

AUDIT COMMITTEE

4 DECEMBER 2012

INTERNAL AUDIT PROGRESS REPORT TO 31 OCTOBER 2012

REPORT OF INTERNAL AUDIT MANAGER

Contact Officer: John Cummins Tel: 01962 848 454 [jcummins@winchester.gov.uk](mailto:jcummins@winchester.gov.uk)

RECENT REFERENCES:

AUD029 – Internal Audit Plan 2012/13 – 12 March 2012

AUD033 – Internal Audit End of Year Report 2011/12 – 26 June 2012

AUD039 - Internal Audit Progress Report to 31 August 2012

EXECUTIVE SUMMARY:

This report sets out the Internal Audit coverage, findings and performance to 31 October 2012.

Forty percent (11 audits, includes two follow up audits) of the 28 programmed audits in the audit plan have been completed to final or draft report stage. In addition to this ten audits from the 2011/12 plan that were at draft report stage were finalised as part of the 2012/13 plan have been completed.

Three pieces of work have been requested by the S151 Officer (contingency budget) and three pieces of work undertaken from the special investigation contingency.

The Audit Plan for 2012/13 is shown in tabular form at Appendix A of this report and provides details on the progress of this year's audit plan.

The Executive Summaries for the audits of Council Tax (2012/13); Debtors (2012/13); NNDR (2012/13) completed since the last Audit Committee meeting are shown in Appendix C and the Executive Summary for Cash Collection (2012/13) is shown in Appendix E item 1.

There were two Executive Summary items deferred from the 26 June 2012 Audit Committee meeting to provide the Head of Estates the opportunity to deliver an update on progress against the management actions identified. These items, relating to the Guildhall Stock Control and Market audits are shown in Appendix C, item C.4 and Appendix E item 2.

RECOMMENDATIONS:

1. That the matters raised by Internal Audit and action taken by Management are noted.

## AUDIT COMMITTEE

### 4 DECEMBER 2012

## INTERNAL AUDIT PROGRESS REPORT TO 31 OCTOBER 2012

### REPORT OF INTERNAL AUDIT MANAGER

#### DETAIL:

#### 1 Audit Plan Progress

- 1.1 Appendix A indicates the progress against the 2012/13 audit plan to 31 October 2012.
- 1.2 Forty percent (11 audits, includes two follow up audits) of the 28 programmed audits in the audit plan have been completed to final or draft report stage. In addition to this ten audits from the 2011/12 plan that were at draft report stage were finalised as part of the 2012/13 plan have been completed.
- 1.3 In addition to the above, three reviews have been requested by the S151 Officer (contingency budget) and three pieces of work undertaken using the special investigation contingency budget.

#### 2 Outstanding Internal Audit Recommendations

- 2.1 All Directors and Heads of Team are aware of their outstanding Audit Actions and these are now monitored on Covalent. An update for the Audit Committee on implementation of high risk management actions to 31 March 2012 was reported to the Audit Committee 26 June 2012. A further update on implementation of high risk management actions as at 30 September 2012 is shown in Appendix D and includes updated commentary as reported to the Performance Management Team 20 November 2012.

#### 3 Partnership Progress

- 3.1 The Audit Manager to date has spent 33.3% of his time on Winchester City Council audit matters and 33.3% at Havant Borough Council and 33.3% at Test Valley Borough Council. The annual target is 33.3% at each site.

#### 4 Other Matters

- 4.1 Internal Audit has an overall productive time (chargeable days) target of 90%. Performance was below target at 85.2% as at 31 October 2012. A contributing factor to this is due to the recruitment process for

the Auditor post taking place in quarter 1 and the following induction of the new post holder.

#### OTHER CONSIDERATIONS:

##### 5 SUSTAINABILITY COMMUNITY STRATEGY AND CHANGE PLANS (RELEVANCE TO):

- 5.1 Internal Audit contributes through the annual audit plan to the corporate governance arrangements of Winchester City Council, which in turn supports the achievement of the objectives of the Sustainable Community Strategy and Change Plans.

##### 6 RESOURCE IMPLICATIONS:

- 6.1 The Audit Plan is currently close on target to be 95% complete (27 of 28 audits) at the end of March 2013. There was a budget overrun of 17.5 days on completing 2011/12 audits to final report stage which unless not all the contingencies are used will result in one or possibly two audits not being undertaken in 2012/13. A risk based approach will be taken to assess which audits will not be undertaken if this occurs.

##### 7 RISK MANAGEMENT ISSUES

- 7.1 The Internal Audit plan for 2012/13 is linked to the Corporate Risk Registers to ensure, where possible and appropriate, Internal Audit review those areas considered to be of the most significant risk. The annual plan was approved by the Audit Committee and continues to be reviewed to ensure they are in line with the risk registers and as a consequence have an audit programme closely linked to the Sustainable Community Strategy and Change Plans.

