

AUDIT COMMITTEE

29 JUNE 2011

REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT (INCLUDING END OF YEAR REPORT TO 31 MARCH 2011)

REPORT OF INTERNAL AUDIT MANAGER

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RECENT REFERENCES:

CAB1979 – Expansion of the Internal Audit Partnership Between Havant Borough Council and Winchester City Council to Include Test Valley Borough Council From 1 April 2010.

PS416 – Internal Audit Annual Audit Report 2009/10 – 14 June 2010

PS417 – Internal Audit Progress Report to 27 May 2010 – 14 June 2010

PS427 – Internal Audit Progress Report to 31 August 2010 (including an update on high level outstanding management actions to 31 July 2010) -20 Sept 2010

PS429 – Internal Audit Update on the Market Rents Investigation – 18 Oct 2010

PS 434 – Internal Audit Progress Report to 31 December 2010 – 24 January 2011

PS 441 - Internal Audit Progress Report to 18 February 2011 (including an update on high level outstanding management actions to 31 January 2011) – 7 March 2011

PS442 – Internal Audit Strategy and Audit Plan 2011/12 to 2013/14 - 7 March 2011

EXECUTIVE SUMMARY:

This report includes commentary on Internal Audit compliance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 and an opinion on the overall adequacy and effectiveness of the organisation's control environment and a summary of the audit work from which the opinion is derived.

For the areas audited in 2010/11; for 3 a full assurance opinion is given; for 5 of these a substantial opinion has been given, 1 a limited to substantial opinion, and for 6 a limited opinion as at 31 March 2011. The overall opinion on the internal control framework is **Substantial** based on the work undertaken. (Please see Appendix A for how the overall opinion was formed).

Where improvements in the control environment are required, actions have been agreed with management. A summary of the current (as at 16 June 2011) high risk management actions taken from the Covalent performance management system are shown in Appendix D to the report.

The revised annual audit plan was completed to draft or final report stage at 31 March 2011 (22 audits, includes follow up audits) with one exception; the Asset Management audit which was postponed to 2011/12 at the request of the Client.

In addition to the above, four reviews have been undertaken at the request of the S151 Officer (contingency budget) and six special investigations.

Executive Summaries for 4 audits and an update on the National Fraud Initiative are shown in Appendix C.

The Audit Plan for 2010/11 is shown in tabular form at Appendix B of this report and provides details on the completion of the 2010/11 audit plan.

#### RECOMMENDATIONS:

1. That the findings contained in the review of the effectiveness of Internal Audit and the conclusion that there is a substantial compliance with the CIPFA Code of Practice for Internal Audit in Local Government 2006 are noted.
2. That the matters raised by Internal Audit and action taken by management are noted.

AUDIT COMMITTEE29 JUNE 2011REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT (INCLUDING  
END OF YEAR REPORT TO 31 MARCH 2011)REPORT OF INTERNAL AUDIT MANAGERDETAIL:1 Effectiveness of Internal Audit

1.1 Accounts and Audit Regulations require the Council to, at least once in each year, conduct a review of the effectiveness of its system of internal audit.

1.2 To meet this requirement a review of the Internal Audit Service was conducted benchmarking the service against the best practice outlined in the CIPFA Code of Practice for Internal Audit in Local Government (2006) in the United Kingdom.

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.

1.4 The review shows substantial compliance with the Standards. There are 6 partially compliant activities and 1 non-compliant activities out of over 200 separate activities that make up the Standards. Areas for improvement are as follows:

