

AUDIT COMMITTEE

25 June 2013

INTERNAL AUDIT ANNUAL REPORT FOR 2012/13

REPORT OF INTERNAL AUDIT MANAGER

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RECENT REFERENCES:

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

AUD039 – Internal Audit Progress Report to 31 August 2012 (25 September 2012)

AUD046 – Internal Audit Progress Report to 31 October 2012 (4 December 2012)

AUD054 – Internal Audit Plan 2013/2014 (11 March 2013)

AUD053 – Internal Audit Progress Report to 28 February 2013 (11 March 2013)

EXECUTIVE SUMMARY:

This report includes commentary on the Internal Audit Service's compliance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (2006) in 2012-13.

It also provides in details on the performance of the Internal Audit Service and the work undertaken which compares the original Internal Audit Plan for 2012-13 to the actual audit work completed in 2012-13.

The overall opinion of the Internal Audit Manager is that a substantial level of assurance can be given for 2012-13. There is generally a sound system of internal control in place, designed to meet the Council's objectives and controls are being applied consistently.

Executive Summaries and Agreed Action Plans for audits finalised since the previous Audit Committee on 11 March 2013 are included in the report at Appendix C.

RECOMMENDATIONS:

- 1 That the Audit Committee consider; the Internal Audit Annual Report for 2012-2013; the assurance opinion from the Internal Audit Manager on the system of internal control, and the overall conclusion on the effectiveness of Internal Audit.
- 2 That the matters raised by the Internal Audit Service and action agreed with management are noted.

## AUDIT COMMITTEE

25 June 2013

### INTERNAL AUDIT ANNUAL REPORT FOR 2012/13

#### REPORT OF INTERNAL AUDIT MANAGER

#### 1 Introduction

1.1 The Council's Internal Audit Manager is required to produce a formal annual report and opinion under the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (2006)<sup>1</sup>. This forms an integral part of the formulation of the Council's Annual Governance Statement, as required under the Accounts and Audit Regulations 2011 and the CIPFA/Solace 'Framework for Delivering Good Governance in Local Government'.

1.2 To meet this requirement a review of the Internal Audit Service has been completed through a self assessment of the service against best practice outlined in the eleven standards covered in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (2006).

1.3 The 11 standards covered by the Code of Practice are:

Standard 1: Scope of Internal Audit

Standard 2: Independence

Standard 3: Ethics for Internal Auditors

Standard 4: Audit Committees

Standard 5: Relationships

Standard 6: Staffing, Training and Continuing Professional Development

Standard 7: Audit Strategy and Planning

Standard 8: Undertaking Audit Work

Standard 9: Due Professional Care

Standard 10: Reporting

Standard 11: Performance, Quality and Effectiveness

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<sup>1</sup> The CIPFA Code of Practice for Internal Audit in Local Government (2006) in the United Kingdom was replaced by the Public Sector Internal Audit Standards on 1 April 2013.

- 1.4 The self assessment review confirmed that the current Internal Audit Service substantially complies with the Code of Practice. There were however areas of partial compliance which included:

Standard 1 Scope of Internal Audit – The terms of reference establishing Internal Audit’s rights of access to all records, assets, personnel and premises including those partnering organisations.

Standard 5 Relationships – A protocol that defines the working relationship for Internal Audit with (a) external auditors and (b) other regulators and inspectors.

Standard 11 Performance and Effectiveness of the Internal Audit Services – Performance management and quality assurance framework includes as a minimum use feedback obtained for each individual audit and periodically for the whole service.

The change in the Internal Audit Service arrangements on 1 July 2013 will provide an opportunity to review and address these specific areas, also including any others included in the Public Sector Internal Audit Standards which came into effect on 1 April 2013.

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

- 2.1 The overall opinion of the Internal Audit Manager is that a substantial level of assurance can be given that there is a generally sound system of internal control, designed to meet the Council’s objectives, and that controls are being applied consistently.
- 2.2 The opinion given of the Internal Audit Manager is based upon, and limited to, the work performed during the year. The opinion does not imply that Internal Audit has reviewed all risks relating to the Council, but is based upon the range of individual opinions arising from risk based audit assignments completed during 2012-13. The individual opinions for completed audit assignments are summarised below:

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	Number of Audit Assignments	% of Audit Assignments
Full Assurance	0	0
Substantial Assurance	17	89.5%
Limited Assurance	2	10.5%
No Assurance	0	0

<sup>2</sup> The reviews of Asset Management, Housing Term Contracts and Guildhall have been included in the analysis based on the assurance opinion given in the draft audit reports.

2.3 The audit assignments that received a limited opinion are:

- Environmental Services / Grounds Maintenance Contract
- Housing Term Contracts – Responsive Maintenance and Void Repairs

### 3 Progress of 2012-13 Audit Plan

3.1 The table included at Appendix A shows the progress made to complete against the Internal Audit Plan for 2012-13.

3.2 The original Internal Audit Plan for 2012-13 had 28 audit assignments planned but a number of issues have arisen during the course of the year which has meant the target of 95% completion of the plan has not been achieved. Contributing factors have included a budget overrun of 17.5 days on completing 2011-12 audit assignments and a number of audits taking more days to complete than originally budgeted. As a result of these factors 79% percent of the original audit assignments have now been completed to final report stage (22 of the 28 audits).

3.3 Four of the five audits removed from the Internal Audit Plan for 2012-13 are currently included in the Internal Audit Plan for 2013-14; these include Code of Conduct, ICT Shared Service, Leisure Contract and Software Licensing and Management of ICT Assets. The audit of Developers Contributions has not been included in the Internal Audit Plan for 2013-14. However, elements of the process will be incorporated into the planned review of the Community Infrastructure Levy.

### 4 Outstanding High Risk Internal Audit Agreed Actions

4.1 All Directors and Heads of Team are aware of their outstanding Internal Audit Agreed Actions and these continue to be monitored using Covalent, the Council's performance management system. Updates on the implementation of high risk internal audit agreed actions have been reported to the Audit Committee during the year and a further update on outstanding actions, classified as risk, at 31 March 2013 is shown in Appendix D of this report.

4.2 There has been a significant improvement in the monitoring and implementation of high risk internal audit agreed actions. This had previously been seen as an area of concern due to the number of high risk outstanding actions which had not been implemented within the agreed timescales. There are now three actions outstanding, compared to ten reported as outstanding in the Internal Audit Annual Report 2011-12.

4.3 A latest review of high risk internal audit agreed actions reviewed all those reported as implemented during 2012-13. All actions reviewed, with one exception, were found to be implemented effectively. The action which still requires further work to fully implement relates specifically to client officer inspections of the Council's appointed contractor Osbornes. The details of

the action will be reported to Audit Committee once the audit report for Housing Term Contracts has been finalised.

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

- 5.1 The Internal Audit Manager is a member of the Corporate Governance Group and has therefore raised any emerging issues resulting from the audit assignments completed in 2012-13. These have been reviewed and consideration given as to whether sufficiently significant to be included in the Council's Annual Governance Statement.

## 6 Internal Audit Partnership

- 6.1 The Internal Audit Partnership Manager during 2012-13 spent 33.3% of his time on Winchester City Council matters, 33.3% at Havant Borough Council and 33.3% at Test Valley Borough Council.

## 7 Other Matters

- 7.1 Internal Audit has a target for overall productive time (chargeable days) of 90%. Performance for 2012-13 was 85%, slightly below target partly due to the time invested in the recruitment and training of a new employee during the year.

## OTHER CONSIDERATIONS:

### 8 SUSTAINABLE COMMUNITY STRATEGY AND CHANGE PLANS (RELEVANCE TO):

- 8.1 Internal Audit has contributed through the Internal Audit Plan 2012-13 and the support provided to the Corporate Governance Group. This supports the achievement of the objectives of the Sustainable Community Strategy.