#### BACKGROUND DOCUMENTS:

Working papers and Audit Reports held within the Governance Group (some exempt).

#### APPENDICES:

Appendix A: Provides details on the progress of this year's audit plan to 31 October 2012.

Appendix B: Definition of Audit Opinions

Appendix C: Executive Summaries Council Tax (2012/13); Debtors (2012/13); NNDR (2012/13) and Markets (2011/12) Audits.

Appendix D: High Risk Audit Actions outstanding to 30 September 2012

Appendix E: Exempt Items Cash Collection Audit (2012/13) and Guildhall Stock Control Audit (2011/12)

**APPENDIX A**

**Progress of 2012/13 Audit Plan to 31 October 2012**

<u>Audit Assignment</u>	<u>Planned Days</u>	<u>Actual Days</u>	<u>Stage / Comment</u>
<b>CONTINGENCIES</b>			
S151 Requests	15	5	1. Fraud Survey (1 day) 2. Mayor's Charity Account (2 days) 3. Telephone Billing (2 days)
Special Investigation	30	20	1. Additional work arising from Fraud Prevention Audit (9 days) 2. Data Analysis in support of a management case (5 days) 3. Cheque Notification (6 days)
<b>KEY FINANCIAL AUDITS</b>			
Asset Management	11.5	9	Work in Progress
Benefits	11.5	6.5	Work in Progress
Budgetary Control	11.5	.5	Quarter 3
Car Parks	11.5	10	Draft Report Stage
Cash collection	17	17	Completed. Please see Exempt item 1 Appendix E for the Executive Summary.
Council tax	6	6	Completed. Please see Appendix C, Item C.1 for the Executive Summary
Creditors	6	1	Work in Progress
Debtors	11.5	13	Completed. Please see Appendix C, Item C.2 for the Executive Summary
Housing Rents	33	3.5	Work in Progress
Main Accounting	11.5	0	Quarter 3

<b><u>Audit Assignment</u></b>	<b><u>Planned Days</u></b>	<b><u>Actual Days</u></b>	<b><u>Stage / Comment</u></b>
NNDR	6	6	Completed. Please see Appendix C, Item C.3 for the Executive Summary
Payroll	16.5	0	Quarter 4
Treasury Management	11.5	0	Quarter 3
<b>CORPORATE AUDITS</b>			
Code of Conduct	8.5	0	Quarter 4
Commissioning	17	0	Quarter 4
Corporate Governance	11.5	11.5	Completed
Developers Contributions	11.5	0	Quarter 4
Follow Up Reviews on the Implementation of Management Audit Actions	11.5	10	1. First review completed and reported to the Audit Committee 26 June 2012. 2. Please see Appendix D for the second review.
Fraud Prevention	11.5	11	Draft Report Stage
Grounds Maintenance and Street Care (Contract Audit)	11.5	14	Work in Progress
Housing Term Contract – Responsive Maintenance and Void Repairs (Contract Audit)	11.5	0	Quarter 3
ICT Shared Service	11.5	.5	Quarter 3. Note not in the original approved 2012/13 Audit Plan. Was to be undertaken as part of 2011/12 Audit Plan. Considered a priority audit for 2012/13 and replaces the Service Audit on Planning that was shown in the original 2012/13 Audit Plan.
Leisure Contract (Contract Audit)	11.5	0	Quarter 4
Performance and Risk Management	17	17	Draft Report Stage

<b><u>Audit Assignment</u></b>	<b><u>Planned Days</u></b>	<b><u>Actual Days</u></b>	<b><u>Stage / Comment</u></b>
Software Licensing and Management of ICT Assets	6	.5	Quarter 4
Staff Recruitment	11.5	15	Draft Report Stage
<b>ON-GOING ACTIVITIES</b>			
Advice and Assurance to Customers as required.	22	15	20 items to 31 October 2012.
Anti Fraud and Corruption Policy and Awareness Training	5	2	
Audit Planning and Reporting	25	17	
External Audit Liaison	6	3	
NFI Fraud Prevention	11.5	7	
Role on Governance Group	3	1	
<b>SERVICE AUDITS</b>			
Guildhall	17	0	Quarter 4
<b>COMPLETION OF 2011/12 AUDITS TO FINAL REPORT STAGE</b>	10	27.5	Please see Appendix C, Item C.4 for the Markets Executive Summary (2011/12) and Exempt item 2 Appendix E for the Guildhall Stock Control Executive Summary (2011/12).
<b>Total</b>	<b>461.5</b>	<b>249.5</b>	

## APPENDIX B

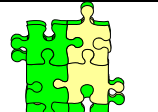
**Assurance Opinions and Action Risk Levels**

In order to assist management and members in using our reports:

- a) We categorise our **opinions** according to our assessment of the controls in place and the level of compliance with these controls. For each audit, we arrive at a conclusion that assesses the audit assurance in one of four categories. These arise from:

Our evaluation opinion: we assess the system of controls, which are in place to achieve the system of objectives.