- 1.5 Standard 1 for the Scope of Internal Audit – Where services are in partnership, has the Head of Internal Audit identified: (a) how assurance will be sought and (b) agreed access rights where appropriate? Although the answer is broadly “yes” the Partnership Annual Letter & Performance Agreement for Internal Audit is not yet in place for 2011/12 but is currently in the process of being drawn up to include terms of remuneration to Havant Borough Council and performance targets for the Audit Manager.
  - 1.6 Standard 5 for Relationships – This section has 2 partially compliant areas and 1 non-compliant for not having in place a protocol detailing relationships with management, members and regulators and inspectors. This will be addressed through implementing an Audit Charter in 2011/12.
  - 1.7 Standard 5 for Relationships – Relationships with Other Regulators and Inspectors has one area of partial compliance which relates to establishing dialogue with regulators and inspection agencies and this is classified as partial compliance. This will be formalised in 2011/12 as part of the Internal Audit work on Anti-Fraud and Corruption.
  - 1.8 Standard 5 Relationships – Relationships with Elected Members has one area of partial compliance relating to not having in place a sufficiently detailed definition for channels of communication with members and how the relationship should work. This will be addressed through implementing an Audit Charter in 2011/12.
  - 1.9 Standard 6 Staffing, Training and Continuing Professional Development – One area of partial compliance relating to individual auditors maintaining records of professional training and development activities. This will be addressed through implementing a training and development database for individual auditors to record these activities in 2011/12.
2. Assurance Opinion
- 2.1 Based on the Appendix A of this report provides an opinion table and levels of assurance for areas reviewed in the 2010/11 Audit Plan.
  - 2.2 For the areas audited in 2010/11 for 3 a full assurance opinion is given, for 5 of these a substantial opinion has been given, 1 a partial opinion between limited and substantial and for 6 a limited opinion as at 31 March 2011. The overall opinion on the internal control framework is **Substantial** based on the work undertaken
  - 2.3 A significant piece of work commenced in 2010/11 and was well underway as at 31 March 2011 on a review of various elements of Housing Services including contracts, management of void properties and programmed and responsive repairs for a range of works. The draft report on for this review is in the process of being finalised. The budget for this has been created by utilising the budgets for the

planned audits of Contracts, Risk Management and Fraud Prevention as identified in the table shown in Appendix B.

3. Audit Plan Progress

3.1 Appendix B indicates the final performance against the 2010/11 audit plan to 31 March 2011.

3.2 The revised annual audit plan was completed to draft or final report stage at 31 March (22 audits, includes follow up audits) with one exception the Asset Management audit which was postponed to 2011/12 at the request of the Client.

3.3 In addition to the above four reviews have been undertaken at the request of the S151 Officer (contingency budget) and six (three within Housing Services) special investigations (contingency budget).

4. Outstanding Internal Audit Recommendations

4.1 All Directors and Heads of Team are aware of their outstanding Audit Actions and these are now monitored on Covalent and reported to the relevant scrutiny panel.

4.2 High risk audit recommendations / management actions due to have been implemented by 16 June 2011 which remain outstanding at this date. Please see Appendix D.

5. Partnership Progress

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

5.2 Auditors from Winchester City Council have participated in a number of audits at Havant Borough Council and Test Valley Borough Council. Auditors from Test Valley Borough Council and Havant Borough Council have also participated in a number of audits at Winchester. At the 31 March 2011 a balance of 9 audit days were owed to Test Valley BC and 19 days to Havant BC, which will be returned in 2011/12.

6. Other Matters

6.1 Internal Audit has an overall productive time (chargeable days) target of 84%. Performance was above target at 90%.

## OTHER CONSIDERATIONS:

### 7. SUSTAINABILITY COMMUNITY STRATEGY AND CORPORATE CHANGE PLANS (RELEVANCE TO):

7.1 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 Corporate Change Plans.

### 8. RESOURCE IMPLICATIONS:

8.1 Shortfalls in resources due to the number of special investigations were identified in the previous reports to the Principal Scrutiny Committee and action was taken to address them during 2010/11 through; procurement of external resources at additional costs for some key financial audits, and postponement of some audits to 2011/12.

### 9. RISK MANAGEMENT ISSUES

9.1 The Internal Audit plan for 2010/11 is linked to the Corporate Risk Register 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 Principal Scrutiny Committee and continues to be reviewed to ensure they are in line with the risk register and as a consequence have an audit programme closely linked to the Sustainability Community Strategy and Corporate Change Plans.

## BACKGROUND DOCUMENTS:

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

## APPENDICES:

Appendix A: Provides Internal Audit's opinion on the overall adequacy and effectiveness of the control environment.

Appendix B: Provides details on the completion of this year's audit plan to 31 March 2011.

Appendix C: Provides Executive summaries for audits completed since the last report.

Appendix D: High risk audit recommendations / management actions due to have been implemented by 16 June 2011 which remained outstanding at that date.