### 9 RESOURCE IMPLICATIONS:

- 9.1 The total number of productive / chargeable days delivered in the Internal Audit Plan 2012-13 was 459. It should be noted that 417 of these were delivered between 1 April 2012 and 31 March 2013 and an additional 42 days have been spent on finalising audit assignments in Quarter 1.
- 9.2 The Chief Finance Officer (S151 Officer) is currently working with the Council's new partner, Southern Internal Audit Partnership, to review the Internal Audit Plan for 2013-14. This will be an opportunity to review priorities and resources, ensuring the Council have a plan which is achievable and robust in the level of assurance it can provide on the overall control environment.

## 10 RISK MANAGEMENT ISSUES

- 10.1 The Internal Audit Plan for 2012-13 was linked to the Corporate Risk Register to ensure, where possible the work of Internal Audit was focussed on those areas considered to be of the most significant risk. The Internal Audit Plan for 2012-13 was approved by Audit Committee on 11 March 2012.

### BACKGROUND DOCUMENTS:

Working papers and audit reports held within the Financial Services (some exempt).

### APPENDICES:

Appendix A: Internal Audit Plan 2012-13

Appendix B: Assurance Opinions and Action Risk Levels

Appendix C: Executive summaries for completed audits

Appendix D: Outstanding high risk internal audit agreed actions

**Internal Audit Plan 2012-13**

Audit Assignment	Planned Days	Actual Days	Audit Opinion	Stage / Comment
<b>Core Audits (Compulsory)</b>				
Asset Management	11.5	12.5	Substantial	Draft Report Stage
Benefits	11.5	10	Substantial	Completed
Car Parks	11.5	14	Substantial	Completed (Please see item C1 for the Executive Summary)
Budgetary Control	11.5	20.5	Substantial	Completed (Please see item C2 for the Executive Summary)
Cash Collection	17	17	Substantial	Completed
Council Tax	6	6	Substantial	Completed
Creditors	6	5	Substantial	Completed
Debtors	11.5	13	Substantial	Completed
Housing Rents	33	30	Substantial	Completed (Please see item C3 for the Executive Summary)
Main Accounting	11.5	14.5	Substantial	Completed (Please see item C4 for the Executive Summary)
NNDR	6	6	Substantial	Completed
Payroll	16.5	26	Substantial	Completed (Please see item C5 for the Executive Summary)



Audit Assignment	Planned Days	Actual Days	Audit Opinion	Stage / Comment
Treasury Management	11.5	8.5	Substantial	Completed (Please see item C6 for the Executive Summary)
Follow Up Reviews on the implementation of Internal Audit Agreed Actions	11.5	10	n/a	Completed 1. First Review completed and reported to the Audit Committee on 26 June 2012 2. Second Review completed and reported to Audit Committee on 4 December 2012
Corporate / Cross Departmental Audits				
Code of Conduct	8.5	0	n/a	Removed from Internal Audit Plan 2012/13 (included in Audit Plan 2013/14 )
Commissioning	17	0	n/a	Removed from Internal Audit Plan 2012/13 (included in Audit Plan 2013/14 )
Corporate Governance	11.5	11.5	n/a	Completed
Developers Contributions	11.5	0	n/a	Removed from Internal Audit Plan 2012/13 (Community Infrastructure Levy included in Audit Plan 2013/14 under Role on Projects)
Fraud Prevention	11.5	13	Substantial	Completed (Please see item C7 for Executive Summary)
Environmental Services / Grounds Maintenance Contract	11.5	21.5	Limited	Completed
ICT Shared Service	11.5	0	n/a	Removed from Internal Audit Plan 2012/13 (included in Audit Plan 2013/14 )
Housing Term Contract – Responsive Maintenance and Void Repairs	11.5	18.5	Limited	Draft Report Stage

Audit Assignment	Planned Days	Actual Days	Audit Opinion	Stage / Comment
Leisure Contract	11.5	0	n/a	Removed from Internal Audit Plan 2012/13 (included in 2013/14)
Performance and Risk Management	17	27.5	Substantial	Completed (Please see item C8 for Executive Summary)
Software Licensing and Management of ICT Assets	6	0	n/a	Removed from Internal Audit Plan 2012/13 (included in 2013/14)
Staff Recruitment	11.5	25	Substantial	Completed (Please see item C9 for Executive Summary)
<b>Contingencies</b>				
S151 Requests	15	12	n/a	1. Fraud Survey (1 day) 2. Mayor's Charity Account (2 days) 3. Telephone Billing (9 days)
Special Investigations	30	20	Substantial	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) – please see Appendix D for the Executive Summary
<b>Ongoing Activities</b>				
Advice and Assurance to Customers	22	22	n/a	25 items to 31 March 2013
Anti Fraud and Corruption Policy (training and communications)	5	5	n/a	Anti-Fraud and Corruption Training Workshop held at Senior Management Team in June 2013
Audit Planning and Reporting	25	30	n/a	n/a

Audit Assignment	Planned Days	Actual Days	Audit Opinion	Stage / Comment
External Audit Liaison	6	4	n/a	n/a
NFI Co-ordinator	11.5	13.5	n/a	n/a
Role on Governance Group	3	2.5	n/a	n/a
Service or Activity Audits				
Guildhall	17	12.5	Substantial	Draft Report Stage
Completion of 2011/12 Audit Plan	10	27.5	n/a	Completed
Total	461.5	459 <sup>3</sup>		

<sup>3</sup> Total number of days delivered for the Internal Audit Plan 2012-13 of which 417 days delivered between 1 April 2012 and 31 March 2013

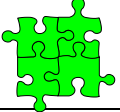
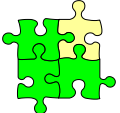
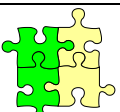

## Appendix B

### Assurance Opinions and Action Risk Levels

In order to assist management 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.

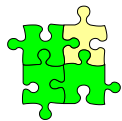
	<b>Full</b>	<b>System Effectiveness opinion</b> - There is a sound system of control designed to achieve the system objectives, and <b>Testing opinion</b> – The controls are being consistently applied.
	<b>Substantial</b>	<b>System Effectiveness opinion</b> – While there is a basically sound system there 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 C1****C1 – Car Parks 2012-13****Executive Summary****Background**

This report covers the internal audit of procedures and controls in place over the Car Parking income at Winchester City Council. The internal audit has been undertaken in accordance with the 2012/2013 agreed Internal Audit plan. The internal audit approach and summary of the work undertaken is provided in the audit framework in Appendix A.

**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 total car parking and enforcement income received for 2012/13 was more than expected being £5,972K compared to a budget of £5,676K. Car parking charges are subject to annual reviews, charges to apply from January 2012 were approved by Cabinet in November 2011. Cabinet approved the overall General Fund budget in February 2012 which included car parking income, they were presented with a mid year update in September 2012 and noted that no revisions to the budget were required. Regular reporting to PMT and Leaders Board of actual to budgeted income has taken place throughout the year.
2. The budget setting and monitoring process for car parking income continues to be effective. The coding structure within the Council's Financial Management System allows income to be attributed to specific car parks and enables monitoring of actual to budgeted income at a detailed level. The financial information helps management identify whether performance of individual car parks is as expected, when compared with the budgeted income.

