



AUDIT COMMITTEE

Committee Report

Public

Date of Meeting: 17th July 2006

Title: Internal Audit Services Progress Report

Report of: Head of Audit Services

Report reference: Financial Memo FS30/06

Summary:

This report summarises the work carried out by Audit Services for the period 1st April to 30th June 2006.

Recommendations:

Members are requested to receive the report.

Contact Officer: Ian Beckett, Head of Audit Services **Ext:** 7292

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: None

Audit Services Progress Report

1st April to 30th June 2006

1 Introduction and Format of Report

- 1.1 The Accounts and Audit Regulations require the Authority to ensure that it has an Internal Audit Service which operates in accordance with “proper practice” – this “practice” has been defined by the (then) O.D.P.M. as the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (the Code).
- 1.2 The Code, in turn, requires me to provide reports to “those charged with governance” - i.e. the Audit Committee - containing the following –
 - 1.2.1 An opinion on the overall adequacy and effectiveness of the Authority’s risk-management system and internal control environment, together with any qualification to that opinion, and the reasons for the qualification
 - 1.2.2 A summary of the audit work form which the opinion is derived, including reliance placed on work by other assurance bodies
 - 1.2.3 Attention to be drawn to any issues which I judge to be particularly relevant to the preparation of the Statement on Internal Control
 - 1.2.4 Comparison of the work undertaken with the work that was planned and summarise the performance of the Internal Audit function against its performance measures and criteria
 - 1.2.5 A comment on compliance with these standards (i.e. the Code) and communicate the results of the Internal Audit quality assurance programme.
- 1.3 I am also required to alert Members to any emerging issues in respect of the areas covered above.

- 1.4 This report is the first in the format prescribed above, which will be used for all future reports to this Committee. The interim (quarterly) reports will include a brief section on each of the areas covered by 1.2.1 to 1.2.5 above – this will be expanded in the full formal annual report.
- 2 Overall adequacy and effectiveness (Ref 1.2.1 above)
- 2.1 The Authority maintains a Corporate Risk Register that is reviewed and actioned at SMT level. This Register is monitored by the Authority's Corporate Risk Management Group, of which I am a member. The Operational Risk Registers are maintained by each of the Directorates.
- 2.2 The information contained in both Registers is used when formulating and updating the Risk-based Audit Plan. All audit reviews are undertaken on a "risk-based" approach, and any weaknesses that are identified are reported to management, together with appropriate recommendations for action.
- 2.3 All recommendations are followed up in due course. Members' attention would be drawn to any significant failure by managers to take the necessary agreed remedial action.
- 2.4 Based on the work undertaken during the period covered by this report, and management's acceptance of, and action taken on, the findings and recommendations contained in the audit reports, it is my opinion that the systems of control are satisfactory.
- 3 Summary of Audit Work (Ref 1.2.2 above)
- 3.1 As agreed by Members of this Committee at the meeting on 12th June 2006 – Report FS10/06 refers – Members will be supplied, at each meeting, with the Management Summary and the Summary of Recommendations and Action Plan for each audit which has been completed since the previous meeting.
- 3.2 The following reviews have been completed and the final reports issued during the period 1st April to 30th June 2006 -

Appendix A – Payroll (*)

Appendix B – Treasury Management (*)

Appendix C – Sundry Debtors (*)

Appendix D – Cash Collection (*)

Appendix E – Main Accounting (*)

Appendix F – Council Tax (*)

Appendix G – Creditors (*)

Appendix H – Housing Benefits (*)

Appendix I - NNDR (*)

Appendix J – Carlisle Leisure (Client)

Appendix K – Performance Indicators

Those marked as (*) are the “material reviews” that are undertaken annually as required by the Audit Commission.

- 3.3 All of our Internal Audit work is undertaken “in-house” – no work has been undertaken by other “assurance bodies”.

4 Issues Relevant to the Statement on Internal Control (Ref 1.2.3 above)

- 4.1 The updated Action Plan related to the Statement on Internal Control is reported separately to Members each quarter. No further issues have arisen during the period covered by this report to which I need to draw Members’ attention.

5 Comparison of Actual to Planned Work (Ref 1.2.4 above)

- 5.1 As the Audit Plan is agreed on an annual basis, the actual work undertaken in any given period will depend on staff availability, duration of individual reviews etc - there is no set “target” for each quarter. The results of individual reviews which have been completed are reported under paragraph 3.2 above. An annual summary will be presented to Members in due course. Work is progressing on the “High Risk” areas for review, all of which will be undertaken during the year.
- 5.2 As previously reported to Members – Report FS10/06 refers- there are, at present, no standard indicators against which to judge our performance. All of the information provided to the IPF Benchmarking Club is currently being checked and analysed, prior to its publication – and hopefully there will be agreement on acceptable and meaningful indicators. I will attend the IPF review meeting on 5th October, and will report the outcome of the benchmarking exercise to Members as soon as possible thereafter.

6 Compliance with the Code

- 6.1 As previously reported to Members – Report FS10/06 refers – we are fully compliant with the current Code of Practice except for the (as yet nationally unresolved) question of Audit’s “independence”. The Code, which was issued in

2003, is currently being revised to reflect current thinking and the changes resulting from the Accounts and Audit (Amendment)(England) Regulations 2006.

6.2 When the revised Code is issued I will undertake a full review of our compliance therewith, and will appraise Members of any areas where we are less than fully compliant.

6.3 With regard to any “quality assurance programme”, I do not consider that there is the need for any such formal programme in a Team of our size. All audit work – working papers, draft and final reports including the standard and grading of recommendations – is scrutinised by myself or by the Principal Auditor in order to ensure that the work is maintained to a consistently high standard.

7 Emerging Issues (Ref 1.3 above)

7.1 There are no further issues to which I wish to draw Members’ attention at this time.

I. Beckett
Audit Services Manager
July 2006



Corporate Services

Internal Audit Services

Audit of Payroll Services

Core Systems Review

Final Report

Lead Auditor	Debbie O'Brien
Distribution of Report	Head of Member Support and Employee Services Pay and Administration Manager Head of Financial Services (Sections 5, 6 & 7) <i><u>Note: The Deputy Chief Executive and the Director of Corporate Services receive copies of all Final Audit Reports.</u></i>
Document Ref:	K:\CommitteeReports\Audit Committee\17 July 2006\FS.30.06 - Appendix A - Internal Audit Services Progress Report.doc
Date of Report:	28 th April 2006

1. Why was this Audit carried out?

- 1.1. The audit was undertaken as part of the agreed Audit Plan for 2005/06 and forms part of the annual programme of fundamental system reviews.

2. Background Information / Summary of the Audit Area

- 2.1. Payroll Services is a Member Support and Employee Services function. There are three members of staff with directly linked roles to the production of the payroll although in addition some Personnel staff and IT Staff have a role in the operations.
- 2.2. The unit is responsible for all the pay for all Contracted & Casual Staff, Community Centres Salaries and Member's Expenses. The service relies on the Opendoor IT System.

3. Associated Risks of Providing this Service/Function

- 3.1. Examination of the Risk Registers noted that the following risks had been identified.

Strategic Risks:

- *There are none recorded*

Operational Risks:

- *Information Systems dysfunction leading to failure to pay staff on time and accurately*
- *Failure to meet legal duty and statutory compliance*

4. Scope of the Audit

- 4.1. Audit testing and verification has been carried out to form an opinion over the adequacy of systems and controls in place relating to the risks identified. Key areas for review are:

- *Separation of Duties in the preparation of the payroll*
- *Restricted Access to the Payroll System*
- *Validation of Data*
- *Reasonableness of the output*
- *Suspense Items are cleared promptly*
- *Reconciliation between Opendoor and the Main Accounting System*
- *BACS controls are authorised*
- *Business Units are verifying their payroll costs*
- *The IT System is secure*
- *There is an adequate contingency plan in place*
- *Follow up of 2004/05 Audit*

5. Overall Conclusion of the Audit Review

- 5.1. The overall payroll system is adequate and there are no significant system weaknesses. There are recommendations within this report that are to help improved the system controls.

NB: The Head of Member Support and Employee Services should complete the shaded areas below – namely the action to be taken by the Directorate, the timescale for implementation and the Officer responsible for this action, when responding to the draft report.

Ref.	Recommendation	Grade	Action to be Taken	Timescale for Implementation	Officer Responsible for this Action
2a	Managers need to be reminded of their responsibility to let Pay & Member Support Services know of any deductions needing to be made.	B	The deduction that was not made was for authorised unpaid leave therefore it might be that Personnel need to remind managers of the rules regarding this and the need to inform both Personnel and Payroll.	a.s.a.p	Personnel Manager
2b	All staff should be reminded of their responsibility to ensure that their pay is correct and that they are obliged to notify Pay and Member Support if it is incorrect	B	I am not sure that staff are aware of the implicit responsibility they have to check that their pay is correct but would agree that something should be said.	a.s.a.p	Pay and Member Services Manager
3a	The Pay and Members Support Manager should advise Tullie House that we are no longer in a position to Gross up pay for "Casual" staff.	B	Payroll to advise Tullie House that we are no longer in a position to 'gross up' wages for casual staff. Will also remind them that casual staff rates MUST include an element for holiday pay and this is 7.7% of their rate AND this must be shown separately on the correspondence inviting them to work. The current ERBS database does not have the facility to show this on the payslip so the manager inviting the casual to work must provide this information, every time they work. [Reason - relates to Working Time Directive]. They may do this - but I see no harm in re-enforcing	a.s.a.p	Pay and Member Services Manager
3b	The Authorised Signatories forms for Community Services must be updated	C	Already in process of action following restructure & Pay and Member Services Manager's return	By 31 st May	Pay and Member Services Manager

