

Fareham Borough Council
Audit & Governance Committee
Quarterly Audit Progress Report
June 2013

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INTRODUCTION AND BACKGROUND

- 1.1 This report has been prepared for the Members of the Audit and Governance Committee at Fareham Borough Council. The report outlines the work performed in 2012/13 by Deloitte & Touche Public Sector Internal Audit Ltd. In addition, this report highlights the progress made to date for delivery of the 2013/14 Internal Audit Plan.

PROMOTING INTERNAL CONTROL

- 2.1 To promote internal control within the Authority, Internal Audit will report to Committee in the following format:
- An update on progress against delivery of the plan, including an update on any Significant Control Weaknesses and on any proposed amendments to the Internal Audit Plan;
 - Report back on the specific audits finalised since the last meeting of the Audit and Governance Committee, including scope, weaknesses identified and confirmation that management actions have been agreed to address the weakness. Audit opinions are Strong, Reasonable, Limited, or Minimal. Recommendations and actions in the report are categorised using a 3 point scale used on the Council's action management system. Both rating systems are detailed within Annex Four of this report; and
 - Update Members on the current situation regarding limited areas previously reported to Committee. This will inform Members of the action taken by Officers to resolve internal audit issues.

2012/13 & 2013/14 PROGRESS

The current status of the agreed 2012/13 Internal Audit Plan is detailed in Annex One along with the number of days delivered and the corresponding information relating to the 2013/14 Internal Audit Plan is detailed in Annex Two. Audits have been completed in accordance with the timings agreed with the Head of Audit and Assurance, and as approved by the Audit and Governance Committee.

- 4.1 As at the 31st May 2013, progress against the 2012/13 plan is as follows:

2012/13 Plan	Last Committee	This Committee
Number of audits in plan	31	30*
Number of audits finalised	13 (42%)	27 (90%)
Number of reports issued at draft	5 (16%)	2 (7%)
Number of audits commenced	25 (81%)	30 (100%)
Number of planned audit days delivered	173/230 (75%)	219/230 (95%)

* Statistics have been calculated on 30 audits as Misc. Democratic Services has been deferred following management request.

- 4.2 At the time of this report, 95% of the 2012/13 Internal Audit Plan has been completed. Detailed progress is covered within Annex One.

4.3 As at the 31st May 2013, progress against the 2013/14 plan is as follows:

2013/14 Plan	Last Committee	This Committee
Number of audits in plan	N/A	30
Number of audits finalised	N/A	0 (0%)
Number of reports issued at draft	N/A	0 (0%)
Number of audits commenced	N/A	2 (7%)
Number of planned audit days delivered	N/A	14/230 (6%)

4.4 At the time of this report, 6% of the 2013/14 Internal Audit Plan has been completed. Detailed progress is covered within Annex Two.

CHANGES TO THE PLAN

There is one change to report in respect of the 2013/14 Internal Audit Plan; the Leisure Partnerships audit has been replaced by the Leisure Centre Trust audit as a result of discussions with service management and the Head of Audit and Assurance, as although the former has not previously received any audit coverage the level of risk is considered to be minimal and audit resources would be better targeted toward the Leisure Centre Trust as the current contract is set to expire in April 2015. This was last audited in 2008/9.

DETAILED PROGRESS SINCE THE LAST AUDIT AND GOVERNANCE COMMITTEE

Two reports have been issued at draft stage, the assurance levels will be confirmed to the next Audit and Governance Committee upon finalisation; these relate to CSC Processes and Payroll. One audit on the Legal Services Contract is currently in progress. Fourteen reports have been issued in final version as listed below with the opinions given and level of recommendations made.