3. There are effective processes to monitor the completeness and timeliness of cash collections through to the banking of the income which also provide assurance on the effective performance of the Keyline Chartered Security Ltd, the Council appointed contractors for collecting income from car parking machines. There continues to be a lack of a trained deputy for the Assistant Parking Services Manager. If these duties are not performed when he is absent, there is the risk that missing income may not be identified and investigated promptly.
4. The regular, monthly income reconciliations carried out between the General Ledger and the Car Parks records provides assurance that the figures recorded in the General Ledger are accurate.
5. Machine maintenance is well controlled with a record made of faults logged which are monitored to ensure that machines are returned to operation as soon as possible. Reviews of attacks on machines (including theft) are also used to identify improvements that can be made to enhance the security over these machines.
6. System documentation held by Internal Audit was confirmed as accurate. The system documentation for Car Parks income has been reviewed and updated where required. The key controls, identified by the Council's External Auditors, have been tested and confirmed that all were operating effectively.

### **Previous Recommendation Follow Up**

One high level and four medium level actions agreed in previous audits still require attention and are listed in the Agreed Action Plan. In most cases full implementation of the actions requires adequate back up and support to the Assistant Parking Services Manager. It is noted that management have identified resources issues as having prevented this.

### 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>
		<b>High</b>		
		NONE		
		<b>Medium</b>		
1	The record of issues of machine keys is insufficient to show who has custody of keys at any given time and therefore who has had access to car parking machines at that time. The Parking Operations & Quality Manager also reported an instance where keys had been left in an unsecured location when returned. In mitigation, the control over checking key safe contents had operated in identifying that there were missing keys.	Unauthorised and untraceable access to cash boxes in car parks machines leading to loss of income by theft.	A reminder will be issued to the Parking Operations & Quality Manager to maintain the record of key issues to show who has custody of the keys. A process will be identified to secure keys when they are returned out of hours.	Parking Services Manager  Completed 22 May 2013
		<b>Actions outstanding from previous audits</b>		

<u>No</u>	<u>Control Weakness</u>	<u>Potential Risk / Rational</u>	<u>Agreed Action Plan</u>	<u>Responsible Officer and Deadline</u>
	<p><b>AuditInt/AIN/017</b> Deputising arrangements are not in place to ensure that full sequences of audit ticket numbers are being captured and discrepancies investigated promptly</p>	<p><b>High</b> Continuity checks on audit ticket sequences are not maintained</p>	<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</p> <p>Status as at 17 May 2013 – Procedures have been developed however as there is no permission to recruit to the Office Manager post at present there is no officer able to act as a deputy.</p>	<p>Original Due Date: 31 March 2011</p> <p>Assistant Parking Services Manager</p> <p>Anticipated completion date: 30 November 2013</p>
	<p><b>AuditInt/AIN/003</b> Whilst each employing department are recharged with the cost of permits provided to their staff, this is in overall cost terms and is not self-evident for budget holders to identify how many permits are being used at any given point in time. The Park &amp; Ride card charges are updated each month, whilst season cards are charged annually.</p>	<p><b>Medium</b></p>	<p>Budget holders should be provided with a list of people charged to their cost codes e.g. quarterly – budget holders should confirm these details are correct.</p> <p>Status as at 17 May 2013 - reports can be obtained from the Permit Gateway system which has recently been updated following the re-organisation. An exercise will be initiated to confirm with senior managers who best to send these reports to.</p>	<p>Original Due Date: 31 March 2008</p> <p>Responsible Officer: Assistant Parking Services Manager</p> <p>Anticipated completion date: 31 July 2013</p>

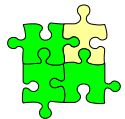


<u>No</u>	<u>Control Weakness</u>	<u>Potential Risk / Rational</u>	<u>Agreed Action Plan</u>	<u>Responsible Officer and Deadline</u>
	<p><b>AuditInt/AIN/005</b>            Pay by phone is still in its pilot stage, however, there are no effective controls that enable the income and charges levied by VERRUS (the operating company) to be verified. Current levels of business are relatively small in relation to the whole. There is the potential for this to grow and controls need to be in place to ensure that the levels of business experienced can be verified between the invoice for VERRUS' services and the amounts being credited through the bank account</p>	<p><b>Medium</b>            Cash income fails to be properly accounted for leading to loss by error, theft or fraud</p>	<p>Progress is being made with VERRUS to obtain more detailed information to help reconcile the reported levels of income with credits received via the banking system. The potential for using the ledger system to capture the expected income and that actually received will be investigated.</p> <p>Status as at 17 May 2013 - There still remain timing inconsistencies with Streamline that do not allow for reconciliations to be effectively completed within the available staff resources. A review of the process will be carried out to assess what measures can be reasonably instituted to mitigate the risk.</p>	<p>Original Due Date: 31 March 2009</p> <p>Responsible Officer: Assistant Parking Services Manager</p> <p>Anticipated completion date: 31 August 2013</p>

<u>No</u>	<u>Control Weakness</u>	<u>Potential Risk / Rational</u>	<u>Agreed Action Plan</u>	<u>Responsible Officer and Deadline</u>
	<p><b>AuditInt/AIN/020</b> No detailed checks have been made on the income figures for the other car park machines. Initial indications are that whilst there are discrepancies, these do not appear to be the result of systematic thefts.</p>	<p><b>Medium</b> Losses from parking machines are undetected</p>	<p>The list of discrepancies as listed in Appendix 2 should be investigated and the causes for these established</p> <p>Status as at 17 May 2013 - details of discrepancies have been provided to the APSM to facilitate a targeted review of the potential issues bearing in mind the time that has elapsed since the original issues were identified.</p>	<p>Original Due Date: 29 July 2011</p> <p>Responsible Officer: Assistant Parking Services Manager</p> <p>Anticipated completion date: 31 January 2014</p>
	<p><b>AuditInt/AIN/024</b> No reconciliation is made between permits issued to the amount of income taken at the counter. A system for recording the details of permits issued from the counter needs to be in place in order that the issued permit numbers can be checked. This system should also enable the block issues of permits and the raising of debtor invoices to be checked.</p>	<p><b>Medium</b> Loss of income from permits</p>	<p>Agreed in principle. However, the practicalities of implementing a process to reconcile income to permit issues need to be fully evaluated in relation to the available resources.</p> <p>Status as at 17 May 2013 - an assessment will formally be made between the risks and the resources needed to mitigate those risks. A report proposing a course of action will be prepared for senior management to take a decision on what level of control is considered necessary.</p>	<p>Original Due Date: 31 March 2012</p> <p>Responsible Officer: Parking Services Manager</p> <p>Anticipated completion date: 30 November 2013</p>

**Appendix C2****C2 – Budgetary Control 2012-13****Executive Summary****Background**

This report covers the internal audit of procedures and controls in place over Budgetary Control at Winchester City Council. The internal audit has been undertaken in accordance with the 2012/2013 agreed Internal Audit plan. The internal audit approach and summary of the work undertaken is provided in the audit framework in Appendix A.

**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 budgets for 2012 / 2013 were set following a consultation process with management and members prior to approval, in line with Financial Procedure Rules. All budget adjustments reviewed as part of the audit, including virements and carry forwards, were found to be valid through checks to supporting documentation and where required authorised by Cabinet.
2. The overall framework in place for budget monitoring and reporting was found to be good. This framework relies on budget managers reviewing and controlling their budgets effectively, and reporting on significant variances. The results of the audit testing on a sample of budgets, which were either over or under spent, were found to be in some instances due miscodings on the general ledger. Whilst these miscodings had not previously been identified through the normal monitoring process but the relevant budget manager in all but one instance it was established they would not have impacted on the overall high level budget position.

3. Budget reporting processes were found to be operating effectively, with an established system of regular reporting to Performance Management Team, Leaders Board and Cabinet.
4. The processes in place over the setting of revised budgets were found to be effective. They were set in consultation with management and members and in line with Financial Procedure Rules. Revised budgets were prepared on a timely basis and used as an opportunity to review and re-forecast the full year position.