5a	Consideration should be given to increasing the Value on the "Salaries over" reports to £1800 & £2800	D	a.s.a.p	May salaries	Pay and Member Services Manager
5b	The Finance and Admin Assistant should be documenting the reason for any discrepancies.	B	This has been implemented	Done	Development & Support Officer
6a	The Payroll suspense should be cleared within two week of Payday where possible	B	It will be balanced unless there is a system problem	Immediate	Principal Accountant
7a	The Accountancy Assistant should, where possible, identify all differences between the Opendoor and the Main Accounting Systems monthly	B	All differences are now identified and the system is fully reconciled to the ledger.	Immediate	Principal Accountant
7b	Accountancy Staff should ensure that the Petty cash claim is rectified and that the VAT is correctly accounted for	B	This was actioned 29/03/06	Done	Principal Accountant
7c	The Advances should be reconciled monthly	B	The advances will be reconciled monthly	Immediate	Principal Accountant
7d	The Salaries Wages Control should be passed to the relevant Principal Accountant for verification	C	It is agreed that this has been allowed to slip in 2005/06. Staff will ensure that this is done on a monthly basis from now on	Immediate	Principal Accountant
9a	The Verification check on Casuals should be carried out as soon as possible.	B	Delay was due to all the other work Personnel Officer was doing on reconciling staffing numbers with Finance's information and amending the database for the restructure. It will be done within the next few weeks.	By July 2006	Personnel Manager

11a	The Contingency plan should be finalised when the new IT system is implemented.	B	Agree	In accordance with ERBS implementation timetable	Pay and Member Services Manager
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Appendix B

Corporate Services

Internal Audit Services

Audit of Treasury Management

Core Systems Review

Final Report

April 2006

Lead Auditor	Paula Norris
Distribution of Report	Head of Financial Services Treasury and Insurance Manager <i><u>Note: The Deputy Chief Executive and the Director of Corporate Services receive copies of all Final Audit Reports:</u></i>
Document Ref:	PN/FIS010/2005-06
Date of Report:	19 th April 2006.

1. Why was this Audit carried out?

- 1.1. The audit was undertaken as part of the agreed Audit Plan for 2005/06 and is one of the nine core system reviews that are required by the Audit Commission to be performed.

2. Background Information / Summary of the Audit Area

- 2.1. The Treasury and Insurance Manager has been dealing with Treasury Management issues for approximately 23 years and has a wealth of knowledge and experience. The basic key controls have been addressed this year and to comply with ISA (International Standards on Auditing) requirements, procedure notes have been drawn together that correspond to the CIPFA Audit Matrices.

3. Associated Risks of Providing this Service/Function

- 3.1. Examination of the Risk Registers produced noted that the following risks had been identified regarding.

Strategic Risks:

- *That the Council's funds are not invested effectively.*

Operational Risks:

- *That there is no separation of duties.*
- *Lack of internal control.*

4. Scope of the Audit

- 4.1. Audit testing and verification has been carried out to form an opinion over the adequacy of systems and controls in place relating to the risks identified. Key areas for review are:

- *Follow up of previous review*
- *Register of Investments.*
- *Reconciliation to Ledgers and Brokers Statements.*
- *Purchase and sale of Investments.*
- *Transfer of funds.*
- *Performance Monitoring.*
- *Long Term Borrowing.*
- *Register of Loans.*
- *Loans Raised and Repaid*
- *Fidelity Insurance.*
- *Separation of Duties.*
- *Financial Strategy.*
- *IT Security, Back up and Contingency.*

5. Overall Conclusion of the Audit Review

- 5.1. The Treasury Management function is operating efficiently. There are seven recommendations within this report but are all of minor nature.

FINANCIAL SERVICES – TREASURY MANAGEMENT – SUMMARY OF AGREED ACTIONS.

Ref.	Recommendation	Grade	<i>Action to be Taken</i>	<i>Timescale for Implementation</i>	<i>Officer Responsible for this Action</i>
3a.	Consideration should be given to automating the entire Treasury Management Administration process.	B	The system will be automated when appropriate.	Within 6 months. (September 2006)	Treasury & Insurance Manager/ Finance/Systems Officer
4a.	It is recommended that the Treasury and Insurance Manager update the Building Society Preferred Lending List for the approval by the Director of Corporate Services.	B	The list will be updated.	Within 6 months. (September 2006)	Treasury & Insurance Manager.
5a.	The Authority is being charged by the bank for having the Hexagon system whether or not it is used. For this reason, and also for the security aspect, it is advised that the system be re-installed as soon as possible.	B	System is due to be re-installed.	April/May 2006.	Finance/Systems Officer.
5b..	It is recommended that the Accountancy Assistant maintains a log of bank transfer charges, that have been incurred as a result of the flood, for recovery through the insurance company.	B	List will be maintained. The importance of this will be superseded when Hexagon is reinstalled.	April/May 2006.	Treasury & Insurance Manager/Finance/ Systems Officer/Accountancy Assistant.

7a.	It is recommended that the Treasury and Insurance Manager and the Director of Corporate Services continue to monitor the option of early repayment of the stock issue.	B	This will be continually reviewed.	Annual review.	Director of Corporate Services/Treasury & Insurance Manager.
10a.	It is advised that the insurance policy details are corrected when the policy is renewed in May 2006 in respect of fidelity guarantee.	B	Details will be corrected at renewal stage.	May 2006.	Treasury & Insurance Manager.
12a.	It would be beneficial if the Treasury and Insurance Manager were made aware of any large 'ad-hoc' payments going through the Creditors system.	C	Finance Assistant has been notified of the requirement.	Immediate. T&I Manager will be notified when appropriate.	Finance Assistant.



Corporate Services

Internal Audit Services

Audit of Sundry Debtors & Miscellaneous Income

Core Systems Review

Final Report

April 2006.

Lead Auditor	Paula Norris
Distribution of Report	<p>Director of Corporate Services. Head of Revenues & Benefits Services Revenues Manager.</p> <p>Relevant excerpts have been circulated to:- Head of Audit Services Head of Environmental Services. Head of Information, Communication and Technology.</p> <p><u><i>Note: The Deputy Chief Executive and the Director of Corporate Services receive copies of all Final Audit Reports:</i></u></p>
Document Ref:	PN/RBS065/2005-06
Date of Report:	19th April 06

1. Why was this Audit carried out?

- 1.1. The audit was undertaken as part of the agreed Audit Plan for 2005/06.

2. Background Information / Summary of the Audit Area

- 2.1. The Authority is currently undergoing a restructure that sees this function being absorbed into the Corporate Services Directorate. This review focuses on the systems that were in place for the majority of 2005/06 but it is not envisaged that these will change, even under the new structure.

3. Associated Risks of Providing this Service/Function

- 3.1. Examination of the Risk Registers produced noted that the following risks had been identified regarding.

Risks identified:

- Failures in miscellaneous income administration would result in a lack of resources for the Council in achieving its objectives.
- High chance of reputational risk if billing is erroneous.
- System control errors.
- Inaccurate bills sent. Data not up to date e.g. wrong people or addresses.
- IT/Operating systems/Administrative failures.
- Bills not sent out in time.
- Failure in payment collection methods.
- Recovery action not taken.
- Management information inaccurate or not accessible.
- Infrastructure failure.

4. Scope of the Audit

- 4.1. Audit testing and verification has been carried out to form an opinion over the adequacy of systems and controls in place relating to the risks identified. Key areas for review are:

- Follow up recommendations made in the 2004/05 review.
- Accuracy of invoice administration.
- Ownership of debts.
- Target dates for raising invoices are set and monitored.
- Collection rates are monitored by means of an aged debt analysis.
- Accuracy of income codes.
- Ensure that the Debtors System is regularly reconciled to the General Ledger.
- Ensure that there is a separation of duties between invoicing and collection.
- Ensure that defined arrears recovery procedures exist.
- Ensure that all Sundry Income is invoiced.
- Ensure that all invoices can be easily traced.
- IT Security.
- Contingency Arrangements.

5. Overall Conclusion of the Audit Review

- 5.1. Overall the debtors function is performing well with processes having been established and work being produced to a high standard. Policies and procedures put into place by Debtors staff however, are only as effective as those who utilise them.

- 5.2. This review once again highlighted the fact that users were not always adhering to the procedures in place, despite repeated reminders from the Revenues Manager.
- 5.3. Apart from this area, which is fundamentally difficult to address, there are no serious weaknesses in the system.
- 5.4. There are 11 recommendations contained within this report, only 3 are attributable to the debtors section, 2 of which are small administrative adjustment to help to improve existing systems, the other a division of duties issue. The remaining 8 recommendations are for the attention of system user services and the relevant officers will be notified appropriately of these findings.