# Appendix A

Winchester City Council

Internal Audit Annual Report on the overall adequacy and effectiveness of the Organisation's control environment

June 2011

Produced by John Cummins – Internal Audit Partnership Manager

# Executive Summary

## Background

This report covers the work undertaken by internal audit from the 2010/11 Audit Plan. A retrospective audit opinion has been applied on the assurance levels that can be placed on the results of individual audit reviews undertaken based on the audit conclusions and findings at the time of the audit. In addition this opinion has been updated at the end of the 2010/11 financial year to reflect whether high risk management actions arising from the audits and due to have been implemented by 31 March 2011 have been addressed. This analysis of the audit work undertaken in 2010/11 supports the overall audit opinion on the internal control framework of Winchester City Council as **Substantial**. The overview analysis of internal audit for 2010/11 is provided in the audit framework in Section 2 of this report.

## Audit Opinion



### Substantial:

**Evaluation 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

For the areas audited in 2010/11; for 3 a full assurance opinion is given; for 5 of these a substantial opinion has been given, and for 1 a limited to substantial opinion, 6 a limited opinion as at 31 March 2011. The overall opinion on the internal control framework is **Substantial** based on the work undertaken that identified full assurance or substantial assurance in six of the key financial systems and and the position with high risk management actions due to have been implemented by 31 March 2011 having improved and evident that progress is underway on the majority of these to address in 2011/12.

The review of Corporate Governance gained a substantial audit opinion which reflects the robustness of the Council's governance arrangements.



Senior management have taken a robust stance over potential frauds within some service areas and as a result Internal Audit have undertaken a range of special investigations during 2010/11, concluding in a successful prosecution and recovery of losses in one of the cases and in all cases action taken to address any weaknesses identified in the relevant control environment.

Senior Management have been responsive in accepting all management actions arising as a result of Internal Audit's work in 2010/11 and the Principal Scrutiny Committee received audit update reports during the 2010/11 year on progress against the annual audit plan and key issues arising from individual audit reviews.

## Section 1 – 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.



**Full**

**Evaluation opinion** - There is a sound system of control designed to achieve the system objectives, and

**Testing opinion** – The controls are being consistently applied.



**Substantial**

**Evaluation 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.



**Limited**

**Evaluation 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.



**No Assurance**

**Evaluation opinion** – Control is generally weak leaving the system open to significant error or abuse, and/or

**Testing opinion** – 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**

Major issues for the attention of senior management.

**Medium**

Other recommendations for local management action.

**Low**

Minor matters.

## Section 2 – Audit Opinion on the work of Internal Audit 2010/11

AUDIT	RETROSPECTIVE OPINION	NOTES
<b>CORE AUDIT (COMPULSORY)</b>		
Accounting system	Substantial	Draft Report Stage (includes separate review of migration work from old system to new system to be completed)
Housing Rents	Substantial	Draft Report Stage
Payroll	Limited/Substantial	Draft report Stage. Split opinion as noted that a full reconciliation and sign off that the payroll records for all staff are correct was undertaken at year end.
Asset Management	N/a	Postponed to quarter 1 of 2011/12 due to current workloads and deadlines the service area is currently dealing with.
Benefits	Full	Walk through testing methodology.
Car Parks	Limited	
Cash Collection	Limited	
Council tax	Full	Walk through testing methodology.
Creditors	Limited	
Debtors	Substantial	
National Non Domestic Rates (NNDR)	Full	Walk through testing methodology.
<b>SERVICE AUDIT</b>		

AUDIT	RETROSPECTIVE OPINION	NOTES
Guildhall	N/a	CRSA exercise
Homelessness	Limited	
<b>CORPORATE/CROSS SERVICE AUDITS</b>		
ICT Security Policy	N/a	Audit moved to 2011/12 due to shortfall in audit resources.
Flexible Working	N/a	Audit moved to 2011/12 due to shortfall in audit resources
Telecommunications	N/a	Audit moved to 2011/12 to 2013/14 Audit Plan due to shortfall in audit resources
Contracts	N/a	
<del>Fraud Prevention</del> Housing Services Review	Limited	Budget used on audit work in Housing Services in quarter 4.
<del>Risk Management</del> Housing Services Review	Limited	Budget to be used on audit work in Housing Services in quarter 4. Housing Services Review only counted as one opinion overall as Limited.
Corporate Governance	Substantial	
Performance Indicators	Substantial	
NFI Fraud Prevention	N/a	Key Contact role
Staff Recruitment and Management	Limited	