Our testing opinion: we check whether the controls said to be in place are being consistently applied.

	<b>Full</b>	<b>System Effectiveness opinion</b> - There is a sound system of control designed to achieve the system objectives, and <b>Testing opinion</b> – The controls are being consistently applied.
	<b>Substantial</b>	<b>System Effectiveness opinion</b> – While there is a basically sound system there are weaknesses which put some of the control objectives at risk, and/or <b>Testing opinion</b> – There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
	<b>Limited</b>	<b>System Effectiveness opinion</b> – Weaknesses in the system of controls are such as to put the system objectives at risk, and/or <b>Testing opinion</b> – The level of non-compliance puts the system objectives at risk.
	<b>No Assurance</b>	<b>System Effectiveness opinion</b> – Control is generally weak leaving the system open to significant error or abuse, and/or <b>Testing opinion</b> – Significant non-compliance with basic controls leaves the system open to error or abuse.

- b) We categorise our Actions according to their level of risk.

**High (1)** Major issues for the attention of senior management.  
**Medium (2)** Other recommendations for local management action.  
**Low (3)** Minor matters.



**APPENDIX C.1****Item C.1 – Council Tax 2012/13**

This report covers a walkthrough review of the system processes and controls in respect of Council Tax at Winchester City Council. The internal audit has been undertaken in accordance with the 2012/2013 agreed Internal Audit plan.

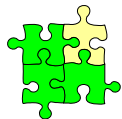
**Audit Objectives**

The audit was a walkthrough review of the system processes and controls only, as opposed to a full systems review which is conducted every three years. System documentation has been updated and key controls identified and agreed with management.

**Areas Covered**

Audit work was undertaken to cover the following areas: -

- reviewing the existing system documentation with management
- confirming that the system documentation accurately reflects the system as at the time of the audit
- updating system documentation where appropriate
- identifying where the system/control environment has significantly changed and consulting the Audit Manager/Principal Auditor regarding revised key control testing
- sample testing was taken from the current Financial Year's population of transactions

**Audit Opinion****Substantial**

**System Effectiveness opinion**– While there is a basically sound system there are weaknesses which put some of the control objectives at risk, and/or

**Testing opinion** – There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

**Conclusions**

1. This audit has found that all of the key controls were found to be in place as documented.
2. There have been no significant changes to the system since the last audit and any changes to the key controls have been agreed with management.

**Previous Recommendation Follow Up**

No previous actions outstanding.

**Acknowledgement**

We would like to thank the management and staff of the Revenues and Finance teams for their assistance during the audit.

## **Item C.2 – Debtors 2012/13**

This report covers the internal audit of procedures and controls in place over debt collection at Winchester City Council. The internal audit has been undertaken in accordance with the 2012/2013 agreed Internal Audit plan.

### **Audit Objectives**

The audit was designed to ensure that management has implemented adequate and effective controls over Debtors.

### **Areas Covered**

Audit work was undertaken to cover the following areas: -

- Invoicing
- Payments and Adjustments
- Credit Notes
- Write Offs
- Recovery including legal
- Refunds
- Debtors Reports
- Access Control

### **Audit Opinion**



**Substantial**

**System Effectiveness opinion**– While there is a basically sound system there are weaknesses which put some of the control objectives at risk, and/or

**Testing opinion** – There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

## Conclusions

1. The controls over the raising of debts are working well. Debtors' invoices are being raised in a timely manner and authorised appropriately.
2. Controls within the payments and adjustments aspects of the debtors system are working well. There is good evidence that payments of debts are recorded promptly and posted to the debtors system on a timely basis.
3. The controls in place for the management of credit notes require further improvement. Whilst the sample testing of credit notes confirmed these all to be authorised appropriately it was noted that credit note reconciliations, completed to provide assurance that only authorised credit notes are posted, are not being conducted regularly and consistently across all service departments. The credit note process could benefit from review as it is primarily a paper based system and could potentially be managed more effectively electronically, utilising automated processes within Civica Financials.
4. The controls over the processing of write offs are working effectively. All write offs within the sample selected were authorised appropriately.
5. The audit testing identified some control weakness in the debt recovery process. The sample testing noted that debts being placed 'on hold' are not being reviewed regularly which could potentially lead to delays in the collection of debts. The new legal recovery system, Civica, has not yet been fully implemented. This has led to additional work for Legal Services through continuing to have to maintain a paper based court filing system and secondly has led to lapses in reconciliations between the legal and debtors systems.
6. The controls over refunds were working effectively. All refunds included in the sample testing were found to be processed promptly on the debtor's system and were authorised appropriately.