REVENUES & BENEFITS SERVICES – SUNDRY DEBTORS & MISC INCOME AGREED ACTION PLAN

Ref.	Recommendation	Grade	Action to be Taken	Timescale for Implementation	Officer Responsible for this Action
3a	Commercial & Technical Services should attempt to clarify the vehicle's responsible owner prior to raising the debt on the system, i.e, send an initial letter, asking for the name of the owner/driver at the date that the vehicle was abandoned, to the address supplied by the DVLC.	B	<p>The Abandoned Vehicle Co-ordinator has now been made aware of the proposed changes to the system. The Head of Environmental Services commented that the system requires an invoice to be raised even if there is no chance of recovery.</p> <p><i><u>AUDIT RESPONSE</u> – The issue of debt ownership has been a long running problem. It is envisaged that the strengthened Financial Procedure Rules should go someway towards rectifying the associated issues. Until these are in place however this recommendation cannot be enforced.</i></p> <p><i>The situation regarding Abandoned Vehicles should continue to be monitored. It is advised that the Head of Revenues & Benefits again contacts the Head of Environmental Services to investigate the option of monitoring jobs of this manner without the involvement of Contractorplus.</i></p>	<p>Mid May 2006</p> <p>As soon as possible.</p>	<p>Abandoned Vehicle Co-Ordinator.</p> <p>Head of Revenues & Benefits/Head of Environmental Services.</p>

3b	During the revision of the Financial Procedure Rules, the Head of Internal Audit Services should ensure that they state that only bona-fide debts be raised on the system.	A	Financial Procedure Rules are currently being revised as part of the overall Council review of the Constitution, which will be presented to Council for ratification in May 2006.	May 2006	Head of Audit Services.
4a	Users who fail to comply with the Authority's 14 day recommended limit between date of service and the production of the invoice, should again be reminded directly by Internal Audit .	C	Relevant Excerpts from the Sundry Debtors 2005/06 Draft Reports were circulated for consideration to CTS. Internal Audit will send an e-mail as noted to all Heads of Service asking them to action and to ensure all appropriate staff are made aware.	As soon as possible.	Head of Audit Services/Head of Environmental Services to ensure relevant service providing officers are informed to ensure that admin staff have time to process debtor accounts to meet the 14 day requirement.
5a	Carlisle Housing Association should be made aware of the importance of the prompt payment of debt prior to a service being provided. This should be the responsibility of the responsible Business Manager providing the service.	C	A formal Service Level Agreement is to be produced that will include agreed timescales for payments and invoices.	As soon as possible	Head of Environmental Services.
7a	It would be good practice if IT Services inform the Principal Systems/Finance Officer when Civica are attempting to 'dial in' to the system, to minimise any possible disruption to the interface.	B	IT Services are to carry out that notifying role.	<u>COMPLETE.</u>	Head of Information, Communication & Technology Services.

8a	In the present working environment the issue of Income Management staff cover is difficult to resolve. Customer service should not be sacrificed when the risk of fraud or theft is low. Management should state whether they are prepared to take the minimal risk and consider alternatives to this issue when the Corporate Services business restructure is complete.	B	The Revenues Manager can only cover the telephone payment line with Revenues staff. All Revenues staff with the exception of Unit Admin can amend one or more of the core systems. The Revenues Manager does not feel that it is too high a risk to take to continue with the current arrangements and for the Head of Revenues and Benefits to look at this issue in the forthcoming year.	31 st March 2007	Head of Revenues & Benefits
9a	Financial Services and Debtors staff should attempt to resolve all issues with Debtor 5000001834 as soon as possible.	B	Debtors staff have always had problems with the County Council over Highways invoices. The Revenues Manager has personally been involved in trying to resolve payment, as has the Head of Revenues and Benefits. It is the Revenues Managers opinion that this matter should be passed to the Head of Financial Services to try to resolve at her level. <i><u>AUDIT RESPONSE:</u> - It is the responsibility of the Director of Corporate Resources to decide who should be responsible for pursuing this outstanding debt and notify those officers accordingly.</i>	Immediately.	Director of Corporate Resources.

9b	<p>The following should be applied before the 28th February 2006.</p> <ul style="list-style-type: none"> • Commercial & Technical Services Staff should inform the Debtors Section to cancel the debtor accounts highlighted for recovery and re-raise the invoice on the new ledger system. The accounts must be raised including as much information as possible in the narrative to optimise the possibility of recovery. • Commercial & Technical Services Staff should inform the Debtors Section to cancel the debtor accounts highlighted for cancellation quoting the correct nominal code to re-charge the cost. • Financial Services staff should recover the erroneous VAT payment from the Inland Revenue and transfer to the relevant cost code. • Financial Services staff must ensure that they account for the mispaid VAT correctly. • Financial Services and Commercial & Technical Services staff should work together to establish an appropriate way to recover the outstanding debt owed by debtor 50000001682, so it is accounted for correctly and abides by Accounting Principles. 	B	THESE RECOMMENDATIONS WERE ACTIONED WITHIN THE ALLOCATED TIMESCALE.	<u>COMPLETE.</u>	
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12a	The Head of Information, Communication & Technology Services should amend the draft IT security policy to include 'internal transfer' of staff when informing the relevant 'system owners' of their movements. Appropriate steps should be taken by the responsible officers to ensure that this recommendation is actioned.	B	The Head of Information, Communication & Technology Services will amend the policy and liaise with Personnel Services to ensure that this action takes place.	As soon as possible.	The Head of Information, Communication & Technology Services.
12b	All transferred/ex employees must be removed from the system immediately and the list of systems users updated accordingly.	C	We will send a memo to staff to remind them of their responsibility to let us know should they leave or not require access to the system.	By 30 th April 2006	Revenues Team Leader
13a	The Head of Information, Communication & Technology Services must action the outstanding recommendations from the previous audit review.	B	The Head of Information, Communication & Technology Services assured that an action plan will be drawn up to ensure that these issues are addressed.	As soon as possible.	The Head of Information, Communication & Technology Services.

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Appendix D

Corporate Services - Financial Services

Internal Audit Services

Audit of Cash Collection & Income Management

Core Systems Review

Final Report

Lead Auditor	Gill Martin
Distribution of Report	Director of Corporate Services—full report & appendices B(i), B(ii), B(iii), C(i) & C(ii) Head of Financial Services – full report & appendix B(i), B(ii) & B(iii) and C(ii) Head of Revenues and Benefit Services – full report & appendix B(1) Director of Community Services sections 1,2,3,4, 9 & appendix B(2) & C(I) Head of Culture and Community – sections 1,2,3,4, 9 & appendix B(2) & C(I) Customer Services Manager – sections 1,2,3,4, 9 & appendix B(2) & C(I)
Document Ref:	K:\CommitteeReports\Audit Committee\17 July 2006\FS.30.06 - Appendix D - Internal Audit Services Progress Report.doc
Date of Report:	2 nd May 2006

1. Why was this Audit carried out?

- 1.1. This audit of Cash Collection and Income Management was undertaken as part of the agreed Audit Plan for 2005/2006 and forms part of the annual schedule of mandatory core audit reviews.
- 1.2. For the 2005/06, the agreed audit approach was as follows:
- Follow up the agreed recommendations arising from the 2004/2005 audit review;
 - Undertake system review and testing on the main system controls
 - Document the system in line with requirements detailed by the International Auditing Standards (section 315).

2. Background Information / Summary of the Audit Area

- 2.1. Cash Collection and Income Management duties are split between front and back office functions.
- 2.2. The Cash Office is an integral part of the Customer Contact Centre (CCC) front line service. As a result of the recent Authority re-organisation which came into effect at the end of February 2006, the Director of Community Services is now ultimately responsible for this function, although the daily operational management of the service remains the responsibility of the Customer Services Manager.
- 2.3. The Income Management Section (IMS) is a back office support service which, amongst other duties, manages the receipt of general income into the Authority through ICON, the income management system. Payment types handled by the Income Management Section include postal remittances, internet and intranet payments, telephone payments, Giro bank and post office payments. The re-organisation saw the back office Income Management function move under the banner of Corporate Services, making the Director of Corporate Services ultimately responsible for the service, although operationally it remains within the remit of the Head of Revenues and Benefits Services.

3. Associated Risks of Providing this Service/Function

- 3.1. Examination of the strategic and operational risk registers noted that the following risks had been identified.
- Effectiveness/reliability and protection of current ICT systems
 - Protection of IT e-records and data and hard copy information (failure will have business/financial impact and impact on resources/ cost of re-establishment).
 - Completion of Phase 1 of the Customer Contact Centre Project

These risks are to be addressed through effective contingency planning arrangements / cost effective action.

4. Scope of the Audit

- 4.1. Audit testing and verification has been carried out to form an opinion over the adequacy of systems and controls in place relating to the risks identified. Key areas for review are:
- Systems Documentation and the appliance of Financial Procedural Rules
 - Back Up, Contingency and Security of Transaction Data.
 - Recording of Payment Transactions and Posting Monies to Income Codes

- Reconciliation
- Loss to the Authority
- Postal and Unidentifiable Payments
- Banking Procedures
- Secure Transportation of Monies

5. Overall Conclusion of the Audit Review

- 5.1. On conclusion of this audit it was apparent that there were no significant issues concerning cash collection and income management duties. The recommendations made within the report are intended to strengthen existing systems of control.

Action Plan for Revenues and Benefits, Corporate Services

Responsible officer for implementation is the Head of Revenues and Benefits.

This Action Plan will be followed up in approximately 6 months time. Please note that any areas, where it is found that insufficient or no action has been taken, will be reported to the Audit Committee along with the reason for non-action.