Audit	Assurance	Recommendations Made		
		New Essential	New Important	Outstanding Previous Essential or Important
Treasury Management	Strong	-	-	-
Main Accounting & Budgetary Control	Strong	-	-	-
Housing Benefits	Strong	-	-	1
Ordering and Payment of Invoices	Strong	-	-	2
Capital Project Management	Reasonable	-	1	-
Corporate Health & Safety	Reasonable	-	2	-
Housing Rents	Reasonable	-	2	3
Pest Control	Reasonable	-	3	2

Audit	Assurance	Recommendations Made		
		New Essential	New Important	Outstanding Previous Essential or Important
Cash Collection & Banking	Reasonable	-	See Note 2 in Annex 1	-
Revenues	Reasonable	1	1	1
Off Street Parking	Limited	1	-	-
Data Protection	Limited	1	6	-
Ferneham Hall Follow Up	Limited	-	-	6
Recommendation Follow Up	N/A (43% implementation)	-	1	7

The above presents the key highlights. However, to enable Management and Members to focus on the areas of concern, we have provided a summary of all finalised reports since the last Committee, as detailed within Annex Three. In particular attention should be drawn to the Limited Assurance audits and the Essential recommendations.

2012/13 Internal Audit Plan as at 31st May 2013

Annex One

No.	Audit Title	Days in Plan	Days Delivered	Status	Assurance Opinion	New Recommendations			Previous Recs. (E and I only)		
						Essential	Important	Advisory	Implemented	Cancelled	Non Implemented
Quarter 1											
1	Commercial Estates	7	7	Final	Strong	-	1	-	-	-	-
2	Off Street Parking	6	6	Final	Limited	1	-	2	3	-	-
3	Planning Enforcement	7	7	Final	Reasonable	-	2	3	-	-	-
4	Pest Control	5	5	Final	Reasonable	-	3	-	1	3	2
5	Data Protection	7	7	Final	Limited	1	6	1	2	2	-
Quarter 2											
6	Responsive Repairs Contract	7	7	Final	Reasonable	-	3	1	1	2	-
7	Ordering and Payment of Invoices	7	7	Final	Strong	-	-	3	4	1	2
8	Electronic Expenses	3	3	Final	Strong	-	1	-	-	-	-
9	Procurement Cards	4	4	Final	Reasonable	-	2	2	-	-	-
10	Postal Services	6	6	Final	Strong	-	-	5	1	1	-
11	Community Development (Safeguarding)	7	7	Final	Reasonable	-	4	-	-	-	-
12	Disabled Facilities Grant	6	6	Final	Reasonable	-	2	2	1	1	-
Quarter 3											
13	Invoicing and Collection of Income Receivable	9	9	Final	Reasonable	-	1	-	3	-	3
14	Payroll	7	6.5	Draft	TBC						
15	Capital Project Management	8	8	Final	Reasonable	-	1	-	-	-	-
16	Revenues	10	10	Final	Reasonable	1	1	-	3	-	1
17	Cash Collection and Banking	7	7	Final	Reasonable	-	Note 2	2	1	-	-
18	Housing Benefits	7	7	Final	Strong	-	Note 3	1	-	-	1
19	Housing Rents	6	6	Final	Reasonable	-	2	-	-	2	3
Quarter 4											
-	Risk Management	-	6 days deferred to 2013/14 Internal Audit Plan								

No.	Audit Title	Days in Plan	Days Delivered	Status	Assurance Opinion	New Recommendations			Previous Recs. (E and I only)			
						Essential	Important	Advisory	Implemented	Cancelled	Non Implemented	
20	Ferneham Hall – Follow-up	3	3	Final	Limited	-	-	1	-	-	6	
21	Main Accounting and Budgetary Control	12	12	Final	Strong	-	-	2	1	1	-	
22	Treasury Management	6	6	Final	Strong	-	-	-	-	-	-	
23	CSC Processes	5	4.5	Draft	TBC							
24	Misc Democratic	5		Note 1								
25	Legal Services Contract	8	3	Started								
26	Corporate Health and Safety	8	8	Final	Reasonable	-	2	-	1	-	-	
27	Recommendation Follow Up	6	6	Final	N/A	-	1	-	6	9	7	
Computer Audit												
28	Network Security and Infrastructure	10	10	Final	Reasonable	-	10	4	-	2	-	
29	Telecommunications	10	10	Final	Reasonable	-	2	7	2	1	-	
-	Remote Access	-	10 days deferred to 2013/14 Internal Audit Plan									
30	Geographical Information Systems (GIS)	7	7	Final	Reasonable	-	7	1	-	-	-	
31	Follow-up of IT Recommendations	3	3	Final	N/A	-	-	-	10	-	-	
Other												
	Audit Needs Assessment	4	4									
	Audit Committee	5	5									
	Audit Management	12	12									
TOTAL		230	219 (95.2%)			3 (3%)	51 (56%)	37 (41%)	40 (62%)	25	25 (38%)	

Note 1: The audit will be undertaken in Q1 of the 2013/14 financial year as requested by the manager

Note 2: An Important recommendation would have been raised had there not been service actions currently being implemented.