7. An 'Aged Debt Report' by department is available within the debtors system and can be emailed out automatically to responsible officers. However these reports have to be requested initially by departments and not all departments may be aware of their existence. Where the reports are being sent out, there is no evidence to confirm they being reviewed or followed up in a consistent way.
8. Controls around the granting of access to the debtors systems were satisfactory. However, accesses should be reviewed on a regular basis to ensure that the accesses are still appropriate to officers' needs. However weaknesses around systems accesses were highlighted in the HCC Audit report 'Main Accounting System (Civica) 2012/13. Actions to address these weaknesses have therefore been agreed as part of that audit review.

### **Previous Recommendation Follow Up**

There are five internal audit agreed actions outstanding from previous audits, all of which are classified as low risk

### **Acknowledgement**

We would like to thank the management and staff of the Exchequer, Financial Services and Legal teams for their assistance during the audit.

### Agreed Action Plan

<u>No</u>	<u>Control Weakness</u>	<u>Potential Risk / Rational</u>	<u>Agreed Action Plan</u>	<u>Responsible Officer and Deadline</u>
	None	<b>High</b>		
		<b>Medium</b>		
1	<p>The audit sample testing of credit note reconciliations found:</p> <ul style="list-style-type: none"> <li>• 2 out the 20 credit notes were not included on a monthly reconciliation.</li> <li>• 5 out of 20 reconciliations had no evidence recorded of the reconciliation having been checked or authorised.</li> </ul> <p>Paper copies of credit notes and their corresponding reconciliations are sent via internal mail.</p>	<p>Unauthorised or inappropriate credit notes are raised.</p> <p>Paperwork could go missing. Also inefficient process.</p>	<p>A review of the credit note processes will be carried out. The review will include possible automation of the process and capturing data electronically.</p>	<p>Principal Financial Accountant</p> <p>31 March 2013</p>
2	<p>Full access to the Debtors system has not been sufficiently restricted. The Income Officer has been granted full access enabling adjustments to be made to debtor's accounts.</p>	<p>There is inadequate segregation of duties between the income and debtors systems.</p>	<p>A review of systems accesses has been carried out by Hampshire County Council and their recommendations for improvements are to be implemented.</p>	<p>Management Accountant</p> <p>31 December 2012</p>
3	<p>A quarterly report is produced listing all staff with access to the debtors systems. However the report is not reviewed to ensure that the information is up-to-date and that individual accesses are appropriate to officers' current roles.</p>	<p>Staff members could retain access to a system that is no longer appropriate to their role.</p>	<p>A review of systems accesses has been carried out by Hampshire County Council and their recommendations for improvements are to be implemented.</p>	<p>Management Accountant</p> <p>31 December 2012</p>

<b>No</b>	<b><u>Control Weakness</u></b>	<b><u>Potential Risk / Rational</u></b>	<b><u>Agreed Action Plan</u></b>	<b><u>Responsible Officer and Deadline</u></b>
4	The bulk system module within the legal system, Civica, is not yet fully operational with the ability to capture all documentation electronically. This means that paper copies of court documents must still be filed rather than allowing electronic filing of documents.	This is an inefficient way of filing court papers which could cause delays. There is also poor value for money as a module within Civica that was paid for, has not been implemented.	Civica are due to visit WCC by December to resolve the systems bugs that still exist. This should ensure that all functionality within Civica will be fully working.	Principal Legal Officer  31 March 2013
5	Some debts placed 'on hold' are not being followed up in a timely manner. Of the 20 'on hold' debts selected for testing: <ul style="list-style-type: none"> <li>• 2 had no evidence recorded on the debtors system of follow up action taken</li> <li>• 2 were for &lt;£1</li> <li>• 10 had not been referred to Legal Services.</li> </ul>	Accounts placed on hold are not being monitored effectively which may result in loss of revenue to the council.	Notes will be added to individual debts to explain why they are placed on hold, and what action is being taken. An independent review / spot checking of outstanding debts will be carried out in the future. Debt levels are monitored at a high level so management consider this is sufficient at present due to available resources.	Principal Financial Accountant  31 March 2013
6	Aged Debt reports used by management for monitoring purposes are not being produced and distributed consistently across service departments. These reports have to be requested by service departments in the first instance but not all departments may be aware of this and therefore do not receive reports.	Aged debts are not being reviewed on a timely basis or being reported appropriately. This may result in loss of revenue for the council.	The Exchequer Manager will meet with all heads of departments to ensure that aged debt reports are being reviewed on a consistent basis.	Principal Financial Accountant  31 March 2013