Ref.	Recommendation	Grade	Action to be Taken	Timescale for Implementation	Officer Responsible for this Action
4(a)	The contingency arrangements to be adopted by the Income Management Section should ICON fail for any length of time should be formally documented.	B	Procedural notes should be written for the receipting and recording of items banked if ICON should fail.	31/10/06	IM Team Leader
4(b)	Where scanned images are to be retained and the original document destroyed/not retained (see 4(d)), quality checks on scanned images should be made. If not already picked up in normal receipting practices, the accuracy and completeness of details on cheques could also be examined as part of these checks.	B	This should be carried out on a daily basis as part of scanning procedures. IM Team Leader will instruct staff to carefully monitor items as they are scanned.	Immediate	IM Team Leader
4(c)	All CDs produced should be clearly labelled on the CD itself. The original copy should remain on site (in a secure location) and a copy should be held in a suitable off site location. Any weeding policy established (see 4(b)) should include the management of CDs	B	CD's of scanned images are already labelled. The original does remain on site in a secure location and the copies are taken by IT Services to their store at the TIC. Some guidance from Audit would be appreciated in timescales for retention of CD's.	Already in place	IM Team Leader

Cash Collection – Core Review

Summary of Agreed Actions

APPENDIX B (1)

4(d)	<p>As the corporate team responsible for cash and income management procedures, the IMS should establish a corporate retention of information and weeding policy for all key documents and scanned images concerning cash and income management. These procedures should be in line with local agreements, noting (statutory) guidance provided by the Records Management of Great Britain and the security and retention issues concerning sensitive information (e.g. credit and debit card information).</p> <p>Once established, the IMS should liaise with other establishments throughout the Council to ensure that they are operating their cash collection and income management functions in compliance with the corporate procedures.</p>	B	<p>Some guidance and input from Audit would be appreciated on this. Please forward the documentation referred to in this note to the IM Team Leader. With reference to credit/debit card information guidance from the bank would be needed and IM have no contact with HSBC.</p> <p>Income Management will come up with some draft guidelines for a weeding policy for all key documents and scanned images, which will be agreed with Audit. This could be quite a big task so some extra time may be needed. Other authorities may be approached for their policy guidelines as this is a new area for us.</p> <p>Once the policy has been agreed by all concerned, other establishments will be advised of the guidelines they will need to follow.</p>	31/10/06	<p>IM Team Leader</p> <p>Revenues Manager / Head of Rev</p>
6(a)	A method to reconcile the Reversals report to noted processing undertaken should be examined.	C	Internal Audit to consult/work further with the Income Management Team Leader on this matter	01/07/06	Internal Audit / IM Team Leader
6(b)	A record of the reconciliation between the Card File to the card payment amounts shown in ICON should be maintained	B	A spreadsheet has be set up to monitor these two amounts.	01/04/06	IM Team Leader

Action Plan for Culture and Community, Community Services Directorate

Responsible officer for implementation is the Head of Culture and Community

This Action Plan will be followed up in approximately 6 months time. Please note that any areas, where it is found that insufficient or no action has been taken, will be reported to the Audit Committee along with the reason for non-action.

Ref.	Recommendation	Grade	<i>Action to be Taken</i>	<i>Timescale for Implementation</i>	<i>Officer Responsible for this Action</i>
4(a)	The contingency arrangements to be adopted by the Customer Contact Centre should ICON fail for any length of time have not been formally documented.	B	Arrangements to be formally documented.	By mid – May 2006	CSM and CCC Supervisor
4(e)	Until other such guidance is produced (see 4(b) above), all staff / cashiers responsible for processing credit / debit card payments should be reminded about the security implications and retention of transaction slips.	C	E – Mail to be issued to relevant staff stressing the importance of security implications.	By mid – May 2006	CSM and CCC Supervisor

Action Plan for Financial Services, Corporate Services

Responsible officer for implementation is the Head of Financial Services.

This Action Plan will be followed up in approximately 6 months time. Please note that any areas, where it is found that insufficient or no action has been taken, will be reported to the Audit Committee along with the reason for non-action.

Ref.	Recommendation	Grade	Action to be Taken	Timescale for Implementation	Officer Responsible for this Action
7(a)	The insurance details / schedule concerning the safes used throughout the Authority (type, location, value held, access arrangements etc) should be updated.	C	This will be actioned by the Treasury and Insurance Manager	July 2006	Treasury and Insurance Manager
7(b)	Key posts named on the Fidelity Guarantee cover should be updated to reflect the current Authority structure.	C	This will be actioned by the Treasury and Insurance Manager	July 2006	Treasury and Insurance Manager

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Appendix E

Corporate Services

Internal Audit Services

Audit of the Main Accounting System
& Budgetary Control

Core Systems Review

Final Report

Lead Auditor	Gill Martin
Distribution of Report	Director of Corporate Services Head of Financial Services Accountancy Services Manager <i><u>Note: The Deputy Chief Executive and the Director of Corporate Services receive copies of all Final Audit Reports.</u></i>
Document Ref:	K:\CommitteeReports\Audit Committee\17 July 2006\FS.30.06 - Appendix E - Internal Audit Services Progress Report.doc
Date of Report:	3 rd May 2006

1. Why was this Audit carried out?

- 1.1. An audit of the Main Accounting System and Budgetary Control was undertaken as part of the agreed Audit Plan for 2005/2006 and forms part of the annual schedule of mandatory core audit reviews.
- 1.2. For 2005/06, the agreed audit approach was as follows:
- Follow up the agreed recommendations arising from the 2004/2005 audit review;
 - Undertake system review and testing on the key system controls
 - Document the system in line with requirement detailed by the International Auditing Standards (section 315).

2. Background Information / Summary of the Audit Area

- 2.1. The Radius Financials accountancy package incorporates the General Ledger and 3 subsidiary systems - Debtors, Creditors and Purchasing. ICON Bank Reconciliation and Cash Receipting are also fundamental to the main accounting system and processes.
- 2.2. The General Ledger along with Creditors, ICON Bank Reconciliation and Cash Receipting went live on 1st April 2004. Therefore 2005/2006 was the second full year of usage, including the close-down of accounts.

3. Associated Risks of Providing this Service/Function

- 3.1. Examination of the Risk Registers noted that the following risks had been identified.

Strategic Risks:

a. Financial Management Information provided must be accurate, robust and future-proof for managers; failure leading to:

- *poor information which can lead to poor management decisions*
- *loss of credibility in information provided*
- *HBUs fail to focus on key objectives*
- *Information is not linked to performance management.*

b. Mid term financial planning and maintenance of asset values; failure leading to:

- *Risk of systems and procedures failing to address MTFP objectives*
- *Risk that expenditure not being linked to key objectives and priorities*
- *Fails to be forward looking and programmed*
- *Lack of corporate ownership*
- *Failure to achieve balanced budget through the budgetary process*
- *Failure to match future commitments and aspirations compared to funding available*
- *Inadequate pension provision and impact on staff morale and productivity.*

c. Qualified opinion on the Annual Financial Accounts – medium

d. Reporting of Financial Implications – medium

e. Financial Information Systems - medium

f. Failure to have robust Business Continuity Planning arrangements, leading to:

- *Severe impact on business/provision of services;*
- *Financial and reputational impact;*
- *Legal liability*

g. Financial impact of failing to ensure the recovery of all monies and funding arising from flood restoration works

- 3.2. Other risks identified by Internal Audit as part of this audit are considered especially to concern the Bank Reconciliation System. Problems have been experienced with this system since its implementation in 2004. Serious concerns have been raised by both Internal Audit and the Audit Commission regarding its operation, senior management has acted on this by identifying this as a fundamental internal control function and including it as a separate item in the Statement of Internal Control and Statement of Accounts Action Plan. Furthermore additional resources have been identified specifically to address this issue. Section 10 of this report details this requirement.

Please note that on conclusion of the audit, any critical risks outline at 3.2. should be assessed by the relevant Director and Head of Audit Services for incorporation into the Directorate's Risk Register or, if considered to be a strategic risk, for discussion at the Risk Management Group.

4. Scope of the Audit

- 4.1. Audit testing and verification has been carried out to form an opinion over the adequacy of systems and controls in place relating to the risks identified. Key areas for review are:

- *Policies and Procedures*
- *Security of Data*
- *Coding Structure*
- *Budgetary Control*
- *Capital Monitoring*
- *Feeder Systems*
- *Management of Items held in Suspense*
- *Journals and Internal Transfers*
- *Bank Reconciliation*

Year-end procedures are being covered by the Audit Commission as part of their annual audit.

5. Overall Conclusion of the Audit Review

- 5.1. The issues concerning the Bank Reconciliation system, which were previously reported in 2004/05 have not yet been fully resolved. This is of serious concern to the Authority and the matter is being progressed. This is covered in more detail in section 10 of this report.
- 5.2. General recommendations have been made throughout the audit which are intended to improve on current procedures and strengthening existing internal controls – these relate mainly to the documentation of procedures, administration of virements and the monitoring of capital projects

Action Plan for Financial Services, Corporate Services

Responsible officer for implementation is the Head of Financial Services.

This Action Plan will be followed up in approximately 6 months time. Please note that any areas, where it is found that insufficient or no action has been taken, will be reported to the Audit Committee along with the reason for non-action.

Ref.	Recommendation	Grade	Action to be Taken	Timescale for Implementation	Officer Responsible for this Action
2(a)	The Central Procedures Manual and the Financial Guide should be monitored directly by the Head of Financial Services and progress reported directly to the Director of Corporate Services through regular DMT meetings. This progress should then feed into the Code of Corporate Governance Action Plan.	B	Additional temporary resources have been appointed, in part, to assist with the issues 2a,2b,3a,and 5a. The priority initially will be the Bank Reconciliation, however, progress is incorporated as part of the Statement of Accounts Action Plan which goes to SMT each week.	Will be progress during the period June 06 – April 07	Head of Financial Services
2(b)	The management and update of the Financial Guide needs to be reviewed to ensure it reflects current financial, accounting and budgetary arrangements, that in written in non – financial jargon so all managers can understand its contents and it is widely available to all who need to refer to it.	B	See comments at 2(a) above	Will be progress during the period June 06 – April 07	Head of Financial Services
3(a)	An up to date retention and weeding policy to cover both manual and electronic files should be created/updated. This would cover the archiving of documents from the Accountancy K: Drive. This should form part of the Financial Guide.	C	See comments at 2(a) above	Will be progress during the period June 06 – April 07	Head of Financial Services