Note 3: Three important recommendations were raised which were not directly part of the benefits process.

2013/14 Internal Audit Plan as at 31st May 2013

Annex Two

No.	Audit Title	Days in Plan	Days Delivered	Status	Assurance Opinion	New Recommendations			Previous Recs. (E and I only)		
						Essential	Important	Advisory	Implemented	Cancelled	Non Implemented
Quarter 1											
1	Management of Tradesmen	7	0.5	Q1 audit							
2	Town Centre Management	7	6	Started							
3	Coastal Protection & Land Drainage	6	0.5	Q1 audit							
4	Leisure Centre Trust	6	5	Started							
Quarter 2											
5	Treasury Management	6		Q2 audit							
6	Insurance	5		Q2 audit							
7	Planning Contributions	8		Q2 audit							
8	Training & Development	8		Q2 audit							
9	Licensing of Taxis & Alcohol	8		Q2 audit							
10	Public Conveniences	6		Q2 audit							
Quarter 3											
11	Ordering & Payment of Invoices	7		Q3 audit							
12	Invoicing & Collection of Income	9		Q3 audit							
13	Payroll	7		Q3 audit							
14	Fixed Assets	6		Q3 audit							
15	Revenues	12		Q3 audit							
16	Performance Management	8		Q3 audit							
17	Clean Borough Enforcement & Abandoned Vehicles	7		Q3 audit							
18	Cash Collection & Banking	8		Q3 audit							
19	Housing Rents	6		Q3 audit							
20	Ferneham Hall	6		Q3 audit							
Quarter 4											


No.	Audit Title	Days in Plan	Days Delivered	Status	Assurance Opinion	New Recommendations			Previous Recs. (E and I only)		
						Essential	Important	Advisory	Implemented	Cancelled	Non Implemented
21	Risk Management	6		Q4 audit							
22	Main Accounting	10		Q4 audit							
23	Financial Regulations Limited Compliance Testing	2		Q4 audit							
24	Housing Benefits & Council Tax Benefits	10		Q4 audit							
25	Planning Applications	6		Q4 audit							
26	Parking Strategic Management & Policy Services	6		Q4 audit							
27	Homelessness	6		Q4 audit							
Computer Audit											
28	Remote Access	8		Q2 audit							
29	Main Accounting System (E-Financials) Application Review	7		Q3 audit							
30	Website Content Management	10		Q1 audit							
Other											
Audit Committee		4									
Audit Management		12	2								
TOTAL		230	14 (6.1%)			0 0%	0 0%	0 0%	0 0%	0 0%	0 0%

Summary of Findings from Completed Audits

Annex Three

2012/13 Off Street Parking

Audit Opinion and Direction of Travel


Limited						
						
Direction of Travel:				← 2010/11		
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Legislation, policies and procedures	-	-	1	-	-	-
Income including cash collection	1	-	1	1	-	-
Administration of penalty charge notices (PCNs)	-	-	-	1	-	-
Off street car parking inspections and maintenance	-	-	-	1	-	-
Management information and reporting	-	-	-	-	-	-
Reporting of faults of car parking machines	-	-	-	-	-	-

Weaknesses Identified During Audit

Priority	Weakness	Action Agreed?
Essential (New)	Significant variances of income banked to the machine readings were found in 19/25 days examined. No explanation had been recorded for the variances although they are likely to be due to timing differences or missing machine readings. It is noted that this is being addressed with the implementation of a computer link to each machine to provide real time data.	Yes

2012/13 Data Protection

Audit Opinion and Direction of Travel


Limited						
						
Direction of Travel:				←	2002/03	
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Legislation, policies and procedures	-	-	-	-	1	-
Training and awareness	-	1	-	1	1	-
Corporate registration	-	-	-	-	-	-
Role of the Data Controller	-	-	-	-	-	-
Fair processing statements	-	1	-	-	-	-
Data subject requests	-	-	1	-	-	-
Security of Information	1	3	-	1	-	-
Data retention and disposal	-	1	-	-	-	-
Management reporting	-	-	-	-	-	-