<b><u>No</u></b>	<b><u>Control Weakness</u></b>	<b><u>Potential Risk / Rational</u></b>	<b><u>Agreed Action Plan</u></b>	<b><u>Responsible Officer and Deadline</u></b>
7	<p>Reconciliations between the records held in the debtors system and those held in the legal services system have not been carried out since March 2012. This was reported as being due to elements of legal services systems not fully functioning since being upgraded.</p> <p>Please note that a sample of 20 debts in Civica was checked and the amount of the outstanding debt in all cases agreed within both Civica and the Debtors systems.</p>	<p>There is a risk that the balance outstanding may not be correctly reported or followed up. The S151 Officer may not have reassurance that the reconciliations have been carried out regularly.</p>	<p>Information will be provided in spreadsheet format on a monthly basis to assist the Exchequer Team Leader in performing monthly reconciliations.</p>	<p>Principal Legal Officer 31 December 2012</p>



### **Item C.3 – NNDR 2012/13**

This report covers a walkthrough review of the system processes and controls in respect of National Non-Domestic Rates (NNDR) at Winchester City Council. The internal audit has been undertaken in accordance with the 2012/2013 agreed Internal Audit plan.

#### **Audit Objectives**

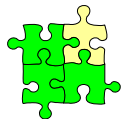
The audit was a walkthrough review of the system processes and controls only, as opposed to a full systems review which is conducted every three years. System documentation has been updated and key controls identified and agreed with management.

#### **Areas Covered**

Audit work was undertaken to cover the following areas: -

- reviewing the existing system documentation with management
- confirming that the system documentation accurately reflects the system as at the time of the audit
- updating system documentation where appropriate
- identifying where the system/control environment has significantly changed and consulting the Audit Manager/Principal Auditor regarding revised key control testing
- sample testing was taken from the current Financial Year's population of transactions

#### **Audit Opinion**



#### **Substantial**

**System Effectiveness opinion**– While there is a basically sound system there are weaknesses which put some of the control objectives at risk, and/or

**Testing opinion** – There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

**Conclusions**

1. This audit has found that all of the key controls were found to be in place as documented.
2. There have been no significant changes to the system since the last audit and any changes to the key controls have been agreed with management.

**Previous Recommendation Follow Up**

No previous actions outstanding.

**Acknowledgement**

We would like to thank the management and staff of the Revenues and Finance teams for their assistance during the audit.

## **Item C.4 – Market Follow Up 2011/12**

This report covers the internal audit follow up of the implementation of actions relating to the management of the market. The internal audit has been undertaken in accordance with the 2011/2012 agreed Internal Audit plan.

### **Audit Objectives**

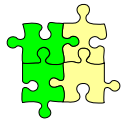
The audit was designed as a follow-up review of the actions that were agreed by management as part of the 2010/11 investigation into the operations at Winchester City Council market. The audit sought to confirm that actions have been effectively implemented and is not exposed to the risk of loss of income which is inherent in cash income systems.

### **Areas Covered**

Audit work was undertaken to cover the following areas: -

- checking with the relevant officer the progress made against all actions from the Internal Audit review of Markets in 2010/11.
- sample checks to evidence to confirm that implemented actions have fulfilled the intention for risk minimisation
- confirming progress in implementing actions that are still recorded as outstanding

### **Audit Opinion**



**Limited**

**System Effectiveness opinion** – Weaknesses in the system of controls are such as to put the system objectives at risk, and/or

**Testing opinion** – The level of non-compliance puts the system objectives at risk.

**Conclusions**

1. Twelve of the eighteen actions raised in the previous audit have been confirmed by Internal Audit to have been effectively implemented or have been superseded by the revised methods of working at the time of the audit (March 2012). Three actions have subsequently been completed as identified in the Action Table. The remaining three comprise two high risk actions and one medium action which will need to be addressed to address the control weaknesses identified in the Action Table.
2. The controls over charging, collection and banking of income are still weak therefore providing limited assurance that amounts charged are in line with agreed fees, that all income is being banked and banking is carried out in a timely manner.

**Acknowledgement**

We would like to thank the management and staff for their assistance during the audit.

**Agreed Action Plan**

<u>Control Weakness</u>	<u>Potential Risk / Rational</u>	<u>Agreed Action Plan</u>	<u>Responsible Officer and Deadline</u>
	<b>Actions outstanding from previous audits</b>		
<p><b>AuditInt/EST/021</b>            There is no record of cash collected by the market management company. Estates are not receiving any summary sheets of bookings and money collected. The only evidence of cash collected by Southern Market Traders Co-operative is the receipt books that are returned when completed. Without daily cash sheets reconciliation of cash collected to income banked can not be undertaken.</p>	<p>High            Not all income collected is banked.</p>	<p>The daily summary sheets of all market income collected from stall holders showing day and amount collected are now being sent to Estates by Southern Market Traders Co-operative weekly. Estates should verify all income collected has been banked appropriately and in a timely manner.</p> <p>Status as at 23 April 2012 – still outstanding            Reported as Complete on Covalent. Internal Audit consider this has been partially completed as only sample checks are being made from banking to the summary sheets. The evidencing of these is also unclear.</p> <p>Information sent monthly by spreadsheet from SMTC Management Consultants Ltd, with full details of traders, stall locations, rent due/paid, receipt numbers and banking details.</p>	<p>Original Due Date: 30 June 2010</p> <p>Responsible Officer: Head of Estates</p> <p>Anticipated completion date: 1 July 2012</p> <p>Completed date: October 2012</p>