Main Accounting System and Budgetary Control 2005/06
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5(a)	The agreed procedures to establishing budgets, calculating the necessary uplifts, the level of analysis within each Directorate and the format in which it should be presented needs to be agreed and documented.	C	See comments at 2(a) above	Will be progress during the period June 06 – April 07	Head of Financial Services
5(b)	The implementation of the revised procedures for virement should be progressed.	B	Action imminent	May 2006	Chief Accountant
5(d)	Accountancy staff should be reminded that virement form should be authorised before they are processed.	B	Actioned imminent - to be discussed at FS Team meeting	May 2006	Chief Accountant
6(a)	The implementation of the Capital Projects Board should be progressed – the Terms of Reference should be updated, officer attendance agreed, a chairperson should be nominated and regular meetings scheduled – <i>for further guidance see the points arising from the UoRs self assessment.</i> The work of the Capital Projects Board should formally report up to an appropriate Senior Management /Member forum.	B	Comments agreed – stated action to be implemented.	To be commenced from May 2006	Director of Corporate Services
6(b)	The methodology to manage and monitor capital projects within the established Programme should be reviewed by the Capital Projects Board / Accountancy Services and procedures fully documented.	C	Comments agreed – stated action to be implemented.	To be commenced from May 2006	Director of Corporate Services / Chief Accountant

Main Accounting System and Budgetary Control 2005/06
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APPENDIX B (1)

9(a)	Drafted revised procedures concerning the management and control of journal and internal transfers arising from the agreed actions of the 2004/2005 core audit should be formally accepted and implemented for 2006/07.	B	Comments agreed – stated action to be implemented.	August 2006	Chief Accountant
9(b)	Consideration should be given to use, more widely, the facility within Ledger to attach documents to store supporting evidence with journals	C	Will be reviewed – although space on the K:Drive is an issue.	By March 2007	Chief Accountant
9(c)	All transfer invoices should be checked thoroughly before being entered and authorised on the system.	B	Note will go out and to be discussed at FS Team meeting	May 2006	Chief Accountant/ Development and Support Manager
9(d)	Staff responsible for checking Transfer Invoices should have access to the Authorised Signatures List to ensure that receiving department signature is appropriate.	C	Comments agreed – stated action to be implemented.	March 2007	Development and Support Manager
10a)	Internal Audit should be kept informed of progress made to the year-end 2005/06 bank reconciliation.	B	Comments agreed – stated action to be implemented.	March 2007	Principal Systems / Finance Officer

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Appendix F

Corporate Services

Internal Audit Services

Audit of Council Tax

Core Systems Review

Final Report

Lead Auditor	Ian Beckett
Distribution of Report	Head of Revenues and Benefits Services Revenues Manager <i><u>Note: The Deputy Chief Executive and the Director of Corporate Services receive copies of all Final Audit Reports.</u></i>
Document Ref:	IB/RBS045/05-06
Date of Report:	19 th April 2006

1. Why was this Audit carried out?

- 1.1. The audit was undertaken as part of the agreed Audit Plan for 2005/06, and forms part of the "core systems" reviews required by the Audit Commission.

2. Background Information / Summary of the Audit Area

- 2.1. Carlisle City Council acts as the "Billing Authority" for Council Tax purposes. The Demands which are sent to Council Tax payers include the amounts which are collected on behalf of Cumbria County Council, the Cumbria Police Authority and the Parish Councils. The City Council is also responsible for ensuring that the amounts demanded are collected, and for recovery procedures in those cases where this is necessary, up to and including procedures through the Court.

3. Associated Risks of Providing this Service/Function

- 3.1. Examination of the Risk Registers produced noted that the following risks had been identified regarding.

Corporate Risks:

Not applicable - no risks at this level identified

Operational Risks:

The Operational Risk Register has the following risk identified -

To diligently administer Council tax in accordance with statutory regulations, Council policy and within a predetermined customer care policy requires the following activities-

Raise correct Council Tax liability on each domestic property taking account of discounts exemptions etc

Prompt billing of individuals both annually and in response to a change in circumstances

Reconcile all Council Tax debit/income and produce accurate management information

Take prompt statutory recovery action i.e. reminder, summons, Liability Order,

Attachments, Bailiff and Committal action as appropriate

Account for all bad and doubtful debts

Properly maintain and reconcile Council Tax Rating List

Deal; with customers' queries promptly and courteously

Efficient administration of Council tax staffing and non-staffing resources.

- 3.2. No further risks were identified by Internal Audit as part of this audit are considered to be:

4. Scope of the Audit

- 4.1. Audit testing and verification has been carried out to form an opinion over the adequacy of systems and controls in place relating to the risks identified. Key areas for review are, as defined by the "Schedule of key controls" -

- Separation of Duties
- Payment methods
- Debit regularly reconciled to Valuation List and amendments
- Amendments to valuation list and claims for discounts are correctly and promptly processed
- Collections are posted daily to personal and suspense accounts and agreed to MAS

- Unidentified items posted to suspense and subject to prompt investigation , monitoring and adequate authorisation
- Non-payers and missed payment are followed up promptly and appropriate action taken
- Collection rates are regularly monitored
- Council tax and MAS reconciled at the year end
- IT system is secure and backed up at regular intervals
- Satisfactory contingency plan in place in the event of an IT failure.

5. Overall Conclusion of the Audit Review

- 5.1. Systems of control in operation in this area satisfactory. The recommendations made in Appendix B are intended to assist in improvements to control

NB: The **Head of Revenues and Benefits Services** should complete the shaded areas below – namely the action to be taken by the Directorate, the timescale for implementation and the Officer responsible for this action, when responding to the draft report.

Ref.	Recommendation	Grade	Action to be Taken	Timescale for Implementation	Officer Responsible for this Action
1.(a)	Care should be taken to ensure that all copies of cancelled receipts are retained in the book.	B	See comments. Agree we should be careful about keeping both copies of cancelled receipts. However, there is not much more we can do about this other than to be extra vigilant	Immediate	Recovery Team Leader
1(b)	The receipt book should be examined periodically by a senior officer to ensure that all receipts have been accounted for promptly.	B	The Revenues Manager or the Deputy Revenues manager will look at the receipt book 2 times per year, April and October.	First check already done	Revenues Manager
5(a)	The billing reconciliation for March 2005 should be reviewed to determine why there is a minor difference in the number of adjustments being shown as posted out.	C	The Revenues Technical Officer has reviewed this, but could find no explanation for this minor discrepancy. This was further discussed with the Revenues Manager, who agreed that the two reconciliations should them-selves be reconciled.	Annually – immediately following main billing	Revenues Manager



Corporate Services

Internal Audit Services

Audit of Creditors

Core Review

Final Report

Lead Auditor	Bev Burn
Distribution of Report	<p>Director of Corporate Services – full report Head of Financial Services – full report Development & Support Manager – full report & Appendix B (I) & C Principal Finance/Systems Officer – full report & Appendix B (I) & C Head of IT Services - full report & Appendix B (ii) Finance Assistant (Creditors) – full report & Appendix B (I) & C</p> <p><u><i>Note: The Deputy Chief Executive and the Director of Corporate Services receive copies of all Final Audit Reports.</i></u></p>
Document Ref:	K:\CommitteeReports\Audit Committee\17 July 2006\FS.30.06 - Appendix G - Internal Audit Services Progress Report.doc
Date of Report:	02/05/2006

1. Why was this Audit carried out?

- 1.1. The audit was undertaken as part of the agreed Audit Plan for 2005/06.

2. Background Information / Summary of the Audit Area

- 2.1. The Creditors function is located in the Corporate Services Directorate in the System & Controls Section. It should be noted that only the key tests have been carried out for this audit review.

3. Associated Risks of Providing this Service/Function

- 3.1. Examination of the Risk Registers noted that the following risk had been identified.

Operational Risk:

- *Prompt and Accurate Payment of Properly Certified Suppliers' Invoices.* (given a low risk by the Authority)

- 3.2. Other risks identified by Internal Audit as part of this audit are considered to be:

- *None payment of creditors resulting in legal action.*
- *Delayed payment resulting in penalties.*
- *Financial loss to the Authority.*
- *The Authority's reputation could be questioned if prompt payment is not made.*

Please note that on conclusion of the audit, any critical risks outline at 3.2. should be assessed by the relevant Director and Head of Audit Services for incorporation into the Directorate's Risk Register or, if considered to be a strategic risk, for discussion at the Risk Management Group.

4. Scope of the Audit

- 4.1. Audit testing and verification has been carried out to form an opinion over the adequacy of systems and controls in place relating to the risks identified. Key areas for review are:

- *Invoices are properly certified and authorised for payment.*
- *Output is checked for reasonableness.*
- *Urgent payments are minimised and are subject to particular review/authorisation.*
- *Payments are released independently from authorising officers.*
- *All cheques and payable orders are securely controlled and accounted for.*
- *Target payment policy complies with guidance.*
- *Creditors system is regularly reconciled to Main Accounting System (MAS).*
- *Accuracy of coding checked.*
- *Amendments to creditors masterfiles subject to control and authorisation.*
- *VAT is accounted for and recovered where appropriate.*
- *IT system is secure and backed up at frequent intervals.*
- *Satisfactory contingency plan in place in the event of an IT failure.*
- *A review of the Follow up for the recommendations from the previous audit report dated 26/05/05.*
- *Documentation of the system procedure.*

5. Overall Conclusion of the Audit Review

- 5.1. There are a number of recommendations that need to be addressed.

Action Plan for Financial Services , Corporate Services Directorate

Responsible officer for implementation is the Head of Financial Services

This action plan will be followed up in approximately 6 months time. Please note that any areas, where it is found that insufficient or no action has been taken, will be reported to the Audit Committee along with the reason for non-action.

Ref.	Recommendation	Grade	<i>Action to be Taken</i>	<i>Timescale for Implementation</i>	<i>Officer Responsible for this Action</i>
1.5.A.	It is recommended that a copy of the Carlisle City Council Purchase Ledger Procedures Manual should be placed on the Creditors public folder to ensure that it is accessible to all staff. It is recommended that Management advises all staff, who process and authorise invoices prior to sending them to Creditors for payment, to read the Carlisle City Council Purchase Ledger Procedures Manual and the Financial Procedures Rules and ensure that these instructions detailed are adhered to.	B	A copy of the existing Purchase Ledger manual is now available on Public Folders/Financial Services/Creditors. This will soon be updated and distributed to all users reflecting the changes from new system releases.	Implemented 10/01/06 revised updated version by 01/05/06.	Finance Assistant (Creditors).