**APPENDIX B****Final Performance Outturn of 2010/11 Audit Plan to 31 March 2011**

<b><u>Audit Assignment</u></b>	<b><u>Planned Days</u></b>	<b><u>Actual Days</u></b>	<b><u>Stage / Comment</u></b>
<b>CONTINGENCIES</b>			
S151 Requests	15	25	<ol style="list-style-type: none"> <li>1. Licensing (21 days)</li> <li>2. Creditors Payment (1.5 days)</li> <li>3. Creditors Separation of Duties (1 day)</li> <li>4. Audit Commission Fraud Survey (1.5 days)</li> </ol>
Special Investigation	30	190.5	<ol style="list-style-type: none"> <li>1. Matters relating to the original Market Rents investigation. (2 days)</li> <li>2. Markets Rents – this was a follow up to the original audit recommendations made in the investigation (10 days)</li> <li>3. Car Parks investigation (69 days)</li> <li>4. Licensing (8 ½ days)</li> <li>5. Housing split across a range of different activities and three separate audits (combined time to date 101 days)</li> </ol>
<b>CORE AUDIT (COMPULSORY)</b>			
Accounting system (including main accounting, treasury management and VAT)	38	53	Draft Report Stage (includes separate review of migration work from old system to new system to be completed)

<b><u>Audit Assignment</u></b>	<b><u>Planned Days</u></b>	<b><u>Actual Days</u></b>	<b><u>Stage / Comment</u></b>
Asset Management	23	0	Postponed to quarter 1 of 2011/12 due to current workloads and deadlines the service area is currently dealing with.
Benefits	13	7	Please see Appendix C, Item 1.
Car Parks	18	21.5	Please see Appendix C, Item 2.
Cash collection	25	34	Please see Appendix C, Item 3.
Council tax	8	7	Completed. Reported to PSC 20 Sept 2010
Creditors	20	24	Completed. Reported to PSC 24 Jan 2011
Debtors	18	8	Please see Appendix C, Item 4.
Housing Rents	28	29	Draft Report Stage
NNDR	8	5	Completed. Reported to PSC 20 Sept 2010
Payroll	20	12	Draft report Stage,
Follow ups	20	26	<ol style="list-style-type: none"> <li>1. An update on outstanding high risk audit recommendations as at 31 July 2010 was reported to PSC 20 Sept 2010.</li> <li>2. The results of the review of implemented high risk and medium risk management actions since 31 July 2010 and an update on the outstanding high risk management actions as at 31 January 2011 was reported to PSC 24 January 2011.</li> <li>3. Please see Appendix D</li> </ol>

<u>Audit Assignment</u>	<u>Planned Days</u>	<u>Actual Days</u>	<u>Stage / Comment</u>
<b>CORPORATE/CROSS SERVICE AUDITS</b>			
Contracts	14	4	Used on Housing Services Review
Corporate Governance	22	18	Completed.
Flexible Working	10	0	Audit moved to 2011/12 due to shortfall in audit resources.
Fraud Prevention Housing Services Review	23		Budget used on audit work in Housing Services in quarter 4.
ICT Security Policy	18	0	Audit moved to 2011/12 due to shortfall in audit resources.
NFI Fraud Prevention	15	7.5	Please see Appendix C, Item 6.
Performance indicators	23	23.5	Completed. Reported to PSC 24 Jan 2011
Risk Management Housing Services Review	11		Budget to be used on audit work in Housing Services in quarter 4.
Staff Recruitment and Management	18	18	Completed. Reported to PSC 20 Sept 2010
Telecommunications	15	0	Audit moved to 2011/12 to 2013/14 Audit Plan due to shortfall in audit resources
<b>ONGOING ACTIVITIES</b>			
Advice and Assurance to Customers as required.	30	12	44 pieces of recorded advice and assurance in 2010/11.
Anti Fraud and Corruption Policy and Awareness Training	6	1	Limited work undertaken in 2010/11. Review of the Policy and training to be undertaken in quarters 1 and 2 of 2011/12.
Audit Planning and Reporting	30	34	Included reports to PSC and consultation on the 2011/12 to 2013/14 audit plan on a 1-2-1 with all senior management. Plus a review of the draft audit plan with the Performance Management Team.