### **Previous Recommendation Follow Up**

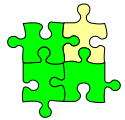
There are no actions outstanding which require follow up action.

### 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>
		<b>High</b>		
		None		
		<b>Medium</b>		
1	<p>A coding error was identified as part of the audit testing of budget variances which had not previously been identified by the budget holder through the normal budget monitoring process. The coding error did impact on the overall high level budget position.</p> <p>NB: This related to a miscoding of an invoice from EHDC for the recharge of JWW Client Team Costs and Green Waste income (value £362K).</p>	Over / understatement of budget position	<p>(1) Additional checks on the coding of invoices will be undertaken at the authorisation stage, prior to payment of invoices. The coding error had already been identified by Principal Management Accountant and has now been corrected through a manual journal.</p> <p>(2) The recharging process will be reviewed with a view to EHDC, as the Admin Authority, taking a more active role in the budgetary control / monitoring process.</p>	<p>Responsible Officer: Assistant Director (Neighbourhoods and Environment)</p> <p>Completed</p> <p>Responsible Officer: Assistant Director (Neighbourhoods and Environment)</p> <p>Target Date: 31 July 2013</p>
		<b>Actions outstanding from previous audits</b>		
		None		

**Appendix C3****C3 - Housing Rents 2012-13****Executive Summary****Background**

This report covers the internal audit of procedures and controls in place over the management and control of housing rental income at Winchester City Council. The internal audit has been undertaken in accordance with the 2012/2013 agreed Internal Audit plan. The internal audit approach and summary of the work undertaken is provided in the audit framework in Appendix A

**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 processes for the initial rent calculation for 2012/13 and the subsequent application to the rent accounts were well controlled. To provide further assurance on the accuracy of future rent calculations, evidence supporting the completion the independent quality checks should be retained.
2. The systems for collecting and accounting for current tenant rents and former tenant arrears operate well, with regular reconciliations carried out between the income and rent accounting systems. The recovery of current and former tenants' arrears is well controlled with regular monitoring and progression of debts. Write-off action is also well controlled with evidence of being subject to senior management review and authorisation. There is however, insufficient control in place to confirm that income due from housing stock leased to other housing associations is being recovered. As a result of weaknesses in this process there have been delays in recovering £7,371 in lease charges dating back to June 2011.

3. Controls over terminating, transferring and exchanging tenancies operate well with evidenced checks being made during the processes which include confirming the balances due on rent accounts prior to termination or exchange.
4. Void management is effectively controlled with regular weekly reviews of progress of works to bring void properties back into rental. The provision of a range of performance indicators provides senior management with an overview of performance, enhancing the overall control environment.
5. Controls over repossessions are satisfactory, with an evidenced trail providing assurance that actions taken are in line with approved Council policy.
6. The acquisition and disposal of properties is managed effectively, with expected checks being carried out during the process including confirmation of the authority for the purchase or sale; updates to the registers of property holdings as well as the financial aspects of the transactions.
7. The system documentation for Housing Rents has been reviewed and updated where required. The key controls, identified by the Council's External Auditors, have been tested and confirmed to be operating effectively with the exception of the evidencing of who conducted the reconciliations between the Orchard, Financials and Benefits systems and when the reconciliations were carried out.

### **Previous Recommendation Follow Up**

One action agreed to address a medium level risk, from a previous audit, was noted to be outstanding.

### Agreed Action Plan

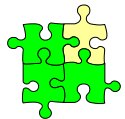
<u>No</u>	<u>Control Weakness</u>	<u>Potential Risk / Rational</u>	<u>Agreed Action Plan</u>	<u>Responsible Officer and Deadline</u>
		<b>High</b>		
		None		
		<b>Medium</b>		
1	Documentary evidence confirming the completion of the independent quality check of the annual rent calculations and changes made to rents during the year have not been retained (e.g. when new properties are added or changes made to existing properties).	Incorrect rents are charged	<p>As from 2013/14 the Sector rent modelling software package is being used by both Housing and Finance teams, that provides the independent and evidenced check for the annual rent calculations</p> <p>The 'change charges' report will be run monthly to confirm that changes made to rent accounts during the year are identified, confirmed as correct and evidence of the check retained.</p>	<p>Head of Housing Services</p> <p>Completed</p> <p>Housing Finance Manager</p> <p>30 June 2013</p>
2	Invoices to recover the lease charge of a property leased to a housing association had not been raised leading to a delay of recovering charges to the value of £7,371 (relates to 21 Colson Close)	Loss of rental income	The record of leased properties on Orchard will be reconciled to the debtor system to confirm that rental charges have been raised correctly.	<p>Housing Finance Manager</p> <p>30 June 2013</p>



<u>No</u>	<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>		
	AuditInt/LAN/023 Rechargeable works for ex-tenants take a lengthy time to be finalised and reported to Rent Accounting to enable a debtor invoice to be raised. New processes are being developed but at the time of the audit the existing system is not robust enough to ensure that rechargeable works are being actively pursued.	<b>Medium</b> Income from rechargeable works is not recovered	A pre-termination inspection process is already in place, however, the valuation and billing process needs to be reviewed to ensure that the debt is being recovered.  Update by management - The policy has been produced and the process is currently being implemented but it is not completed yet.	Tenancy Services Manager 30 March 2012  Anticipated Completion date 31 August 2013

**Appendix C4****C4 – Main Accounting 2012-13****Executive Summary****Background**

This report covers the internal audit of procedures and controls in place over the Main Accounting system at Winchester City Council. The internal audit has been undertaken in accordance with the 2012/2013 agreed Internal Audit plan. The internal audit approach and summary of the work undertaken is provided in the audit framework in Appendix A.

**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 overall level of control in place over the integrity of Civica Financials was found to be good. There have been significant improvements in the regularity of key reconciliations and the review of balance sheet movements which in turn provide assurance that the general ledger contains accurate and timely information.
2. New journal procedures have been successfully introduced in 2012/2013, which, through inbuilt system controls ensure all are authorised prior to being posted to the general ledger. The inbuilt audit trail within Civica Financials provides details of officers responsible for creating and authorising individual journals and the system is also being effectively utilised through capturing and attaching documentation to support the validity of the journal using the notes facility.
3. Internal Audit can report that the process for the producing the Annual Financial Report for 2012/2013 is being well managed. A comprehensive closedown timetable has been produced which clearly assigns roles, responsibilities and target dates which are monitored to ensure any potential delays can be managed effectively.

4. Deadlines for submitting VAT returns are monitored effectively to ensure that submissions are made on time, avoiding potential penalties being imposed by HM Revenues and Customs. The sample checks by Internal Audit, confirmed that tested submissions in 2012/13 were made by the required date.
5. A VAT Health check was completed in October 2012 by an independent consultant and included a review of the VAT return process. As a result of the independent review additional controls have been implemented in relation to the review and sign-off process which now provides assurance that the person preparing the return is not the only one involved in the submission to HMRC. It was also noted in the report that whilst the deadlines for submitting VAT returns are being achieved it would be more beneficial to submit the returns earlier in order to receive the refund from HMRC as soon as possible.
6. In July 2012 Hampshire County Council Internal Audit Service was commissioned by the Chief Finance Officer to complete a review of Civica Financials. The focus was to review the activities and controls designed to mitigate risk in achieving key objectives which included in summary, user set and change control processes, the system administrator role and process of data uploads. As a result of the review a number of actions were agreed with management aimed at improving the overall control environment. Hampshire County Council have now conducted a review of actions agreed with management, checking whether they have been implemented. The result of the review is positive in that 10 of the 12 actions agreed have been implemented effectively and good progress is being made with the remaining 2 actions.

### **Previous Recommendation Follow Up**

There are two actions outstanding from previous audits, neither are classified as high risk.