Weaknesses Identified During Audit

Priority	Weakness	Action Agreed?
Essential and Important (New)	Examples were found where areas of the council could tighten up on their management of electronic and hard copy personal data in line with the Data Protection Act principles. Actions are being taken to strengthen our arrangements.	Yes

2012/13 Pest Control

Audit Opinion and Direction of Travel

Reasonable						
						
Direction of Travel:				↔ 2005/06		
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Scheduling of Works	-	-	-	-	-	-
Collection and Transfer of Income	-	1	-	-	1	1
Supporting Documents and Checks for People Eligible for Discount	-	1	-	-	-	-
Monitoring of Contractors and Works Undertaken	-	-	-	1	-	-
Follow Up						
Raising of Sundry Debtor Accounts including Recharges	-	1	-	-	1	-
Stock Control and Ordering	-	-	-	-	-	1
Management Reporting and Information	-	-	-	-	-	-

Weaknesses Identified During Audit

Priority	Weakness	Action Agreed?
Important (New)	Procedures for the reconciliation of income between the Ocella and e-Financials accounting system need to be established.	Yes
Important (New)	A range of available practical checks that can be used as proof of evidence to demonstrate those in receipt of benefits, and so eligible for a free treatment need to be established.	Yes
Important (New)	Four agreements are in place as part of service contracts, however these were each dated April 2010. Audit was advised by the Principal Environmental Health Officer that verbal agreement was given for the 2010 agreements to be carried over to 2011/12.	Yes

Priority	Weakness	Action Agreed?
	The 2012/13 agreements have yet to be formally signed but verbal agreement had been given by the departments that they still wanted to receive the same services.	
Important (Previous)	There is a need to improve controls over bait usage by introducing stock control and by comparison of Ocella and accounting records.	Yes
Important (Previous)	There is a need to reconcile debtor invoices to be raised as recorded in Ocella with invoices raised by reference to the accounting system.	Yes

2012/13 Ordering & Payment of Invoices

Audit Opinion and Direction of Travel


Strong						
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Direction of Travel:				⇒ 2011/12		
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Policies and Procedures	-	-	1	-	-	1
Authorisation Procedures	-	-	-	2	-	-
Goods/Services Receipting	-	-	-	1	-	1
Coding of Expenditure	-	-	-	-	-	-
Payments	-	-	-	1	-	-
Prompt Payment Discounts	-	-	-	-	-	-
Manual Payments	-	-	-	-	-	-
Duplicate Payments	-	-	-	-	-	-
Supplier Account	-	-	1	-	1	-
Segregation of Duties	-	-	1	-	-	-

Weaknesses Identified During Audit

Priority	Weakness	Action Agreed?
Important (Previous)	Audit testing of twenty invoices processed this financial year identified two instances where supporting documents had not been scanned into the system.	Yes
Important (Previous)	Financial Regulations relating to the yellow sticker use and acceptable types of purchases were in the process of being reviewed.	Yes

2012/13 Capital Project Management

Audit Opinion and Direction of Travel


Reasonable						
						
Direction of Travel:				No previous audit		
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
The objectives and financial implications of each capital programme	-	-	-	-	-	-
Scheme approval	-	-	-	-	-	-
Project initiation documents and the identification of risks	-	-	-	-	-	-
Regular monitoring and investigations of variances/slippages	-	-	-	-	-	-
Formal project management structure with defined roles and responsibilities	-	1	-	-	-	-
Procurement in line with SFIs and scheme of delegation	-	-	-	-	-	-
Management information	-	1 (as above)	-	-	-	-
Post implementation review	-	-	-	-	-	-

Weaknesses Identified During Audit

Priority	Weakness	Action Agreed?
Important (New)	During the course of the audit, we noted that whilst a number of templates are in place, these are not held centrally or in a formally approved format; as such, for each project, differing approaches may be adopted.	Partly

2012/13 Revenues (Council Tax & NNDR)