1.5.B.	Service Heads should ensure that all employees who process invoices prior to sending them to the Finance Assistant (Creditors) for payment should ensure that the blue certification slip has been completed accurately. The person who certifies the invoice should also ensure that all the relevant documentation is attached and completed in full and accurately in order that the Finance Assistant (Creditors) can authorise the invoice for payment promptly and efficiently.	B	Due to the high volume of staff who complete the blue certification slips, this is hard to control. A reminder of this and invoice processing procedures will be incorporated in the email sent to users with the revised copy of the Purchase Ledger Manual.	01/05/06	Finance Assistant (Creditors).
1.5.C.	It is recommended that the General Authorised Signature List is amalgamated with the Authorised Limits Schedule to include specimen signatures. This document should be brought up to date. It is recommended that the Support Services Manager should be responsible for this document and it should be updated annual and periodically for any new starter or leavers. Each Directorate should hold a copy of this document for their own reference.	B	The Authorised signature list and limits schedule has been amalgamated and is maintained by the Commercial and Technical Services Procurement unit. However, the new Council structure requires the exercise to be reviewed and this will incorporate revised authorisation/purchasing limits. These issues will be reported to SMT following discussions with Legal Services and the Cumbrian Procurement Initiative.	01/06/06	Development & Support Manager.

1.5.D.	The Authorised Signature List, limits and specimen signatures once completed should be scanned to enable a copy to be retained electronically. NB this was also a recommendation in the 2004/2005 audit.	C	This process will be completed in parallel to item 1.5.C.	01/06/06	Development & Support Manager.
2.5A.	The person from IT Services who delivers the cheques to Corporate Services should ensure that they sign the "Provided By" section of the Cheques Issued Register.	C	The procedure is now back in place so a signature is always obtained from IT staff who deliver cheques to Corporate Services.	Implemented 01/02/06.	Secretary/Administrative Supervisor.
2.5.B.	It is recommended that in order to maintain division of duties, the signed cheques are retained in a lockable drawer or filing cabinet that the Finance Assistant (Creditors) does not have access to.	C	Signed cheques waiting postage are now retained in the Finance/Admin Assistant's lockable drawer that the Finance Assistant (Creditors) does not have access to (Secretary/Admin Supervisor has back-up access)	Implemented 29/03/06.	Finance Assistant (Creditors).
2.5.C.	It is recommended that if the BACS £1million floor limit is going to be exceeded, the monthly BACS Form is endorsed by an authorised signatory to confirm that they have notified the bank.	C	This procedure is already in place-monthly BACS form now merged with the BACS release form.	Implemented Oct 2005.	Finance Assistant (Creditors).

2.5.D.	It is recommended that the monthly BACS payment forms are always signed off weekly by an authorised signatory.	C	This form is already signed by an authorised signatory (only once missed in 12 months). Please note this was a record for Corporate Services only and not authorisation of the BACS file-this form has now been merged with the BACS release form.	Form no longer in use since 05/04/06.	Finance Assistant (Creditors).
2.5.E.	IT Dept should not release the BACS files until they have received the authorised BACS Processing Form.	B	IT to release BACS file from BACS release form only. Email no longer sent by Finance Assistant to I.T. as was only a temporary procedure whilst located away from Civic Centre.	Implemented 07/04/06.	Finance Assistant (Creditors).
2.5.F.	Consideration should be given to merging the monthly BACS payment form in with the BACS Processing Form. A copy could then be retained and attached to the BACS Payment Run Report.	C	Forms now re-designed & merged. Copy held with the BACS listing reports following each payment run.	12/04/06.	Finance Assistant (Creditors).
3.5.A.	Consideration should be given to setting up a report on the Creditors system, which would detail all of the Emergency Payments which have been processed.	D	All details of emergency payments are held in the 'creditors BACS/cheques listings' file following each emergency payments run so don't see the requirement of this report. However, following the new system release more reports should be available for testing.	Testing of new reports inc this consideration by 30/06/06.	Finance Assistant (Creditors).

4.5.A.	The "Cheque Collection Book" should always be completed if a cheque is collected or returned to a Directorate. It is recommended that two additional columns are inserted and completed:- "print name" of the person who is collecting the cheque and their "Directorate". A note should also be entered onto the system to state how the cheque has been dispatched. In theory the manual logbook should balance back to the report from the Creditors System.	B	Cheque collection book now fully utilised again for distribution of cheques and staff informed when they can collect issued cheques from Corporate Services (Finance) instead of them being dispatched in the internal mail. Additional columns added to the book to show name, directorate and date cheques collected. A record of all cheques returned to Directorates is held against the relevant voucher details on the creditors system.	Implemented 15/03/06.	Finance Assistant (Creditors).
4.5.B.	All pending cheques should be held securely, i.e. in a locked drawer or cabinet.	B	Pending cheques now held in the Finance Assistant (Creditors) lockable cupboard.	Implemented 01/03/06.	Finance Assistant (Creditors).

5.5.A.	It is recommended that consideration should be taken so that the user is unable to ignore and bypass the "duplicate invoice warning message" on the Creditors System. The Principal Finance/Systems Officer advised that by the end of March 2006, any duplicate invoice numbers would appear on the Voucher Day Book Summary. It is recommended that once this has been implemented the Finance Assistant (Creditors) should check and sign this daily. A hard copy should be retained to create a clear and accurate audit trail.	B	The 'duplicate invoice warning message' is pre-set as part of the Creditors system package and is not something we have the control to change. It is necessary to bypass when paying utility bills when the same account number is quoted for each payment. All staff have had the relevant training to know not to ignore this message. A reminder will be incorporated in an email to all users along with the revised copy of the Purchase Ledger Manual.	01/05/06.	Finance Assistant (Creditors).
5.5.B.	The duplicate order book for Financial Services should be destroyed. It is also recommended that all the other order books be checked to ensure that there are no further duplications. It is recommended that the order books stocks are verified to manual stock records on an annual basis.	B	Duplicate Order book was destroyed immediately and a revised numbering sequence initiated. All books are now maintained and issued by the Community Services Purchase Ledger team.	Implemented.	Development & Support Manager.
5.5.C.	It is recommended that order books are retained in a secure location for example in a locked drawer or cupboard.	C	All Order Books are maintained in a locked cupboard.	Implemented.	Development & Support Manager.

5.5.D.	It should be mandatory for all service areas to use the New Corporate Order Books, when completing a manual order.	B	All sections/Directorates have been advised that the Council has a new purchase order book. However, some continue to use existing stocks. Introduction of the proposed purchase to pay system will erase the need to complete any manual purchase orders.	New P2P to be implemented mid-year.	Development & Support Manager.
6.5A.	Management should ensure that the four service areas are reminded of the PI and asked to ensure that all their invoices are paid within the 30 days time span.	B	E-mails have been distributed to Directors and Service Heads.	Information is distributed with each monthly set of indicators.	Head of Financial Services / Development & Support Manager.
6.5B.	Consideration should be given to creating a check or report of some description to run off or flag up if anyone changes the invoice date received field or places an invoice to dispute, to ensure that it has not been altered in order that the PI target is achieved.	B	The accuracy of the information input in this field is already incorporated in the checks by the Finance Assistant (Creditors) as part of authorising for payment. Users who would be seen to alter the information to their advantage have been contacted in the past. Following the new system release, testing will be done on a revised payment performance report, which uses the due date of the invoice rather than the received date.	Checks already implemented, testing to be done on alternative reports by 30/06/06.	Finance Assistant (Creditors).

7.5.A.	It is recommended that a call should be logged with Civica requesting them to sort out the difference of £853.81.	D	Not actioned.	N/A	Principal Finance/Systems Officer.
7.5.B.	The Principal Finance/Systems Officer should be advised of any issues where Civica have dialled into either the Creditors or Debtors system to fix a problem.	C	E-mail to be sent to Debtors & Creditors lead administrators to require this notification as soon as it occurs.	April 2006.	Principal Finance/Systems Officer.
9.5.A.	It is recommended that the Audit Report Function of the system be tested and switched on as soon as possible. Once this has been actioned it is understood that the Masterfile Exception Report will print off daily. This report should be checked back to the manual form by an independent individual who has not got access to make changes on the Creditors System. The report should be endorsed, dated and signed to confirm that it has been checked and retained on file together with the manual form completed.	A	Started testing. Can only implement at time of the next release, testing will be completed by then. Next release implementation target.	31/05/06.	Principal Finance/Systems Officer.

9.5.B.	It is recommended that it should be compulsory for all users who have access to the Creditors System to set their PC up with a screensaver password. Individuals should not leave their workstation unlocked when their PC is left unattended.	B	Users were requested to do this as part of their initial training on the new Financial systems. A reminder will be incorporated in the email sent to users along with the revised Purchase Ledger Manual.	Reminder to be sent to users by 01/05/06.	Finance Assistant (Creditors).
11.5.A.	If someone either leaves or changes jobs within the Authority and no longer requires access to the creditors system a procedure should be introduced so that the Principle Finance/Systems Officer is advised so that the individuals access can be changed to read only.	C	E-mail to be sent to add this action to the leaving form.	30/06/06/	Technical Accountant.
11.5.B.	It is recommended that a message be communicated to all users for them to ensure that when using the system that they are logged on using their own network ID and password.	C	Users should already be aware that they must use their own log in when using the systems. A reminder will be incorporated in the email sent to users with the revised copy of the Purchase Ledger Manual.	01/05/06.	Finance Assistant (Creditors).
11.5.C.	A master user list should be set up to include individual user permissions and this list should be regularly updated to ensure that it remains accurate.	B	A higher level list is maintained on the System. The Principal Finance/Systems Officer will train another administrator who can then provide this information when requested.	31/07/06	Principal Finance/Systems Officer.