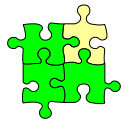
### Agreed Action Plan

<u>No</u>	<u>Control Weakness</u>	<u>Potential Risk / Rational</u>	<u>Agreed Action Plan</u>	<u>Responsible Officer and Deadline</u>
		<b>High</b>		
		None		
		<b>Medium</b>		
1	The 'General and Community Charge Collection Account' has not been subject to regular reconciliation during 2012-13.	General ledger contains inaccurate information	The responsibility for preparing and checking the reconciliation of the 'General and Community Charge Collection Account' each month will be transferred to Technical Accounting.  NB: Any differences identified in the reconciliation will be communicated to the Principal Treasury Accountant for investigation.	Responsible Officer: Senior Technical Accountant  Target Date: 30 September 2013
		<b>Actions outstanding from previous audits</b>		

<u>No</u>	<u>Control Weakness</u>	<u>Potential Risk / Rational</u>	<u>Agreed Action Plan</u>	<u>Responsible Officer and Deadline</u>
	<p><b>AuditInt/FIN/056</b></p> <p>The evidence to support whether quality / completeness checks of the Periodic Invoice Masterfile (PIMs) had taken place when captured on the Debtors module of Civica Financials could not be found.</p>	<p><b>Medium</b></p> <p>Debts not raised and collected</p>	<p>To provide further assurance on the quality / completeness of the Periodic Invoice Masterfile an exercise will be conducted whereby individual services will be asked to confirm the accuracy and completeness of masterfile entries on Financials</p> <p>Still outstanding as at 11 June 2013: A review of the process for managing the Periodic Invoice Masterfile will be undertaken, specifically the robustness of the quality controls in place for ensuring completeness of entries.</p>	<p>Responsible Officer: Principal Treasury Accountant</p> <p>Original Target Date: 31 December 2011</p> <p>Anticipated Completion Date: 31 July 2013</p>
	<p><b>AuditInt/FIN/061</b></p> <p>The 'Bank Reconciliation (Drawings) Procedure Notes' have not been updated to account for replacement of Powersolve to Civica Financials</p>	<p><b>Medium</b></p> <p>Business continuity issues</p>	<p>The 'Bank Reconciliation (Drawings) Procedure Notes' will be reviewed and updated to ensure all elements of the process, including those required by the systems team, are included and documented appropriately.</p> <p>Still outstanding as at 11 June 2013: the Corporate Accountant (Treasury) is working with the Corporate Management Accountant (Systems Development) to develop and produce a comprehensive the procedure note for the bank reconciliation.</p>	<p>Responsible Officer: Corporate Accountant (Treasury)</p> <p>Original Target Date: 30 November 2011</p> <p>Anticipated Completion Date: 31 July 2013</p>

**Appendix C5****C5 - Payroll 2012-13****Executive Summary****Background**

This report covers the internal audit of procedures and controls in place over Payroll at Winchester City Council. The internal audit has been undertaken in accordance with the 2012/2013 agreed Internal Audit plan. The internal audit approach and summary of the work undertaken is provided in the audit framework in Appendix A.

**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 in place for making additions and deletions to the payroll were found to be adequate and all checked during the audit had the correct start and end dates. The audit did however identify a minimal number of gaps in the retention of completed starters and leavers forms specifically for casual employees but this did not impact on payments as these are only to be made on receipt of an authorised timesheet.
2. There are adequate security controls over the access to Envoy (Selima Payroll) which is restricted to only those officers that require it. It is also evident that the inbuilt access controls ensure a segregation of duties is maintained for starters and leavers.
3. There has been a significant improvement in the BACS payment process, the system used for making salary payments, since the previous audit. The audit testing confirmed that adequate segregation of duties was in place between the

preparation of the payroll and release of payments through BACS, and that authorisation to release payroll was being sought before the BACS file was submitted for payment.

4. All payments for mileage, overtime and expenses including professional subscriptions, were supported by a claim form. There were indications that the claim forms are not being effectively checked prior to reimbursement through the payroll as two issues were identified during the review. Firstly some claims had been approved for payment by officers who have not been delegated the authority to do so, and secondly receipts providing evidence of expenditure had not been submitted with the claim.
5. The controls in place over salary payments were found to be adequate. The audit testing found evidence that the number of staff on the payroll was checked and verified each month and net pay comparisons between current and previous months were reviewed and checked with any unexpected differences investigated.
6. The level of control over statutory deductions was found to be good. This was demonstrated through evidenced checks of standing data or parameters to account for annual changes to tax rates / national insurance and through meeting the prescribed deadlines for making payments to statutory bodies.
7. Progress has been made to recover the salary payment made to a member of staff, which was reported in 2009. The original value of the overpayment was £15,435.48 and the remaining balance to be recovered from the employee as at the 31 March 2013 was £5,617.52. Good progress is being made to recover the overpayment from HM Revenues and Customs.
8. The system documentation for Payroll has been reviewed and updated where required. The key controls, identified by the Council's External Auditors, have been tested and confirmed that all, with exception to one which relates to the completeness of termination form being submitted, were found to be operating effectively.

### **Previous Recommendation Follow Up**

There are two previous actions outstanding which require follow up action.

### Agreed Action Plan

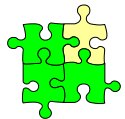
No	Control Weakness	Potential Risk / Rational	Agreed Action Plan	Responsible Officer and Deadline
		<b>High</b>		
		None		
		<b>Medium</b>		
1	The Selima reports advising managers of the staff in their teams who have been recorded as being on sick leave are inaccurate and unreliable. They are therefore not currently being produced and distributed to managers.	Managers are unable to verify that the information entered in Selima is accurate.	As the Selima report cannot currently be relied upon work is underway to produce accurate sickness / absence reports from alternative data sources in spreadsheet format, which will then be distributed to managers.	Head of Organisational Development  Target Date: 30 June 2013
2	Leavers' checklists are not being used routinely to record whether sums need to be recovered from leavers or that property has been returned. Of the 17 leavers checked 13 did not have a leaver's checklist completed.	Staff could leave WCC owing money or may leave without returning WCC property.	There is currently a project underway to replace the current process for starters / leavers' notification. This 1Form project will be an online system which should assist in managing this process more effectively.	Organisational Development Coordinator  Target Date: 30 June 2013
3	Submitted claims are not checked for a bona fide authorisation prior to processing and making payment via Payroll. This was evident from the samples selected as follows: <ul style="list-style-type: none"> <li>• Overtime 4 out of 25</li> <li>• Mileage claims 4 out of 25</li> <li>• Travel &amp; subsistence 3 out of 25</li> <li>• Professional subscriptions 6 out of 25</li> </ul>	Fraudulent claims could be submitted and paid.	The requirement to ensure claim forms are only authorised by approved officers will be raised at Performance Management Team and then disseminated to relevant managers. An exercise will be undertaken to create a list of authorised signatories and threshold limits specifically for the reimbursement of claims via payroll which will be held by Payroll services for reference and checking purposes.	Head of Organisational Development  Target Date: 31 July 2013



No	Control Weakness	Potential Risk / Rational	Agreed Action Plan	Responsible Officer and Deadline
		<b>Actions outstanding from previous audits</b>		
	<p>AuditInt/OD/046 Payroll 2010-11</p> <p>The Performance Indicator spreadsheet for payroll is not up to date. There has been an organisational restructure, which means that Payroll have moved from Exchequer services to Human Resources and as a result, the PI's haven't been logged in COVALENT.</p>	<p><b>Medium</b></p> <p>Ineffective monitoring of payroll performance</p>	<p>Agreed that following the review of the performance indicators, these will be monitored on a monthly basis and loaded into Covalent.</p> <p>Still outstanding as at 14 June 2013</p>	<p>Payroll and Car Fleet Manager</p> <p>Original Target Date: 31 March 2011</p> <p>Anticipated Completion Date: 31 July 2013</p>

**Appendix C6****C6 – Treasury Management 2012-13****Executive Summary****Background**

This report covers the internal audit of procedures and controls in place over Treasury Management at Winchester City Council. The internal audit has been undertaken in accordance with the 2012/2013 agreed Internal Audit plan. The internal audit approach and summary of the work undertaken is provided in the audit framework in Appendix A.