Audit Opinion and Direction of Travel

Reasonable						
						
Direction of Travel:				↔ 2011/12		
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Policies and procedures	-	-	-	-	-	-
Setting the Council Tax, including Precepts	-	-	-	-	-	-
Amendments to standing data and system calculation of amounts due	-	-	-	-	-	-
Reconciliations between debit and valuation list	-	-	-	-	-	-
Discount and reduction application	1	-	-	-	-	1
Billing	-	-	-	-	-	-
Receipts	-	-	-	-	-	-
Suspense accounts	-	-	-	-	-	-
Recovery action, including write off	-	-	-	2	-	-
Refunds	-	1	-	-	-	-
Management information	-	-	-	1	-	-

Weaknesses Identified During Audit

Priority	Weakness	Action Agreed?
Essential (New)	For the sample of twenty accounts selected in receipt of a discount, ten cases were noted whereby the account had not been subject to regular review to confirm continued eligibility, some dating back to 1993.	Yes
Important	Refunds of payments made by credit or debit card were found to be issued in cheque form, regardless of how the original payments	Yes

Priority	Weakness	Action Agreed?
(New)	were made. It has been indicated that a future switch from using "MOTO" to using "managed pay.net" may overcome technical limitations.	
Important (Previous)	There is a need for the discount and reduction review schedule to be established and monitored to ensure the continued eligibility of claimants in receipt of discounts. In order to confirm eligibility of students, the Council should obtain annual assurance from Higher Education providers for Student exemptions.	Yes

2012/13 Cash Collection & Banking

Audit Opinion and Direction of Travel

Reasonable						
						
Direction of Travel:				← 2011/12		
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🚨)	Important (▲)	Advisory (ℹ)	Implemented	Cancelled	Non Implemented
Policies and Procedures	-	-	-	-	-	-
Collection and Recording of Payments	-	-	-	-	-	-
Banking	-	Note 1	-	-	-	-
Incorrect and Post Dated Cheques	-	-	-	1	-	-
Payments	-	-	-	-	-	-
Reconciliations	-	-	-	-	-	-
Suspense Accounts	-	-	-	-	-	-

Weaknesses Identified During Audit

Weakness	Action Agreed?
Note 1: A weakness was identified in that the Council does not have a current cash collection contract, whilst interim arrangements are in place and a new contract being tendered this does pose a risk to the Council. A recommendation has not been raised for the weakness as remedial actions are being undertaken.	Yes

2012/13 Housing Benefits

Audit Opinion and Direction of Travel

Strong						
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Direction of Travel:				↔ 2011/12		
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Policies and procedures, including adherence to legislation, financial regulations and local policy	-	-	1	-	-	-
Benefit transactions and records	-	-	1	-	-	-
Post opening procedures	-	-	1	-	-	-
Timeliness and accuracy of assessments, amendments, payments and cancellations	-	-	-	-	-	-
Transfer of entitlement	-	-	-	-	-	-
Backdated claims	-	-	-	-	-	-
Overpayments and recovery	-	-	1	-	-	-
Management information	-	-	-	-	-	1


Weaknesses Identified During Audit

Priority	Weakness	Action Agreed?
Important (Previous)	A full review of the Northgate user access is in progress to update the security profiles.	Yes

Note: Three other important recommendations were raised which were not directly part of the benefits process.

2012/13 Housing Rents

Audit Opinion and Direction of Travel

Reasonable						
						
Direction of Travel:				↔ 2011/12		
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Calculation and billing of rents	-	-	-	-	-	1
Recording of receipts and allocation of income	-	-	-	-	-	-
Refunds and account adjustments, including cancellations and rent free weeks	-	-	-	-	-	-
Accounts in credit	-	-	-	-	-	1
Rent arrears and write offs	-	2	-	-	-	1
Separation of duties	-	-	-	-	1	-
Review of rent reconciliations	-	-	-	-	1	-