<b><u>Audit Assignment</u></b>	<b><u>Planned Days</u></b>	<b><u>Actual Days</u></b>	<b><u>Stage / Comment</u></b>
External Audit Liaison	6	4	Ongoing
Role in Major Projects	30	14.5	1. Finance (13.5 days) 2. S106 Obligations (1 day)
<b>SERVICE AUDIT</b>			
Guildhall	23	16	Completed. Reported to PSC 24 Jan 2011
Homelessness	10	13	Completed. Reported to PSC 20 Sept 2010
Completing 2009/10 audit work to final report stage.	0	20	Creditors, Debtors, Housing Rents, Contracts, Car parks, Sustainability and Finance audits.
<b>Total</b>	<b>588</b>	<b>627.5</b>	



**APPENDIX C**

## Item 1 Housing Benefits

**1. Overview of the objectives of the audit**

1.1. The objective of this audit was to confirm that processes and controls, identified and documented in previous audits are in place and, by conducting a walkthrough review, provide evidenced assurance that key controls are operating effectively. Systems documentation was also reviewed and updated where appropriate.

**2. Key messages / conclusions from the audit**

2.1. The overall level of control based on testing was found to be very good.

2.2. This audit has found that all of the key controls were found to be in place as documented.

2.3. 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.

2.4. Results from the audit are detailed in a table which includes outstanding actions from previous audits where applicable.

2.5. No actions are required as a result of this audit.

**3. Management Comments**

3.1. This audit has highlighted the effective service provided by the Benefits Service. The fact that there are no actions in this year's report is a reflection of the sound processes and procedures which are in place to administer and recover benefits.

## Item 2 Car Parks

### 1. **Overview of the objectives of the audit**

1.1. The objectives of the audit were to establish whether the controls over the collection, banking and accounting for income from car parking activities operate effectively including aspects of machine functions and the accounting for penalty notice income.

### 2. **Key messages from the audit**

2.1. During the course of the review, Internal Audit identified that income was not being fully accounted for. As a result, a special investigation was undertaken. Weaknesses in controls and recommended improvements have been reported to PSC on 7 March 2011 and are not replicated in this report. These weaknesses were part of the reason that the misappropriation was identified as part of the normal auditing process.

2.2. Effective checks confirm that the money collected by Contract Security Services from on and off street parking machines is being banked correctly and promptly by the contractor.

2.3. Reasonable levels of control are active over sales of permits and the recovery of penalty notice income at the City Offices reception area to secure, bank and account for the income received. Improvements in the checks on permit issues and sales records through reconciling the value of permits issued to actual income would enhance the existing controls.

2.4. The lack of reconciliation between the car park records and the general ledger could lead to incomplete and inaccurate figures being reported. In mitigation, sample testing of individual days income to income indicated that, whilst this is a possibility, the figures were likely to be correct.

2.5. Controls over access to the machines, records of maintenance, records of fault corrections and the maintenance of a comprehensive and up to date inventory remain of concern.

2.6. As a result of this audit four actions have been agreed with management of which one is classified as high risk. Six recommendations raised in previous audits are noted to still require attention.

### 3. **Management Comments**

3.1. The recent special investigation and resultant findings have reinforced the importance of internal audit checks and reports. New controls and procedures have therefore been put in place in relation to the control of all car park machine keys and to ensure that car park machine income is fully reconciled with car park machine tickets. Great reliance will need to be placed on a smaller car parking management/ administrative team but the need to ensure these controls and checks are undertaken is fully recognised.

### Item 3 Cash Collection

#### 1. **Overview of the objectives of the audit**

- 1.1. The objectives of the audit were to establish whether the systems for receipting, banking and recording of income operate effectively. The Audit was conducted through testing from a sample of Council departments and at the Cash Office.
- 1.2. Sources of income were sampled from planning fee income, land charges, cemeteries, sports pitch hiring, sewage charges and emergency control lifeline.