**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 principles of the CIPFA Code of Practice for Treasury Management in the Public Sector (2011 Edition) have been complied with in that Winchester City Council has in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of its treasury management activities.
2. The arrangements in place for the executing / transmitting funds and the recording and administering treasury management decisions were found to be operating effectively. This was evidenced through the sample testing of temporary investments which provided assurance that investments are being recorded, authorised and transmitted appropriately and in line with the relevant approved treasury management practices.
3. There are effective reporting and management information arrangements in place for Treasury Management, which comply with the CIPFA Code of Practice for Treasury Management in the Public Services (2011 Edition). Through a review of Audit

Committee, Performance Management Team and Leaders Board reports it is evident that regular reporting on the performance of the function has taken place in 2012-13.

**Previous Recommendation Follow Up**

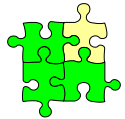
There are no actions outstanding from previous audits.

### 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>
		<b>High</b>		
		None		
		<b>Medium</b>		
1	The value / balances of investments recorded on the 'Treasury Register' have not been reconciled on a regular basis to values / balances recorded on Civica Financials.	General ledger may be inaccurate or incomplete	A year end reconciliation of the Treasury Register to values / balances on Civica Financials and statements from third parties has now been completed. Monthly reconciliations are also scheduled for 2013/14 commencing at the end of April 2013.	Responsible Officer: Technical Accountant  Target Date: 10 May 2013
		<b>Actions outstanding from previous audits</b>		
		None		

**Appendix C7****C7 – Fraud Prevention 2012-13****Executive Summary****Background**

This report covers the internal audit of procedures and controls in place to prevent fraud in high risk areas notably the employment of family members at Winchester City Council, the award of disabled facilities grants, the use of photocopiers and printers, the use of fuel cards and corporate credit cards. The internal audit has been undertaken in accordance with the 2012/2013 agreed Internal Audit plan. The internal audit approach and summary of the work undertaken is provided in the audit framework in Appendix A.

**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**

No fraudulent transactions were apparent from our review of the employment of family members; disabled facilities grants and usage of photocopier/printers. The main areas of the audit scope are summarised below:

1. Employment of Family Members – A sample of employees who had connections with an existing member of staff were reviewed to confirm that the relationship had been declared. In all cases included in the sample there was evidence to confirm the relationship had been declared and that the existing member of staff had no line management responsibilities for the employee and were not in a position to influence their recruitment or remuneration.
2. Disabled Facilities Grants (2011-12 Review) – A sample of ten Disabled Facility Grants awarded in 2010/11 were reviewed to confirm the application process had been completed effectively. In all instances there was documentation available to

support key stages having been completed e.g. financial assessment, application stage including requisite number of quotations, approval stage and final inspection and payment authorisation.

3. Photocopier and Printer Usage (2011-12 Review) – The audit focussed on identifying the top ten highest users of the Council's Multi-Functional Devices (MFD's) from both a volume and cost perspective then checking with their respective managers whether this was as expected, in line with their duties. In all instances the managers raised no concerns over the volume or costs of photocopying and printing and indicated that this was at an appropriate level for the requirements of duties within the organisation.

With respect to the use of fuel cards and credit cards, whilst no fraudulent activity was identified, anomalies with some transactions required further investigation by Internal Audit. More extensive testing was conducted to assess whether fraud had taken place and what weaknesses in the control environment enabled the transactions to be processed. The additional work undertaken by Internal Audit found that the levels of control in place required improvement.

4. Fuel Cards (2012-13 Review) – extensive testing of fuel purchases made over the 2011/12 financial year identified instances in the Street Care Team where purchases of unleaded fuel were recorded against diesel powered vehicles. Each of the cases was checked and confirmed that no abuse of the fuel cards could be demonstrated and were as a result of unleaded fuel being purchased and used for mounted or portable equipment. Actions to be agreed with management to reduce the potential for fraud through the introduction of improved management checks made between the fuel card statements to the receipts for the purchases.
5. Corporate Credit Cards (2012-13 Review) – samples of purchases appeared to be for valid business purposes consistent with the reason for having the card, however a lack of robust checks applied to the receipts for credit card purchases enabled a claim for personal expenses to be made using the corporate credit card receipts as proof of purchase. The circumstances for this were fully investigated with the conclusion that this was the result of error by the officer making the claim. The payment made as expenses has now been fully recovered through payroll. Internal Audit checks also identified that completion of creditor payment vouchers enabled additions to be made after authorisation by line managers. In one instance this also included the coding of the VAT element in the absence of a VAT receipt or invoice.

### **Previous Recommendation Follow Up**

No previous actions outstanding.

### Agreed Action Plan

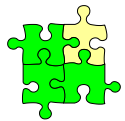
<b>No</b>	<b><u>Control Weakness</u></b>	<b><u>Potential Risk / Rational</u></b>	<b><u>Agreed Action Plan</u></b>	<b><u>Responsible Officer and Deadline</u></b>
		<b>High</b>		
		None		
		<b>Medium</b>		
1	Receipts for purchases made using the Council's credit card are not always present and management had not carried out checks to staff expense claims to identify whether the receipts were used to claim expenses through the Payroll system. NB. Audit confirmed from the testing that the purchases were for valid business purposes.	The Council is subject to potential fraud by paying for goods/services using the credit card and through staff expenses.	The Council is currently considering replacing the use of credit cards with the government procurement card. The opportunity will be taken during the implementation phase to refresh and reinforce the message to card holders and to managers of their responsibilities with regard to receipts and checks to carry out.	Project Accountant  31 December 2013
2	There is no evidence that checks are made to the fuel statements to confirm that the amount and type of fuel purchased is appropriate for the business need.	The Council is subject to potential fraud by paying for fuel not used for Council business.	(1) Line managers will be reminded of their responsibilities to ensure financial probity.  (2) A review will be carried out on the use fuel cards including the costs for procurement, the processes for obtaining and using cards and the procedures to be adopted by managers to confirm that usage is appropriate.	Assistant Director (Neighbourhoods and Environment)  30 June 2013  Project Accountant  31 March 2014

<u>No</u>	<u>Control Weakness</u>	<u>Potential Risk / Rational</u>	<u>Agreed Action Plan</u>	<u>Responsible Officer and Deadline</u>
3	In 1 out of the 17 cases tested, there was incomplete documentation to confirm that the issue of the credit card was properly authorised.	Corporate Credit cards may be abused leading to the Council incurring additional expense.	With immediate effect all issues of credit cards will be confirmed against the relevant authorisation and evidence of this will be retained.	Corporate Accountant (Treasury) 1 May 2013
		<b>Actions outstanding from previous audits</b>		
		None		



**Appendix C8****C8 – Performance and Risk Management 2012-13****Executive Summary****Background**

This report covers the internal audit of procedures and controls in place over Performance and Risk Management at Winchester City Council. The internal audit has been undertaken in accordance with the 2012/2013 agreed Internal Audit plan. The internal audit approach and summary of the work undertaken is provided in the audit framework in Appendix A.