Weaknesses Identified During Audit

Priority	Weakness	Action Agreed?
Essential (Previous)	There is a need for former tenant arrears to be transferred from the Rents System to the Debtors System on a bi-monthly basis.	Yes
Important (New)	Sample testing of ten former tenant arrears noted eight cases where the tenant had deceased; as such, the account/ debt should have been subject to review and write off if relevant. Discussion with the Operational Finance Manager highlighted that a review of former tenants in arrears has not been carried out prior to July 2012, due to a lack of staff resources. However, a temporary resource will be supplied to enable a review of former tenant arrears and write offs will be progressed where relevant.	Yes
Important (New)	Sample testing of 15 current tenant arrears found that there was insufficient evidence to support the regular monitoring of two of the accounts in arrears.	Yes
Important	There is a need for a prompt be issued to staff to ensure that at Tenancy sign up stage the rent account position is checked and	Yes

Priority	Weakness	Action Agreed?
(Previous)	any arrears are added to the Tenancy Agreement prior to Tenant sign up.	
Important (Previous)	Refunds should be processed promptly every quarter (although it is accepted that in cases where housing benefits may be subject to change, there could be a short delay in case the benefit is re-calculated).	Yes

2012/13 Ferneham Hall Follow Up

Audit Opinion and Direction of Travel

Limited	
	
Direction of Travel:	↔ 2011/12


A total of six recommendations were followed up and whilst progress had been made it was confirmed that none had been fully implemented. In addition one new 'Advisory' recommendation has been raised to enhance control.

Weaknesses Identified During Audit

Priority	Weakness	Finding
Essential (Previous)	When taking bookings for hiring the facilities at Ferneham Hall, a check should be carried out to confirm that the hirers have adequate insurance cover. A copy of their insurance cover should be retained for any future dealings with the hirer and upon expiry, further insurance provision should be provided. The Council should explore the opportunity for hirers to buy into the Council's Insurance provision.	Sample testing found that there was no evidence of hirer agreements or proof of insurance documentation in place. A standardised hirer's pack is currently being prepared for introduction in June 2013.
Essential (Previous)	All external hires should be supported by a completed agreement form. This should then be signed by the hirer and Ferneham Hall to verify that both parties are in agreement with the terms stated. Management should monitor adherence to this requirement.	
Essential (Previous)	Any procurement that is undertaken whereby the rules stipulated within the Financial Regulations cannot be adhered to due to the nature of the business, approval will be obtained by the Statutory Chief Finance Officer or Head of Service.	A number of cases in the sample test found no evidence or proof of price comparisons being obtained for purchases over £500 as required by the Council's Financial Regulations.
Important (Previous)	Set timescales of 2 weeks should be established for the processing of invoices / internal recharges and the speed of raising debtor's invoices should be monitored by management.	Sample testing of invoices raised for the hire of facilities found that a number had not been raised within the target time of two weeks after the service delivery date.
Important (Previous)	Segregation of duties should exist as far as possible between raising the requisition, receiving delivery of the goods or service and confirming delivery prior to the authorisation of the invoice.	Testing of a sample of purchases identified found a few where there was no evidence to confirm a separation of duties between the ordering, receiving and payment of goods or services.
Important (Previous)	FMS budget reports should be reconciled to Ferneham Hall's records on a quarterly basis.	We were advised that reconciliations have not been carried out for some time due to software problems. Now that the upgrade to efinancials is in place Ferneham Hall staff anticipate that they will have the capability to re-instate the reconciliations processes in the near future.

2012/13 Main Accounting & Budgetary Control

Audit Opinion and Direction of Travel

Strong						
						
Direction of Travel:				↔ 2011/12		
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Policies, procedures, standing orders and financial regulations including staff awareness	-	-	-	1	-	-
Completeness, accuracy, reliability and integrity of transactions and records for production of annual accounts, including suspense accounts and other financial returns	-	-	1	-	1	-
Ledger coding structure, feeder systems and control accounts	-	-	1 (raised within area two)	-	-	-
Virements, journal entries and manual adjustments	-	-	1	-	-	-
Processes for the production and publication of statements of accounts	-	-	-	-	-	-
Financial feeder systems reconciliation	-	-	-	-	-	-
Year end procedures including carry forward of balances	-	-	-	-	-	-
Internal recharging	-	-	-	-	-	-
Budget setting and monitoring guidance	-	-	-	-	-	-
Budgetary responsibilities	-	-	-	-	-	-
Budget setting and monitoring	-	-	-	-	-	-


