance	Reported March 2014/15
NNDR Reliefs / Exemptions	Draft Report	Completed	Adequate Assurance	See Assurance audit for opinion
<u>AUDITS SCHEDULED TO COMMENCE IN 2014/15</u>				
<u>2014/15 Internal Audit Plan</u>				
<u>Assurance Work – Key Systems</u>				
Bank Account		Unallocated		
Cashiers / Income Control		Unallocated		
Corporate and Ethical Governance		Unallocated		
Council Tax		Unallocated		
Creditors		Unallocated		
Departmental Procurement – Corporate Services		Unallocated		
Housing Benefits		Unallocated		
Housing Rents		Unallocated		

Tendring District Council Internal Audit Plan
(Position at May 2014)

Appendix A

Audit Subject	Status 31st March 2014	Status May 2014	Opinion	Comments
Main Accounting System		Unallocated		
National Non Domestic Rates		Unallocated		
Payroll		Unallocated		
Sundry Debtors		Unallocated		
Treasury Management		Unallocated		
<u>Assurance Work – Other Systems</u>				
Cemeteries and Crematorium		Unallocated		
Clacton Leisure Centre		Allocated		
Coast Protection		Unallocated		
Community Infrastructure Levy / S106		Unallocated		
Community Leadership Projects		Unallocated		
Credit and Debit Card Payments		Unallocated		
Departmental Staffing – Public Experience		Unallocated		
Elections and Electoral Registration		Unallocated		
Financial Strategy / Resilience		Unallocated		
Fixed Penalty Notices		Unallocated		
Fraud Investigation Team		Unallocated		
Frinton Walton Pool		Unallocated		
Health and Safety		Unallocated		
Housing Allocations		Unallocated		
Housing Repairs and Maintenance		Unallocated		
Housing Strategy and Development		Unallocated		
Information Management		Allocated		
Insurance		Unallocated		
Land Charges		Allocated		
Leisure Services Development Programme		Unallocated		
Licensing		Allocated		
Office Rationalisation and Modernisation		Unallocated		

Tendring District Council Internal Audit Plan
(Position at May 2014)

Appendix A

Audit Subject	Status 31st March 2014	Status May 2014	Opinion	Comments
Parking Services		Unallocated		
Private Sector Housing		Unallocated		
Regeneration		Unallocated		
Risk Management		Unallocated		
Sale of Council Houses		Allocated		
Seafront		Unallocated		
Tendring Careline		Unallocated		
VAT		Unallocated		
Workforce / Succession Planning		Unallocated		
<u>Assurance Work – Computer Audit</u>				
Firewalls, Device and Data Security		Unallocated		
ICT Project Management		Unallocated		
I T Governance		Unallocated		
Payroll / Human Resources Computer Application Review		Unallocated		
<u>Proactive Anti Fraud Audits</u>		Unallocated		Audits not yet identified

Internal Audit Reports Issued March 2014 - May 2014 (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**

Limited Assurance

Asset Management (2013/14)

3 - Medium

C Documented Procedures	Limited procedure notes in place within Asset Management function. Procedure notes to be produced to cover gaps
E Strategic Asset Management	There was no approved Property Strategy in place. Due to be completed early in 2014/15. Departments unable to access the asset management software to enable records of inspections to be consolidated in one system. No management overview to ensure that property inspections have been carried out. Guidance and best practice information for departments regarding their obligations to provide a uniform method of asset management across the Council was not available.
F Managing Assets	Inspection sheets do not identify any follow up action necessary or undertaken. Checklists exist, but are not currently used to record progress of asset transactions. In future to be used for all stages of acquisition and disposal.
G Consultancy	Some correspondence retained, but rarely emails. All correspondence to be retained in future for appropriate period as determined by the Council's Retention Policy
F Managing Assets	The reconciliation of assets recorded in the Asset Management system to those recorded for accountancy purposes had not been undertaken in the last 12 months. Reconciliation to be undertaken.

6 - Efficiency

F Managing Assets	Asset Management computer system not being used to full potential to maximise efficiency and ensure completeness of records There are multiple Asset Lists in use around the Council, creating additional reconciliation work and a risk of misalignment
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Parking Services (2013/14)

2 - High

F Pay and Display Car Parks	The agreed process regarding machine emptying arrangements had not been consistently complied with.
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Audit Opinion / Area	Issues Raised In Report
3 - Medium	<p>The timescale for processing and banking cash was in some instances as long as 10 days.</p> <p>Errors identified between takings recorded and cash received at the bank. Processes in place did not enable identification of such errors. Revised processes and lines of communication will enable such differences to be identified and rectified.</p>
F Pay and Display Car Parks	<p>The insurance limit for cash held in the safe was exceeded on occasions</p> <p>It was not possible to match income received from MiPermit to the Main Accounting System due to irregular timing of payments. MiPermit to provide a full breakdown of transactions with each payment in future which should enable reconciliation.</p> <p>Pay and Display machines were identified where control counters were not operating correctly. Action is being taken to remedy the faults identified.</p> <p>Records were maintained of sealed cash bags, but records did not provide detail regarding the contents of each bag. Records to be kept in future.</p> <p>No documented procedures regarding supply of change to the theatre bar. Records were found to be inconsistent and errors made. Procedures to be written and introduced.</p> <p>Periodic Pay and Display machine reconciliations in some instances were being undertaken late.</p>
G Enforcement	<p>The Penalty Charge reconciliation between systems did not reconcile. No evidence had been retained to demonstrate corrections undertaken.</p>

Public Experience Procurement (2013/14)

2 - High

G Term Contracts	<p>An exemption to Procurement Procedure Rules for a repair & maintenance contract had been granted until end of 2013 summer season only. No action had subsequently been taken to either seek tenders / quotes or a further exemption. Action now being taken.</p>
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3 - Medium

C Procurement of Goods, Works or Services	<p>Orders found to have been raised retrospectively, in a number of cases, after receipt of invoice. Staff have been reminded of the correct process.</p> <p>Inconsistent coding of expenditure was identified regarding three orders raised for the supply of the same items.</p> <p>Evidence of the seeking of quotations for work ordered at a cost of £10,000 could not be traced during the audit.</p>
D Certification and Payment of Invoices	<p>The boxes evidencing checks undertaken had not been completed on some invoice certification slips.</p> <p>Examples identified where same officer had authorised both order and invoice. Financial Procedure Rules requires a division of duties wherever practicable.</p>

Audit Opinion / Area	Issues Raised In Report
G Term Contracts	<p>Ordering system had not always been updated to reflect the current status of orders raised.</p> <p>Inventory was found to be out of date, no review having been undertaken for some considerable time.</p> <p>No record maintained of post repair inspections for a contract where work found to be of a satisfactory standard. Records to be maintained.</p>
H Capital Projects	<p>No records exist of authorisation of ad hoc urgent reactive work for a contract. Records to be maintained.</p> <p>The Council did not hold full documentation for a tendering exercise, the work having been undertaken by a third party. At the conclusion of the project a full set of paperwork had not been obtained.</p> <p>The successful tenderer for a contract had failed to fully complete the tender documentation. This had no impact upon the result of the tender.</p>
6 - Efficiency	
D Certification and Payment of Invoices	<p>One functions stocktakes undertaken on an inconsistent basis. To review frequency and level of check to ensure that it is appropriate for the assets / stock held.</p> <p>Asset records split into different formats. To be consolidated into one central record.</p>
G Term Contracts	<p>Revision to format of schedule of rates, for Public Convenience repairs, to be considered for future contracts to establish if improved value for money can be achieved by inclusion within schedule for multiple repairs / replacement of same item.</p>