**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 overall framework for Performance Management has improved since the previous Internal Audit review, as demonstrated by the adoption and implementation of the Performance Management Guide. Since completing this Internal Audit, Covalent has been developed to link actions, risks and performance indicators through the reporting structure which provides greater transparency when reporting performance against Change Plans. It was evident that, at the time of the audit, changes had been made to the approved target and milestone dates in Covalent which have the potential to overstate the progress to achieve outcomes.
2. Risk Management arrangements have yet to be fully embedded. This should be achieved through the re-launch of the Risk Management Policy and Risk Management Statement of Practice, planned for July 2013 which will ensure the effective communication to all those responsible for management of risk understand how they contribute to the process.

3. The process for capturing complete, accurate and timely data from which performance reporting is made, needs improvement. Minor errors in calculations and reported results were present in six out of ten indicators sampled. The primary reason for this is that Covalent is not being used effectively for enforcing the independent checking of data input which could enhance the quality of performance information.
4. The overall opinion regarding calculation and reporting of performance indicator data on Covalent, where source data was available, were generally good with only minor errors found in the accuracy of the calculations and methodologies used. It should be noted that for a proportion of the performance indicators, at the time of the audit no data was available to check the results to. The results of the testing of performance indicators are provided in more detail at Appendix B.

### **Previous Recommendation Follow Up**

Four actions from previous audits are still outstanding, none of which are classified as high risk.

### 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>
		<b>High</b>		
		None		
		<b>Medium</b>		
1	The target and milestone dates recorded against actions on Covalent do not match those recorded on the approved Change Plans (approved at Council on 11 January 2012)	Misreporting of progress to achieve outcomes in the Change Plans	As part of the overall project to make performance data available on the Council's website, a data quality review will be completed to identify and amend any changed target and milestone dates accordingly.	Corporate Business Manager 30 June 2013
2	Covalent has not been set to link actions, risks and performance indicators.	Progress towards the achievement of Change Plan outcomes and risks is not transparent.	Linkages between Change Plans, Portfolio Plans, actions, risks and performance indicators have now been created through the reporting structure in Covalent.	Corporate Business Manager Completed
3	Operational risks are not being recorded and reviewed by management in a consistent manner.	Risks impacting on delivery of the Change Plan are not recognised.	A report will be produced from Covalent listing all operational risks which will be reviewed to confirm they are still valid and up to date.	Corporate Business Manager 31 July 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>
4	The Covalent system keeps an audit trail against each record, showing all activities carried out, by name and when. However, this is only retained within the system for a limited period (90 days) reducing its usefulness in cases where a check may be required.	Poor data quality practices fail to be traced leading to continuing inaccuracies in the data being reported and used in the decision making process.	Confirmation will be sought from Covalent on the retention set up and if unable to extend the timescales a scan of data will be completed periodically to ensure a full audit trail is maintained.	Corporate Business Manager  30 June 2013
5	No evidenced reconciliation is carried out between the Covalent report of users and those recorded on the IM&T register, that would provide assurance that only authorised persons have been permitted access to the system.	Unauthorised users make changes leading to inaccurate data being reported and used in the decision making process.	A quarterly reconciliation will be carried out between the Covalent users from a report to be provided by the Corporate Business Manager and the records held by IM&T.	Configuration Officer IM&T  30 June 2013
		<b>Actions Outstanding from previous audits</b>		

<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>
	<p>AuditInt/PMT/005 There is no mechanism to obtain confirmation from key officers (e.g. all SMT members) that they have read and understood the content of the Risk Management Policy</p>	<p><b>Medium</b> Corporately approved Risk Management practices are not implemented.</p>	<p>The re-launch of the Performance Management Framework will also be used to highlight the relationship with Risk Management and the follow up canvass will include the understanding of the risk management practices.</p> <p>Still outstanding as at 13 March 2013 – re-launch scheduled for July following update to the Audit Committee of the Risk Management Policy</p>	<p>Corporate Business Manager 31 March 2012</p> <p>Anticipated Completion Date: 31 July 2013</p>
	<p>AuditInt/PMT/006 The Performance Management Team's role with respect to Risk Management defined in their Terms of Reference is inconsistent with that of the Risk Management Policy 2011 and the Risk Management Statement of Practice.</p>	<p><b>Medium</b> Confusion over roles.</p>	<p>The Corporate Business Manager will table an agenda item for PMT to review, revise and agree the Terms of Reference for the PMT.</p> <p>Still outstanding as at 13 March 2013 – Risk Management Policy and Statement of Practice to be reviewed and presented to the Audit Committee in June 2013.</p>	<p>Corporate Business Manager 17 January 2012</p> <p>Anticipated Completion Date: 30 June 2013</p>

<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>
	<p>AuditInt/PMT/007 Data quality checks are not being conducted on a consistent basis prior to activating performance data.</p>	<p><b>Medium</b> Inaccurate data being reported and used in the decision making process.</p>	<p>The existing Data Quality Policy will be refreshed and re-circulated to Covalent users as a reminder to carry out checks on data.</p> <p>Still outstanding as at 13 March 2013 – a review of the Data Quality Policy will be included in the overall project to present performance indicator data accessible through the Council's website</p>	<p>Corporate Business Manager 31 March 2012</p> <p>Anticipated Completion Date: 31 July 2013</p>
	<p>AuditInt/PMT/008 The inbuilt permission levels in Covalent, which are set to enforce a separation of duties between data inputter and data activators, is not being consistently applied.</p>	<p><b>Medium</b> Inaccurate data being reported and used in the decision making process.</p>	<p>Permissions will be reviewed and updated where practical. A list will be compiled of sections where separation of duties is not able to be enforced.</p> <p>Still outstanding as at 13 March 2013 – a review of permission levels and those sections where separation of duties are not practical will be included in the overall project to present performance indicator data accessible through the Council's website</p>	<p>Corporate Business Manager 31 December 2011</p> <p>Anticipated Completion Date: 30 June 2013</p>

**Sample testing results (accuracy of performance indicators)**

The samples include:

Performance indicators still required for reporting in compliance with the Single Data List

Change Plan indicators prefixed with the Change Plan identity e.g. EEC (Economic & Effective Communities)

Local Performance Indicators (LPI) identified as an indicator reported to and reviewed by PMT

<b>PI Ref Change Plan Ref</b>	<b>Description</b>	<b>Results for 2011-12</b>	<b>Target</b>	<b>Audit Assurance Level on Accuracy of the Results provided</b>	<b>Additional Information</b>	<b>Action Required</b>
NI157a EEC008	Processing of planning applications: Major applications within 13 wks	36.07%	70%	Full		None
NI157b EEC009	Processing of planning applications: Minor applications within 8 wks	49.78%	72%	Full		None
NI157c EEC010	Processing of planning applications: Other applications within 8 wks	70.48%	82%	Full		None
BV82a(i) HQE02	% of Household Waste Recycled	26.87% Source calculation = 26.73% Audit Calculation = 28.73%	28%	Partial	Note 1	Checks should be applied to confirm the accuracy of the calculation

<b>PI Ref Change Plan Ref</b>	<b>Description</b>	<b>Results for 2011-12</b>	<b>Target</b>	<b>Audit Assurance Level on Accuracy of the Results provided</b>	<b>Additional Information</b>	<b>Action Required</b>
BV82b(i) HQE03	% of Household Waste Composted	10.39% Source calculation = 10.46% Audit Calculation = 10.26%	12%	Partial	Note 1	As BV82a(i)
NI158	% non-decent council homes	0%	0%	Full	Note 2	None
NI156	Number of households living in Temporary Accommodation	40	None	None	Note 3	
LPI306	Average re-let time for General Needs properties (days)	17.66	25	Partial	Note 4	Confirmation of the calculation methodology
LPI335	Average re-let time for General Needs properties – CUMULATIVE (days)	17.66	25	Partial	Note 4	As LPI306
LPI307	Average re-let time for Older Persons properties (days)	21	40	Partial	Note 4	As LPI306
LPI336	Average re-let time for Older Persons properties – CUMULATIVE (days)	21	40	Partial	Note 4	As LPI306



Note 1 - Minor errors were identified in the compilation of the figures (the commercial recycling figure is being double counted within the kerbside collection figure; estimated figures for Tesco July – September 2011 not updated with actuals; there was an error in the recorded figure for the clothing/textile bank for October 2011; the kerbside reject figure is not being excluded for BV82a as per the guidance). As a consequence the figures input to, and reported from, Covalent are inaccurate.