2012/13 Treasury Management

Audit Opinion and Direction of Travel

Strong						
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Direction of Travel:				↔ 2011/12		
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Policies and procedures including the Treasury Management Strategy and Policy	-	-	-	-	-	-
Levels, limits and institutions that can be dealt with for both lending and borrowing are clearly stated	-	-	-	-	-	-
Contracts/service agreements with investment managers and brokers used	-	-	-	-	-	-
Authorisation limits to borrow and lend	-	-	-	-	-	-
Compliance with the Treasury Management Strategy	-	-	-	-	-	-
Cash flow monitoring, maximising and forecasting	-	-	-	-	-	-
Investment and borrowing records	-	-	-	-	-	-
Risk exposure of investments	-	-	-	-	-	-
Timeliness of transactions	-	-	-	-	-	-
Interest payments and receipts	-	-	-	-	-	-
Monitoring and reporting of performance	-	-	-	-	-	-
Reconciliations	-	-	-	-	-	-
Debt charges to services	-	-	-	-	-	-

2012/13 Corporate Health & Safety

Audit Opinion and Direction of Travel

Reasonable						
						
Direction of Travel:				↔ 2011/12		
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🚨)	Important (▲)	Advisory (ℹ)	Implemented	Cancelled	Non Implemented
Regulatory, organisational and management requirements	-	-	-	-	-	-
Health & safety framework	-	-	-	-	-	-
Health & safety awareness	-	1	-	-	-	-
Health & safety checks	-	-	-	1	-	-
Risk assessments	-	1	-	-	-	-
Reporting concerns	-	-	-	-	-	-
Performance management reporting	-	-	-	-	-	-

Weaknesses Identified During Audit

Priority	Weakness	Action Agreed?
Important (New)	There was no formal evidence to indicate Health and Safety induction training had been completed for new starters. This was partly due to a lack of system functionality and lack of clarity where responsibility resides. This was partly due to a lack of system functionality and confusion over where responsibility resides.	Yes
Important (New)	A number of service risk assessments were not found in the new corporate template.	Yes





Audit Recommendations Follow Up

These recommendations had previously been reported by the services as having been implemented and the focus of the audit was to confirm this status. The findings are given in the table below.




Area	Ref	Number of Recommendations Followed Up	Implemented	Partly Implemented	Not Implemented	Risk Accepted	No longer applicable /tracked
Economic Development 2008/09	1.0	6	2		1		3
Registered Social Landlord 2007/08	2.0	5	1				4
Cemeteries and Churchyards 2007/08	3.0	5	1	1	1		2
Community Grants and CATS 2009/10	4.0	4	1			3	
Printing 2007/08	5.0	2			2		
Planning Policy 2007/08	6.0	2					2
Petty Cash 2010/11	7.0	1	1				
Total		25	6 (24%)	1 (4%)	4 (16%)	3 (12%)	11 (44%)

Summary of Assurance Opinions Used

Annex Four

Assurance Level	Symbol	Description
Strong		There is a strong system of control designed and operating effectively. Any weaknesses found were low impact and do not significantly affect key controls or the achievement of the objectives of the system.
Reasonable		There is basically a sound system of internal control but weaknesses were found in system design or compliance, which result in some risk to the achievement of the system objectives.
Limited		There are some weaknesses in the system of control designed or the level of compliance which result in significant risk to the achievement of the system objectives.
Minimal		Fundamental weaknesses have been identified such that many key controls are absent or not operating effectively which may put at risk the achievement of the corporate control objectives.

Recommendations and actions in the report are categorised using the following 3 point scale in use on the Council’s action management system:

Essential		A fundamental weakness in the control system which presents immediate risk to the service or system of a significant nature. Requires urgent attention by management. Reported to the Audit Committee and implementation of proposed actions are monitored.
Important		A significant control weaknesses where the risk is not imminent or only of a moderate nature. This needs addressing but is not urgent. Reported to the Audit Committee and implementation of proposed actions are monitored.
Advisory		A weakness or opportunity for improvement where the risk poses no great threat and is relatively minor. Consideration should be given to addressing the weakness if there is the appetite and/or capacity to implement the improvements. We will not track actions taken to address these recommendations unless at the manager’s request.

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system. The assurance level awarded in our internal audit report is not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Deloitte & Touche Public Sector Internal Audit Limited

June 2013

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