<b><u>Control Weakness</u></b>	<b><u>Potential Risk / Rational</u></b>	<b><u>Agreed Action Plan</u></b>	<b><u>Responsible Officer and Deadline</u></b>
<p><b>AuditInt/EST/022</b>            There are no reconciliations between rent income records to the bank statements. This is due to not receiving the daily rent income sheets from the market management company. This could lead to differences not being identified between income collected and the income shown on the bank statement.</p>	<p>High            Discrepancies between rent received and rent money banked go undetected.</p>	<p>The income collected, as per Southern Market Traders Co-Operative records should be reconciled to bank statements monthly and any discrepancies investigated appropriately.</p> <p>Status as at 23 April 2012 – still outstanding – work in progress            Reported as Complete on Covalent.            Internal Audit consider this is not completed as only sample checks are being carried out.</p> <p>Income reconciled monthly from spreadsheet and WCC bank statements</p>	<p>Original Due Date: 30 June 2010</p> <p>Responsible Officer: Head of Estates</p> <p>Anticipated completion date: 1 July 2012</p> <p>Completed date: October 2012</p>

<b><u>Control Weakness</u></b>	<b><u>Potential Risk / Rational</u></b>	<b><u>Agreed Action Plan</u></b>	<b><u>Responsible Officer and Deadline</u></b>
<b>AuditInt/EST/030</b> There are currently no procedure notes outlining the monitoring requirements for the market. In the event of a prolonged absence of officers key control checks of income may not take place increasing the risk of discrepancies in market fee income not being identified.	Medium Loss of income	Procedure notes will be written providing instructions on all aspects of the market monitoring arrangements.  Status as at 23 April 2012 – still outstanding  Procedure notes in place.	Original Due Date: 30 September 2010  Responsible Officer: Head of Estates  Completed date: September 2012

## COMPLETED AFTER THE AUDIT

<u>Control Weakness</u>	<u>Potential Risk / Rational</u>	<u>Agreed Action Plan</u>	<u>Responsible Officer and Deadline</u>
	<b>Actions outstanding from previous audits</b>		
<p><b>AuditInt/EST/016</b>            There is no signed contract between Winchester City Council and the contractor responsible for setting up and clearing down the market, which defines the terms and conditions under which he is employed. This could lead to disputes between the Council and the contractor over areas of responsibility.</p>	<p>High            Dispute over contract details.</p>	<p>The current contractor used for setting up and clearing down the market will be dispensed of as his duties will be taken over by the new Market Management Company. The duties will be included in the contract with Southern Market Traders Co-operative</p> <p>Status as at 23 April 2012 – still outstanding - in progress and nearing completion            Internal Audit are aware that SMTC have taken over the running of the market. A new agreement is in the process of being drawn up and Internal Audit have confirmed that the control weakness is being addressed in the draft agreement.</p>	<p>Original Due Date: 31 July 2010</p> <p>Responsible Officer: Head of Estates</p> <p>Completed date: 25 May 2012</p>



<b><u>Control Weakness</u></b>	<b><u>Potential Risk / Rational</u></b>	<b><u>Agreed Action Plan</u></b>	<b><u>Responsible Officer and Deadline</u></b>
<p><b>AuditInt/EST/017</b>            There is no separation of duties in the market bookings and cash collection system. The Market Manager will on occasions take the bookings, collect the cash from the market stall holders as well as reconciling the cash to the daily sheets at the end of the day.</p>	<p>High            Theft of council income.</p>	<p>Stall counts are to be carried out on quarterly basis by the Senior Estates Surveyor or the Estates Assistant. The number of stalls counted will then be compared to the daily sheets submitted by Southern Market Traders Co-operative and any discrepancies reported.</p> <p>Status as at 23 April 2012 – still outstanding            Internal Audit observed that whilst stall counts are being completed, there is no evidence of investigating discrepancies, even where the number of stalls has been over-declared.            Update 23 May 2012 – SMTC have provided an updated format of their lists enabling the checks to be made.</p>	<p>Original Due Date: 30 June 2010</p> <p>Responsible Officer: Head of Estates</p> <p>Completed date: 23 May 2012</p>