Action Plan for IT Services, Corporate Services Directorate

Responsible officer for implementation is the Head of IT Services

This action plan will be followed up in approximately 6 months time. Please note that any areas, where it is found that insufficient or no action has been taken, will be reported to the Audit Committee along with the reason for non-action.

Ref.	Recommendation	Grade	<i>Action to be Taken</i>	<i>Timescale for Implementation</i>	<i>Officer Responsible for this Action</i>
12.5.A.	A decision needs to be made by the Head of IT Services as to whether a contract needs to be set up and agreed with DTP to confirm the contingency plan in the event of another emergency.	B	The Head of IT Services is satisfied that adequate short-term provision of IT equipment can be sourced in order to satisfy the Council's Business Continuity Plan. No formal contract with DTP or other provider is necessary.	N/A	Head of IT Services.



Corporate Services

Internal Audit Services

Audit of Housing & Council Tax Benefit

Core Systems Review

Final Report

April 2006

Lead Auditor	Paula Norris
Distribution of Report	Head of Revenues & Benefits Services. Benefits Manager <i><u>Note: The Deputy Chief Executive and the Director of Corporate Services receive copies of all Final Audit Reports.</u></i>
Document Ref:	PN/2005-06/RBS005
Date of Report:	28 th April 2006.

1. Why was this Audit carried out?

- 1.1. The audit was undertaken as part of the agreed Audit Plan for 2005/06. The Housing and Council Tax Benefit review is one of the nine core audits requested by the Audit Commission to be completed on an annual basis.
- 1.2. In addition to the actual review the Audit Commission have requested that systems notes be compiled. Internal Audit have cross-referenced the relevant points with the CIPFA matrices for Housing & Council Tax Benefits. The result being attached as Appendix D.

2. Background Information / Summary of the Audit Area

- 2.1. Citizens can claim Housing Benefit if they are required to pay rent but their income and investments are below a certain level. This appears to be a simple enough equation but there are a significant number of items of legislation that affect the way in which it is calculated. The Department of Works and Pensions (DWP) also rigidly monitor the function. Housing and Council Tax Benefits comprises a large section with a resource of 43½ F.T.E. staff.

3. Associated Risks of Providing this Service/Function

- 3.1. Examination of the Risk Registers produced noted that the following risks had been identified regarding.

- *Human Resources – (Medium Risk)*
- *Council Tax Administration – (Medium Risk)*
- *Benefit Administration – (Medium Risk)*
- *Benefit Take-up – (Low Risk)*
- *Benefit Probity – (Low Risk)*
- *Revenues & Benefit Management Information – (Medium Risk)*
- *Returns inc. Grant Claims – (Low Risk)*
- *Legislative Changes: Awareness & Preparation. – (Medium Risk)*

- 3.2. Other risks identified by Internal Audit as part of this audit are considered to be:

- *Failing to meet assessment accuracy targets.*
- *That agreed contingency arrangements are not honoured, I,e There is no formal agreement in place..*

Please note that on conclusion of the audit, any critical risks outline at 3.2. should be assessed by the relevant Director and Head of Audit Services for incorporation into the Directorate's Risk Register or, if considered to be a strategic risk, for discussion at the Risk Management Group.

4. Scope of the Audit

- 4.1. Audit testing and verification has been carried out to form an opinion over the adequacy of systems and controls in place relating to the risks identified. Key areas for review are:

- *Follow up of previous review.*
- *Hand delivery of rent allowance cheques.*
- *Authorised staff who are able to amend parameter files.*
- *System provides accurate calculation of benefit entitlement.*
- *Outputs are checked for reasonableness.*
- *Feeder systems.*
- *Calculation and Verification.*

- *IT Security & Contingency.*

5. Overall Conclusion of the Audit Review

- 5.1. There are six recommendations contained within this report.
- 5.2. The accuracy of benefit calculation is the only area of concern that is under the Head of Revenues and Benefits jurisdiction. The other recommendations are for the attention of other services within the Corporate Services Directorate. Overall from audit testing and analysis during this review, it can be concluded that the Housing and Council Tax Benefit system is operating efficiently and effectively.

AGREED ACTION PLAN – REVENUES & BENFITS – HOUSING & COUNCIL TAX BENEFIT AUDIT 2005-06.

Ref.	Recommendation	Grade	Action to be Taken	Timescale for Implementation	Officer Responsible for this Action
4a	All <u>new</u> trainees should receive a 100% assessment check until they have been in post for 6 months.	B	Trainee Assessment Officers will receive a 100% check until they have been in post for 6months.	As soon as possible. Will be operational when any new trainees are employed.	Team Leader (Training & Controls)
4b	Based on performance to date, the scope and detail of accuracy checks should be considered. It is suggested that these checks be increased and should include <u>all</u> Assessment staff.	B	This will not be possible until the implementation of the Academy Quality Assurance Module (see recommendation 4c)	As soon as Office 2000 roll-out has been extended to Benefit Staff.	Director of Corporate Services, Head of Revenues & Benefits, Head of IT Services.
4c	Benefits staff should be prioritised during the Office 2000 systems 'roll-out' to enable the usage of the Academy Quality Assurance module as soon as possible. This will highlight and potentially minimise error, thus improving accuracy and improving BVPi79a.	B	The Director of Corporate Services and the Head of Revenues & Benefits Services agree that Benefits staff are prioritised during the Office 2000 rollout.	As soon as possible	Head of IT Services.

5a	IT staff should take due care when initiating cheque runs to ensure that the correct cheque numbers have been input into the program.	C	Reminders have been given to ICT staff to take more care. Methods of reducing the number of times cheque runs need to be initiated are being explored.	Reminders have been sent therefore that action is complete. Number of cheque runs investigation is still ongoing.	Head of IT Services.
6a	The Head of Financial Services should find the necessary resources to ensure that the Housing Benefit Control Account is balanced as soon as possible and thereafter on a regular basis.	B	The Benefits system was balanced to the Ledger in April 2005. Due to the flood etc., the next attempt was made in November/December 2005 but it was not balanced due to other events. A new resource has been appointed and training is currently underway. Financial year 2005/06 is in the process of being actioned and 2006/07 will be actioned monthly from May 2006.	May 2006.	Principal Accountant/Seni or Accountancy Assistant.
9a	The Head of Information, Communication & Technology Services should immediately formalise the current contingency arrangements.	B	The Head of IT Services is satisfied that adequate short-term provision of IT equipment can be sourced in order to satisfy the Council's Business Continuity Plan. No formal contract with DTP or other provider is necessary. It was accepted that the internal Business Recovery Plan would be updated as time permits.	6 months	Head of IT Services.



Corporate Services

Internal Audit Services

Audit of NNDR

Core Review

Final Report

Lead Auditor	Bev Burn
Distribution of Report	Director of Corporate Services – full report Head of Revenues & Benefits - full report & Appendix B (I) & C Revenues Manager - full report & Appendix B (I) & C Deputy Revenues Manager – full report & Appendix B (I) & C Technical Team Leader – full report & Appendix B (I) & C Head of Financial Services - full report Development & Support Manager – full report & Appendix B (ii) Head of IT Services – full report & Appendix B (iii) <u><i>Note: The Deputy Chief Executive and the Director of Corporate Services receive copies of all Final Audit Reports.</i></u>
Document Ref:	K:\CommitteeReports\Audit Committee\17 July 2006\FS.30.06 - Appendix I - Internal Audit Services Progress Report.doc
Date of Report:	02/05/2006

1. Why was this Audit carried out?

- 1.1. The audit was undertaken as part of the agreed Audit Plan for 2005/06, and is one of the fundamental reviews which are required by the Audit Commission.

2. Background Information / Summary of the Audit Area

- 2.1. The NNDR function is located in the Corporate Services Directorate in the Revenues & Benefits Section. It should be noted that only the key tests have been carried out for this audit review.
- 2.2. It is understood that new regulations came into force as of 01/04/2005 which relate to Small Business Rates. This area has not been reviewed in this audit as only the key controls have been tested. The Technical Team Leader also advised that NNDR are now using Images to scan incoming mail, which is the same process that the Council Tax Section use.

3. Associated Risks of Providing this Service/Function

- 3.1. Examination of the Risk Registers noted that the following risk had been identified.

Operational Risk:

- NNDR Administration (given a low risk by the Authority)

- 3.2. Other risks identified by Internal Audit as part of this audit are considered to be:

- *Financial loss to the Authority.*
- *The Authorities reputation could be questioned if bills are not accurate and dispatched on time.*

Please note that on conclusion of the audit, any critical risks outline at 3.2. should be assessed by the relevant Director and Head of Audit Services for incorporation into the Directorate's Risk Register or, if considered to be a strategic risk, for discussion at the Risk Management Group.

4. Scope of the Audit

- 4.1. Audit testing and verification has been carried out to form an opinion over the adequacy of systems and controls in place relating to the risks identified. Key areas for review are:
- *Separation of duties between collection and creation of the debt.*
 - *Targets are set to keep records up to date and performance is monitored.*
 - *The rateable value is reconciled to the valuation list.*
 - *The appropriate poundage has been applied.*
 - *Bills are sent out by mid-March each year.*
 - *Collection rates are regularly monitored.*
 - *Non-payers and missed payments are followed up promptly and appropriate action taken.*
 - *Suspense accounts are subject to prompt investigation and regular monitoring.*
 - *NNDR reconciled to MAS at year-end.*
 - *IT system is secure and backed up at frequent intervals.*
 - *Satisfactory Contingency plan in place in the event of an IT failure.*
 - *A review of the Follow up for the recommendations from the previous audit report dated 22/06/05.*
 - *Documentation of the system procedure.*

5. Overall Conclusion of the Audit Review

- 5.1. There were no significant findings identified in this review. The recommendations contained in Appendix B are intended to assist in strengthening the controls in place.