#### 2. **Key messages from the audit**

- 2.1. The controls in the Cash Office for receipting, banking and accounting for income were confirmed to operate effectively.
- 2.2. The new, web-based cash receipting system has been introduced and an effective control environment has been maintained over the receipting, banking and accounting for income from departments implementing the new system.
- 2.3. In four of the departments tested (planning, land charges, cemeteries, pitch hiring), only minor weaknesses were identified in the process of receipting, banking and accounting for income. None of these weaknesses resulted in a loss of income to the Council. Only minor improvements are required to help improve the control environment.
- 2.4. In the remaining two sites, more significant weaknesses were identified which could potentially impact on the income being generated and taken. These weaknesses include:
  - Sewage recharges to tenants and private householders are not being fully reconciled with the debt recovery system leading to the potential under recovery of income due to the Council.
  - Emergency Control Lifeline units deployed are not being effectively checked to the debt recovery system leading to the potential under recovery of income due to the Council
- 2.5. As a result of this audit 20 actions have been agreed with management of which two are classified as high risk. One recommendation raised in a previous audit is noted to still require attention.

#### 3. **Management Comments**

- 3.1. Whilst it is noted that controls are considered to be operating effectively, it is clearly very important that the systems for income collection are maintained and developed to ensure the efficient collection and accounting for all of the Council's Income, particularly as this is a key area for fraud risk. It is reassuring that a number of the actions identified have already been addressed, and it is considered important that the other actions are delivered as agreed.

## Item 4 Debtors

### 1. **Overview of the objectives of the audit**

1.1. The objectives of the audit were to examine the overall controls in place over the management and administration of the sundry debtors function in operation at Winchester City Council.

### 2. **Key messages from the audit**

2.1. From testing of the control process and a sample of transactions made in 2010/11, it was found that the raising and recovery of debts is well controlled. There was a lapse during the year in the level of performance monitoring on arrears and collection rates, however, since February 2011 new arrangements have been introduced. Performance on overdue debts and an analysis of debt by age and department are now formally reported to Leaders Board, Corporate Management Team and Performance Management Team on a monthly basis.

2.2. One benefit from the introduction of Financials is the decentralisation of raising invoices, which are now primarily raised within service areas and checked for accuracy centrally. There were some instances where the Debtors team were still required to raise invoices due to the complexity of the calculation of the amounts to be raised however handover of this process has now been fully implemented.

2.3. All refunds tested were found to be raised and authorised appropriately, in line with the Council's Financial Procedure Rules.

2.4. No write-offs have been carried out in the year to date on debtors generated in the Powersolve or Financials system. An annual review will take place as part of the financial reporting year end procedures.

2.5. Regular reconciliations are carried out between the debtors and nominal ledger systems.

2.6. As a result of this audit 12 actions have been agreed with management of which none are classified as high risk. One recommendation raised in the previous audit has been noted to still require attention.

### 3. **Management Comments**

3.1. The audit findings are considered to be helpful in the continuing development of the procedures.

## Item 5 National Fraud Initiative

**1. INTRODUCTION**

- 1.1. The objective of this memorandum is to inform Management of the progress being made against the Audit Commission's NFI data matching exercise for 2010/11.
- 1.2. Internal Audit acts as the Key Contact for the NFI and has been active during 2010 in the data submission process in compliance with the Code of Data Matching Practice and meeting the required deadlines.
- 1.3. Improvements to the publication of Fair Processing Notices were made to ensure that WCC customers are aware that their data may be used in the matching exercise.
- 1.4. Following the submission of the data, the Audit Commission published the first set of matches in January 2011 and have added to these in March 2011. The NFI have not yet published a timetable for when these matches are expected to be completed.
- 1.5. The policy at Winchester City Council is to review recommended matches. The Key Contact periodically checks progress with the relevant officers and undertakes administrative duties regarding access to the NFI website.

**2. SCOPE**

- 2.1. The process consists of periodic reviews of the NFI website data to identify outstanding recommended data matches to establish the progress that has been made since the last reviews and the reasons for any delays encountered.

**3. RESULTS**

- 3.1. A summary of the NFI recommended matches and progress as at 16<sup>th</sup> June 2011 is shown in the following table and paragraphs. No frauds have been identified as a result of the data matches carried out to date.

Table 1 – Recommended matches as per NFI website

	<b>TOTAL</b>	<b>Housing Benefits</b>	<b>Payroll</b>	<b>Rents</b>	<b>Travel Concessions</b>	<b>Creditors</b>
<b>TOTAL RECOMMENDED MATCHES</b>	<b>672</b>	<b>287</b>	<b>4</b>	<b>35</b>	<b>308</b>	<b>38</b>
Processed	805	364	23	4	310	104
In progress	25	23	1	1	0	0
<b>Outstanding</b>	<b>-158</b>	<b>-100</b>	<b>-20</b>	<b>30</b>	<b>-2</b>	<b>-66</b>

- 3.2. The Key Contact continues to review the situation and issues reminders and updates to the relevant officers.