<b><u>Control Weakness</u></b>	<b><u>Potential Risk / Rational</u></b>	<b><u>Agreed Action Plan</u></b>	<b><u>Responsible Officer and Deadline</u></b>
<p><b>AuditInt/EST/028</b>            Surprise cash counts have never been carried out by a member of the Estates team. There is no check by Estates that all income taken on a specific day corresponds with the receipt book and the expected income from the daily sheet for that day.</p>	<p>Medium            Cash receipts not recorded accurately.</p>	<p>Stall counts are to be carried out on quarterly basis by the Senior Estates Surveyor or the Estates Assistant. The number of stalls counted will then be compared to the daily sheets submitted by Southern Market Traders Co-operative and any discrepancies reported.</p> <p>Status as at 2 April 2012 – still outstanding            Internal Audit considers that whilst stall counts are being completed, there is no evidence of reconciling the day's receipted income with the SMTC records.            Update 23 May 2012 – SMTC have provided an updated format of their lists enabling the checks to be made.</p>	<p>Original Due Date: 30 June 2010</p> <p>Responsible Officer: Head of Estates</p> <p>Completed date: 23 May 2012</p>

## APPENDIX D

**Follow Up Review of High Risk Internal Audit Agreed Actions**

The review identified all high level Internal Audit agreed actions which were due to have been implemented by 30 September 2012, and then the current progress to implement them checked with the relevant Heads of Team. There are eight agreed actions which remain outstanding, the details including the latest position and anticipated dates for completion shown in the table below.

The review also revisited all high level Internal Audit agreed actions which had been reported on Covalent as implemented since April 2012, for all actions reviewed evidence was found to provide assurance that they had been implemented effectively.

Code	Control Weakness	Agreed Action	Managed By	Original Due Date	Anticipated Due Date	Latest Note
AuditInt/AIN /017	<p><b><u>Car Parks Special 2010/11</u></b>  <b>Risk:</b> Continuity checks on audit ticket sequences are not maintained  <b>Control Weakness:</b> Deputising arrangements are not in place to ensure that full sequences of audit ticket numbers are being captured and discrepancies investigated promptly</p>	Procedures need to be developed to cover the data capture process, the reporting and investigating of discrepancies. Deputies need to be in place and trained in the processes. The Assistant Parking Manager is in the process of identifying a suitable deputy to cover the capture of audit ticket data. The current re-organisation of the car parks office is being taken into account in determining where an appropriate resource can be obtained whilst maintaining effective separation of duties.	Andy Hickman	29-Jul-2011	28-Feb-2013	An assessment will be completed to identify the critical processes which will immediately need to operate in the event of long term absence of the Assistant Parking Manager. This will be completed by 31/01/13 following which procedures will be drafted.

Code	Control Weakness	Agreed Action	Managed By	Original Due Date	Anticipated Due Date	Latest Note
AuditInt/AIN/021	<p><b><u>Car Parks Audit 2010/11</u></b>  <b>Risk:</b> Income incorrectly attributed in the ledger  <b>Control Weakness:</b> No reconciliation is carried out between the car parks income recorded on the general ledger to the income records held by Car Parks Office</p>	A meeting will be organised with Financial Services to develop and obtain the reports necessary to enable regular reconciliation to be carried out.	Andy Hickman	31-Oct-2011	28-Feb-2013	As previously stated significant progress has been made.
AuditInt/EST/036	<p><b><u>Cash Collection (Staff Canteen) Audit 2010/11</u></b>  <b>Risk:</b> Loss of income  <b>Control Weakness:</b> Over the last 4 years, purchases have consistently exceeded budget and income has consistently fallen short of budget leading to a situation where the canteen only breaks even with a subsidy from the Council (over £12,000 in 2009/10). The general rule of thumb for catering activities is to produce a gross profit (GP) of about 60% which would contribute to the objective of covering food costs and other direct costs. No checks are applied to assess whether this GP is being achieved and from the performance to be able to identify the root cause.</p>	The transfer of the function to the Guildhall will enable greater control over purchases and stock control generally that should improve the GP.	Kevin Warren	29-Jul-2011	3-Dec-2012	Role will be transferred to the Guildhall, managed by the Catering Manager once consultation with member of staff has been carried out by the union representatives.

Code	Control Weakness	Agreed Action	Managed By	Original Due Date	Anticipated Due Date	Latest Note
AuditInt/EST /037	<p><b><u>Cash Collection (Staff Canteen) Audit 2010/11</u></b>  <b>Risk:</b> Loss of income and stock  <b>Control Weakness:</b>            There are no controls over stock, production and wastage in place. Limited controls operate over the purchasing, but only to the extent that expenditure is being confirmed to receipts. No checks are made on stock levels or wastage.            In any catering function, effective control needs to be exercised over the whole systems for purchasing, stock, wastage and sales in order to gain full assurance that income is being properly accounted for.</p>	The transfer of the function to the Guildhall will enable stock control to be exercised.	Kevin Warren	29-Jul-2011	3-Dec-2012	Full stock control will be undertaken by the Guildhall catering manager following the transfer of post once consultation with the member of staff and union representatives is finalised. Procurement of goods for the staff canteen will be undertaken by Guildhall Staff from 3/12/12.