Action Plan for Revenues and Benefits, Corporate Services Directorate

Responsible officer for implementation is the Head of Revenues and Benefits

This action plan will be followed up in approximately 6 months time. Please note that any areas, where it is found that insufficient or no action has been taken, will be reported to the Audit Committee along with the reason for non-action.

Ref.	Recommendation	Grade	Action to be Taken	Timescale for Implementation	Officer Responsible for this Action
1.5.A.	It is recommended that in future refunds should not be authorised by anyone using the "AISDBA" log on. The individual should log out prior to authorising the refund and log on using their own individual log on to authorise the refund in order to create a clear audit and comply with the division of duties.	B	Noted. This should not be necessary now that NNDR is back on the City Council server. The NNDR management team will keep an authorisation should the need to use the log ever arise again.	Immediately.	Deputy Revenues Manager. Technical Team Leader.
7.5.A.	It is recommended that the two outstanding NNDR suspense balances be investigated in full and cleared as soon as possible.	C	Now cleared.	Actioned.	Revenues Management Team.

7.5.B.	Suspense items transferred within the NNDR system are normally supported by a remittance advice. It is recommended that this should be retained and loaded into Images as a record. If a remittance advice is not available then a note should be entered onto the notepad on the individual account on the Academy system.	C	As recommended.	Immediately.	Technical Team Leader.
9.5.A.	It is recommended that all users should set their PC up with a screensaver password. Individuals should not leave their workstation unlocked when their PC is left unattended.	B	The use of a password protected screensaver will be incorporated across the department.	Immediately.	Revenues Management Team.

Action Plan for Financial Services , Corporate Services Directorate

Responsible officer for implementation is the Head of Financial Services

This action plan will be followed up in approximately 6 months time. Please note that any areas, where it is found that insufficient or no action has been taken, will be reported to the Audit Committee along with the reason for non-action.

Ref.	Recommendation	Grade	Action to be Taken	Timescale for Implementation	Officer Responsible for this Action
8.5.A.	Consideration should be given to writing off the difference of £180.18, which relates to the financial year of 98/99.	C	The Development & Support Manager will arrange for this to be written off.	May 2006	Development & Support Manager.
8.5.B	The £42,750.31 should be re-coded to the correct detail code within the GL.	C	The Principle Finance/Systems Officer will adjust the system to enable a separate detail code to be used.	30/06/06	Principal Finance/Systems Officer.
9.5.B.	It is recommended that all users should set their PC up with a screensaver password. Individuals should not leave their workstation unlocked when their PC is left unattended.	B	The Development & Support Manager will arrange for Financial Services staff to set this up.	May 2006	Development & Support Manager.

Action Plan for IT Services , Corporate Services Directorate

Responsible officer for implementation is the Head of IT Services

This action plan will be followed up in approximately 6 months time. Please note that any areas, where it is found that insufficient or no action has been taken, will be reported to the Audit Committee along with the reason for non-action.

Ref.	Recommendation	Grade	Action to be Taken	Timescale for Implementation	Officer Responsible for this Action
1.5.B.	IT Services should maintain full control of the "superuser" log on "AISDBA" and this should not be divulged to any third party unless full clarification and agreement has been received.	B	Agreed and complete.	Actioned.	Head of IT Services.
9.5.C.	The draft IT Security Policy should be progressed with a view to full implementation. (This should effectively address adherence to these controls identified in 7.3.3 and 9.3.4.)	B	Agreed. Policy will now be taken through the normal Council bodies for adoption, followed by implementation. Adoption by July 2006.	Adoption by July 2006.	Head of IT Services.
10.5.A.	A decision needs to be made by the Head of IT Services as to whether a contract needs to be set up and agreed with DTP to confirm the contingency plan in the event of another emergency.	B	The Head of IT Services is satisfied that adequate short-term provision of IT equipment can be sourced in order to satisfy the Council's Business Continuity Plan. No formal contract with DTP or other provider is necessary.	N/A	Head of IT Services.

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Appendix J

Corporate Services Directorate

Audit Services

Audit of Carlisle Leisure (Client)

Systems Review

Final Report

Lead Auditor	Caroline Wightman
Distribution of Report	The Head of Culture and Community Services The Director of Community Services <i><u>Note: The Deputy Chief Executive and the Director of Corporate Services receive copies of all Final Audit Reports:</u></i>
Document Ref:	K:\CommitteeReports\Audit Committee\17 July 2006\FS.30.06 - Appendix J - Internal Audit Services Progress Report.doc
Date of Report:	21st June 2006

1. Why was this Audit carried out?

- 1.1. The audit was undertaken as part of the agreed Audit Plan for 2005/6.

2. Background Information / Summary of the Audit Area

- 2.1. Carlisle City Council formally agreed to transfer its leisure services to Carlisle Leisure Ltd (CLL) in December 2002. The partnership arrangement enables the City Council to invest £1.15 million in improving facilities.
- 2.2. CLL manages the facilities, including the Sands, the Pools, Swifts, Stony Holme, Sheepmount, Bitts Park, and St. James. The £1.15 million plan includes creating a new Fitness Centre at the Sands, plus improvements to the entrance and restaurant and new seating, a new conservatory for the Pools and a refurbishment of the Pavilion at Stony Holme Golf Course. The Trust is led by a board of 14, including 2 co-opted City Councillors.

3. Associated Risks of Providing this Service/Function

- 3.1. Examination of the Risk Register produced by the Culture, Leisure and Sport Business Unit noted that the following risks had been identified regarding *Carlisle Leisure (Client)*.
- *The contract is not monitored therefore the Council may not be receiving value for money.*
 - *The Company could cease to operate and the contract would revert back to the Council.*
 - *There are limited resources available to the Council to monitor the contract.*
 - *Capital projects are not achieved resulting in the trust seeking financial compensation from the Council.*

4. Scope of the Audit

- 4.1. Audit testing and verification has been carried out to form an opinion over the adequacy of systems and controls in place relating to the risks identified. Key areas for review are:
- Performance
 - Investment Plan
 - Income and Expenditure
 - Contract Problems
 - IT Recharges
 - Customer Satisfaction

5. Overall Conclusion of the Audit Review

- 5.1. Procedures in operation are satisfactory. Two recommendations were made in order to improve the systems in operation – these were accepted and actioned prior to the issuing of this final report.

Ref.	Recommendation	Grade	Action to be Taken by the Business Unit	Timescale for Implementation	Officer Responsible for this Action
1.4.1	Performance Indicators should be finalised as soon as possible	C	Actioned	April 2006	Head of Culture and Community Services
1.4.2	A way of reviewing and reporting the performance of the services should be agreed and implemented as soon as possible.	C	Actioned – monthly meetings now held	April 2006	Head of Culture and Community Services



Corporate Services

Internal Audit Services

Audit of Performance Indicators

Systems Review

Final Report

May 2006

Lead Auditor	Beverley Fisher
Distribution of Report	Head of Corporate Development <i><u>Note: The Executive Director and the Director of Corporate Services receive copies of all Final Audit Reports</u></i>
Document Ref:	SPS025/2006-2007
Date of Report:	22 nd May 2006

1. Why was this Audit carried out?

- 1.1. The audit was undertaken as part of the agreed Audit Plan for 2006/2007.

2. Background Information / Summary of the Audit Area

- 2.1. Internal Audit was commissioned to review a sample of 14 performance indicators, selected by the Policy & Performance Officer.
- 2.2. These indicators will be published in the Authority's Best Value Performance Plan and submitted in the annual return Performance Indicator to the Audit Commission.

3. Associated Risks of Providing this Service/Function

- 3.1. Risks identified by Internal Audit as part of this study are considered to be:
- *Information is not available.*
 - *Information is available but method of calculation used is incorrect.*
 - *Method of calculation is correct, but clerical errors invalidate the results.*
 - *The Authority would face criticism from the Audit Commission if reported Performance Indicators were incorrect.*

4. Scope of the Audit

- 4.1. In previous years, the Performance Indicators which were selected for review by Internal Audit were subjected to the following tests :-
- ◆ Assurance that the performance indicators have been compiled in accordance with Audit Commission guidance.
 - ◆ Confirmation that all methods of calculation were correct.
 - ◆ Confirmation that relevant working papers existed.
 - ◆ Assurance that the data came from relevant data sources.
 - ◆ Confirmation that the Business Units had an established system for producing the performance indicators.
 - ◆ Assurance that the methodology for producing the performance indicators is clear and unambiguous.
- 4.2. The Protocol for this review, issued by the Audit Commission, called for a different approach as follows :-
- 4.3. *"Working papers should be subject to independent review by Internal Audit before being subject to external audit, to ensure they are suitable to support the published indicators. However, Internal Audit should avoid auditing the figures directly and limit the review to the quality of the papers put forward and the fitness for purpose of the underlying systems".*

5. **Overall Conclusion of the Audit Review**

- 5.1. On conclusion of this audit, it was apparent that there are no significant issues regarding the collation and calculation of figures for those performance indicators which were selected for review.

NB: The **Head of Corporate Development** should complete the shaded areas below – namely the action to be taken by the Business Unit, the timescale for implementation and the Officer responsible for this action, when responding to the draft report.

Ref.	Recommendation	Grade	<i>Action to be Taken by the Business Unit</i>	<i>Timescale for Implementation</i>	<i>Officer Responsible for this Action</i>
5(a)	The calculation of BV86 and presentation of working papers should be undertaken by an officer within the service area responsible for waste collection, namely the Environment Officer.	C	Inform Director of Community Service of recommendation in order for it to be implemented.	Immediate	M Battersby