Note 2 - The result, whilst correct, and in compliance with the guidance, must be viewed in the context of a sample check carried out in 2002 on the condition of council homes and the repairs /maintenance made to that sample population over subsequent years. The intention is to carry out a 100% check in the near future and it is probable that there will be an increase in the figures for 2012/13.

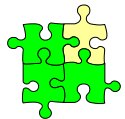
Note 3 – the documentation retained by the section did not relate to the 31 March 2012, required for formally reporting the data.

Note 4 - The result was observed to be based on a calculation method that enables minus figures to be included when computing the void days. The overall affect of this and some errors in date recording were minimal. An example of this is in April 2011 where the computed figure is 18.1 days which includes a -1 void day for 92 Cromwell Road. Adjusting the calculation to address the minus day results in a result of 18.2 days.

Note 5 – At the time of the audit source data was not available to test the accuracy of the results to, the results have since been recorded on Covalent but have not been subject to verification by Internal Audit.

**Appendix C9****C9 – Staff Recruitment 2012-13****Executive Summary****Background**

This report covers the internal audit of procedures and controls in place over the recruitment of staff at Winchester City Council. The internal audit has been undertaken in accordance with the 2012/2013 agreed Internal Audit plan. The internal audit approach and summary of the work undertaken is provided in the audit framework in Appendix A.

**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**

5. Controls are in place to screen prospective and newly appointed employees. The testing completed by Internal Audit confirmed that for the majority of newly appointed employees checked these processes operated effectively. There were, however, instances where evidence to support eligibility for employment could not be traced and therefore improved controls over the checking the completeness of personal documentation should be introduced. The risk to the Council has been minimised since most were employed in a casual capacity and have left the Council since the audit was conducted.
6. There were no applications or payments for relocation expenses in 2012/13. There is however a satisfactory control process in place through the approval exercised by CMT and the Head of Organisational Development which can be applied if required.
7. The systems for obtaining agency staff from Manpower are well controlled with regular monitoring of the complaint system being used to confirm that the standard of staff supplied by Manpower meets the Council's needs.

8. An induction training programme (including health and safety) has been established via the e-learning portal. Further value could be gained through the introduction of monitoring and reporting systems which would provide assurance that expected induction training, including that classified as essential, has been completed.
9. The 1-Team approach to internally advertise posts was being applied consistently, enabling use to be made of existing resources before an external recruitment exercise commences.
10. There is a system in place for authorising recruitment to vacant posts, evidenced as being followed in the majority of cases checked as part of the audit. There were instances where documentation to support the authority to recruit could not be traced and therefore improved controls over the checking of evidence retained to confirm authorisation to recruit has been sought should be introduced.

#### **Previous Recommendation Follow Up**

No previous actions outstanding.

### 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>
		<b>High</b>		
		None		
		<b>Medium</b>		
1	<p>There is no evidence of a control to ensure key documentation requested from new employees is obtained. Evidence was missing in:</p> <ul style="list-style-type: none"> <li>• 3 out of 26 cases checked for proof of identity</li> <li>• 2 out of the 26 cases checked for proof of identity had not returned passports to HR as required for checking document validity (although the section officers receiving the document had signed off the copy as evidence)</li> <li>• 6 out of 26 cases checked for eligibility to work in the UK had provided one form of proof not two as required</li> <li>• 3 out of 11 cases checked for proof of qualifications</li> </ul> <p>NOTE: 9 individuals comprise the population above as there are instances of the same person appearing in one or more category</p>	<p>Applicants are not who they claim to be or do not possess the qualifications claimed with the result that WCC employ unsuitable staff and could incur fines / reputational damage as a result.</p>	<p>A reminder will be issued to managers and HR staff to ensure that the required checks are carried out and evidenced by the appropriate officer.</p>	<p>Head of Organisational Development</p> <p>30 June 2013</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>
2	The controls to ensure that CMT authorisation has been given to recruit to posts does not operate consistently. No evidence of CMT approval could be found in 2 out of 22 cases sampled.	Posts are recruited to without proper authorisation leading to excessive staff costs.	A reminder will be issued to managers to confirm and evidence that they have obtained the relevant approval.	Head of Organisational Development  30 June 2013
3	Although HR officers request the return of completed interview packs there is no check by line managers to ensure the interview process has been fully documented. No retained evidence was found in: <ul style="list-style-type: none"> <li>• 6 out of the 20 cases checked for interview assessment forms</li> <li>• 3 out of the 20 cases checked for completeness of scoring candidates</li> <li>• 1 out of 20 cases checked for evidence of a job specification</li> </ul>	The Authority is exposed to claims for unfair treatment on the part of unsuccessful candidates.	A note will be added to the recruitment forms as a reminder to recruiting managers to fully complete and return recruitment documents.	Head of Organisational Development  31 July 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>
4	There is no evidence of a control to ensure that invoices from CRB are being checked to requests. In 1 out of 2 sampled months, there was no evidence of checks made on the invoice.	The Authority incurs additional costs due to incorrect charges made by CRB.	An instruction will be issued to the HR Assistant to check the CRB invoices to requests and evidence that the check has taken place.	Head of Organisational Development  30 June 2013

## 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 31 March 2013, and the current progress to implement them checked with the relevant Heads of Team. There are 3 agreed actions which remain outstanding. The details, including the latest position and anticipated dates for completion, are shown in the table below.

Control Weakness / Audit Reference	Agreed Action	Managed By	Original Due Date	Anticipated Due Date	Latest Note
<p><b>Car Parks Special 2010-11 (AuditInt/AIN/017)</b></p> <p><b>Risk:</b> Continuity checks on audit ticket sequences are not maintained</p> <p><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>	<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. These procedures are very complex and will take some time to write up in detail. As such it has been agreed that some interim procedures will be written by the end of January 2013 covering the critical aspects of the reconciliation. The more detailed procedure will be written by the end of July 2013. 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.</p>	Richard Hein	29-Jul-2011	30-Nov-2013	<p>The procedure note has been written.</p> <p>The Assistant Parking Manager has been unable to identify a suitable deputy to capture the audit ticket data due to a freeze on staff recruitment.</p>

Control Weakness / Audit Reference	Agreed Action	Managed By	Original Due Date	Anticipated Due Date	Latest Note
<p><b>Contracts 2007-08 (AuditInt/LEG/004)</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 who 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	30-Sep-2013	<p>Contracts Procedure Rules revised and updated. Since implementation, experience suggests they work for all procurements undertaken by the Council and do not need revision. Presentation to SMT now planned for June 2013, with draft guidance ready for discussion. Finalised document and training to now take place September 2013.</p>



Control Weakness / Audit Reference	Agreed Action	Managed By	Original Due Date	Anticipated Due Date	Latest Note
<p><b>ICT Security Policy 2011-12 (AuditInt/IMT/016)</b></p> <p><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.</p> <p><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.</p> <p>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>	John Powell	31-Mar-2013	30-Sep-2013	<p>A document was created and issued to all staff for signature. However the form needs to be re-issued as the union had not had the opportunity to comment on it nor were managers comments incorporated. Once this has happened the form will need to be approved by SMT as a final version prior to reissue.</p>