Code	Control Weakness	Agreed Action	Managed By	Original Due Date	Anticipated Due Date	Latest Note
AuditInt/EST/038	<p><b><u>Cash Collection (Staff Canteen) Audit 2010/11</u></b>  <b>Risk:</b> Loss of income  <b>Control Weakness:</b>  Weaknesses in control were observed to range from –</p> <ul style="list-style-type: none"> <li>· lack of independent cash up,</li> <li>· customers unable to confirm that the sales price is correct,</li> <li>· the placement of the till below the counter level where the ring through of sales cannot be observed,</li> <li>· lack of a separation of duties within the income system,</li> <li>· lack of training in use of the till,</li> <li>· lack of independent verification of takings to bankings,</li> <li>· the daily income sheet is not signed by the staff member that fills it in and there is no evidence of a check by someone independent of the system.</li> <li>· lack of reconciliation of income records to the general ledger,</li> <li>· overs and unders not being accounted for correctly.</li> <li>· Surprise cash counts are not carried out</li> </ul>	The transfer of the function to the Guildhall will address the control weaknesses raised by Internal Audit.	Kevin Warren	29-Jul-2011	31-Dec-2012	Transfer of role under the management of the Guildhall will improve the weaknesses identified. This will be undertaken by the Catering Manager once union representatives consult with the post holder.

Code	Control Weakness	Agreed Action	Managed By	Original Due Date	Anticipated Due Date	Latest Note
AuditInt/LEG/004	<p><b><u>Contracts Audit 2007/08</u></b>  <b>Risk:</b> Lack of control over tendering</p> <p><b>Control Weakness:</b> Corporate Contracts Procedure Rules do not refer to:</p> <ul style="list-style-type: none"> <li>• Late tenders</li> <li>• Accidental opening of tenders</li> <li>• Unsigned or not completed tenders</li> <li>• Treatment of errors in tenders</li> <li>• Confirmation of receipt of Invitation To Tender by the contractors including when alterations are made to the contract</li> <li>• Notification to unsuccessful tenderers</li> <li>• Keeping a record of the pre-contract meeting</li> <li>• Organised record of site visits</li> <li>• Calculation of liquidated damages</li> <li>• Reporting requirements in cases of overspends</li> </ul> <p>Procedures Rules do not state that a full signature should be used on the tender acceptance form.</p>	<p>Either the Corporate Contracts Procedure Rules should be updated and expanded to include all the areas identified in this audit or 'step by step' Contract Management Guidance should be put together and referred to in the Contract Procedure Rules. This will lead to a more structured easier to follow approach, especially for staff that are inexperienced in overseeing contracts.</p> <p>A course of training should be set up for staff involved in Contract Management within the Council.</p> <p>The procedures should state that the tender acceptance documents should be signed by all present at the opening of the tenders. This is because signatures are easier to validate than initials which are currently used.</p>	Howard Bone	31-Mar-2008	31-Mar-2013	<p>Presentation to SMT undertaken. Aim to finalise Guidance and training by 31/3/13.</p> <p>Other work undertaken and implemented on procurement includes new guidance and an evaluation model for ensuring safeguarding children and vulnerable adults and equality when dealing with suppliers.</p>

Code	Control Weakness	Agreed Action	Managed By	Original Due Date	Anticipated Due Date	Latest Note
AuditInt/IMT/016	<p><b><u>ICT Security Policy Audit 2011/12</u></b>  <b>Risk:</b> Access is given to users who do not agree to the Policy, with the potential of damaging or losing Council equipment or data.  <b>Control Weakness:</b> All staff are required to sign an ICT Security Policy when they join the Council, however these are not retained sufficiently and therefore many cannot be located. Furthermore, there is no clear indication as to which department or person has the responsibility to collate and monitor signed policies.</p>	<p>A two page document shall be created, showing the key points of the ICT Security Policy. This shall require signing by new starters, with the hiring manager sending a copy to IM&amp;T prior to access to the network being granted.  Current staff will also be required to sign the two page document and return to IM&amp;T. Any forms that are not returned within 30 days of issue will be reported to HR for follow up.</p>	Tony Fawcett	31-Mar-2012	31-Jan-2013	Two page document completed and authorised by HR. Performance Management Team to discuss the process to be undertaken to ensure adequate proof of 'sign up' of the document by all staff. Corporate Management Team to make final decision on the process to be put in place.