#### **4. CONCLUSION**

- 4.1. Significant progress has been made on all areas, exceeding the minimum required investigation of matches. Rents are the one area where work is required to complete the recommended matches.

## All High Risk Internal Audit Agreed Actions - Outstanding

Report Type: Actions Report  
Generated on: 16 June 2011




### Title Contracts 2007-08

Code	Control Weakness	Agreed Action	Status Icon	Priority	Managed By	Original Due Date	Anticipated Due Date	Latest Note
AuditInt/ LEG/004	<p><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</li> </ul>	<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</p>		1	Howard Bone	31-Mar-2008	01-Sep-2011	Update in progress to reflect new Government guidance on Transparency of procurement. Training planned to take place July 2011.


Code	Control Weakness	Agreed Action	Status Icon	Priority	Managed By	Original Due Date	Anticipated Due Date	Latest Note
	<p>unsuccessful tenderers</p> <ul style="list-style-type: none"> <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>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>						




## Title Contracts 2008-09

Code	Control Weakness	Agreed Action	Status Icon	Priority	Managed By	Original Due Date	Anticipated Due Date	Latest Note
AuditInt/ LAN/005	<p><b>Risk:</b> The Council are not achieving Value for Money</p> <p><b>Control Weakness:</b> The council are not packaging together jobs each year and putting them out to tender. Instead when a minor maintenance job is required a trusted supplier is call and used. If we packaged together types of jobs we may save money over the course of a year or a longer term, tendered contract by getting a better rate from our maintenance supplier.</p>	Benchmarking with other similar sites to be carried out and a report that includes the decision reached to Social Issues Scrutiny Panel.		1	Richard Botham	30-Sep-2009	28-Oct-2011	Frameworks in place for most areas of work. Completion of this target has been delayed due to work to reorganise corporate property function. New staff still to be appointed in Estates team. Landlord Services Property team to restructure once Estates team has been established. Report on this issue to be taken to Cabinet (Housing) Committee in 2nd cycle of 2011.


<b>Title</b> Market Rents 2010-11
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Code	Control Weakness	Agreed Action	Status Icon	Priority	Managed By	Original Due Date	Anticipated Due Date	Latest Note
AuditInt/ EST/016	<p><b>Risk:</b> Dispute over contract details.</p> <p><b>Control Weakness:</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>	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.		1	Kevin Warren	31-Jul-2010	31-July- 2011	The report to Cabinet on 9 <sup>th</sup> February 2011 resolved the terms of a management agreement with SMT. The success of the market since it moved to the High Street requires the agreement to be further modified and this will be agreed shortly with the portfolio holder.

<b>Title</b> Payroll and Expenses 2008-09
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Code	Control Weakness	Agreed Action	Status Icon	Priority	Managed By	Original Due Date	Anticipated Due Date	Latest Note
AuditInt/ OD/008	<p><b>Risk:</b> Data Protection Act principles are breached</p> <p><b>Control Weakness:</b> Documents on RETRIEVER were noted to be misfiled in different member of staff's personal filing. In one instance this included occupational health details of a personal nature</p>	Files will be reviewed over time. Priority will be given to folders where permission sets could enable unauthorised access to be gained. A long time-frame has been agreed with Internal Audit for the completion of this action as resources are not available to address the problem in the short term		1	Alison Gavin	31-Mar-2010	31-Mar-2012	Ongoing process to complete checks of all employee personal files.

<b>Title</b> Planning Payroll overpayment 2009-10
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Code	Control Weakness	Agreed Action	Status Icon	Priority	Managed By	Original Due Date	Anticipated Due Date	Latest Note
AuditInt/ OD/031	<p><b>Risk:</b> Employees are not paid the correct level of pay</p> <p><b>Control Weakness:</b> The pay statement does not show the contracted working hours. Staff who are not financially aware are less able to confirm that their pay is correct</p>	Pay statements to be amended to include information about the hours on which their pay is calculated Selima will be contacted to ascertain whether this information can be included within the statement, how long it may take and the cost		1	Alison Gavin	30-Oct-2009	30-Sep-2011	Project to upgrade to Payroll system has commenced due to go live September 2011