

Audit Committee

24 September 2015



Title	Interim Internal Audit Report		
Purpose of the report	To note		
Report Author	Internal Audit Manager (Punita Talwar)		
Cabinet Member	Councillor Tim Evans	Confidential	No
Corporate Priority	Value for money Council		
Cabinet Values	Accountability		
Recommendations	The Audit Committee notes the Interim Internal Audit Report.		

1. Key issues

- 1.1 Attached at Appendix 1 is a summary of Internal Audit work undertaken in the period April – August 2015.
- 1.2 Internal Audit is “*an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*” In addition to the reviews carried out, Internal Audit assists the organisation in achieving its objectives through other aspects of its work at Spelthorne:
 - (a) Advice provided to services and corporate groups on various risk and control issues
 - (b) Management of counter fraud initiatives
 - (c) Supporting corporate governance arrangements
 - (d) Corporate Risk Management – see separate risk report. Audit provides advice to Management Team, Corporate Risk Management Group (CRMG) and co-ordinates the Council’s Corporate Risk Register.

2. Options analysis and proposal

- 2.1 There are no options

3. Financial implications

- 3.1 Not applicable

4. Other considerations

4.1 Implementation of audit recommendations will assist in the reduction of risks faced by the authority.

5. Timetable for implementation

5.1 Not applicable

Background papers:

None

Appendix 1: Summary of Internal Audit work April –August 2015



Appendix 1 - Summary of Internal Audit work April – August 2015

Audit Review	Assurance Level*	Comments / Agreed areas for improvement
ICT	Some Improvement Needed	<ul style="list-style-type: none"> • Production of an ICT Strategy consistent with the core objectives of the Council, ensuring effective and efficient use of resources and service delivery. • Civica system contract being reviewed by legal to ensure acceptable terms and conditions for Spelthorne • All ICT system contracts should be checked to ensure a valid agreement is in place
Debtors	Major Improvement Needed	<ul style="list-style-type: none"> • A number of previous recommendations were found to have been outstanding at the time of the Audit relating to investigation of suspense accounts, management review of aged debts, checking credit notes, prompt referral of cases for write-off and annual reminder to Services to invoice for periodical income due. These have since been implemented, although the following recommendations remain outstanding from previous Audits and are being discussed with the Corporate Debt group. • Recovery procedures for sundry debt to be made more robust and brought in line with SBC Recovery Policy wherever possible and practical i.e. standard credit terms applied across each function. • Perusal of older debts by the Recovery Team and monitoring by Management <p>An e-form is now used by officers requesting an invoice to be raised.</p>
Council Tax and Business Rates	Effective	<p>The audit covered:</p> <ul style="list-style-type: none"> • Suppressed Accounts • Income/Cash Handling • Recovery Process/Arrears • Write Offs

		<ul style="list-style-type: none"> • Standing Data amendments • Reductions and Discounts • Health and Safety Risk Assessments • Business Continuity arrangements
Payroll	Some Improvement Needed	<ul style="list-style-type: none"> • The associated risks of not implementing some previous audit recommendations have been highlighted (these relate to review of audit logs and sickness absence verification). Management have agreed to accept risks in these areas. • Documentary evidence of ICT disaster recovery tests carried out by the host authority (Tandridge Council) remains outstanding, despite several requests by Spelthorne. • Scope for improving processes relating to review of the Establishment List and seeking positive management confirmation of employee validity. The Human Resources Manager has since pursued joint working with Financial Services to verify employee details, which will also help to avoid potential duplication and streamline processes. • Payroll officers to manually recalculate a small sample of payroll input each month for accuracy.
Letting of contracts by Asset Management	Some Improvement Needed	<p>Agreed Management actions :</p> <ul style="list-style-type: none"> • A business case and options appraisal setting out the cost/benefits will be produced to inform the decision to extend the contract with Runnymede or otherwise. Legal advice will be sought on the correct way forward to vary the contract with Runnymede to allow for its extension if that option is preferred. • Runnymede to issue a quarterly report of KPI's analysis to the Head of Asset Management, in addition to the recommended trend analysis by Spelthorne Asset team. • Runnymede will be reminded to undertake internal quality audits in accordance with the Partnership Agreement. Such audits should incorporate review of a percentage of invoices for accuracy and completeness. • The Asset Management Strategy and Plan to be prepared with a view to completion of the planned maintenance plan in time to inform the Council's budget setting by October 2015 (Note – A specialist Contractor carried out this review with shadowing from Auditors to share knowledge and skills)

Main Accounting Systems	Some Improvement Needed	<ul style="list-style-type: none"> • Prompt removal of Leavers from the Integra Financial System • Service Plan and Finance Manual to be finalised • Annual review of Accountancy's Business Continuity Plan (progress with the Business Continuity Planning programme is being monitored through the Corporate Risk Register)
Continuous Auditing - ongoing review of risks	N/A	<ul style="list-style-type: none"> • Electronic Document Management • Town centre developments • Laleham Park.
Audit assignments at other Councils		The Senior Auditor carried out ICT Audits at Woking and Elmbridge Borough Councils relating to Information Security, Management of data by 3 rd Parties and System Administration. Reviews of Council Tax and Debtors were also undertaken at Elmbridge.
Work In Progress		
Market	Review in progress. Explanations provided for shortfall in income and process for recording/banking/reconciling income is being reviewed.	
Audit Follow Up	A number of audit recommendations have been followed up and progress recorded.	
Sustainability and Leisure	Review in progress covering Allotments and Waste data flow.	
Audit Investigations		
<ul style="list-style-type: none"> • Investigated duplicate refund payments for Council Tax and Business Rates • Student Exemptions for Council Tax (part of Counter Fraud work) 		
Other work		
Corporate Risk Management	Internal Audit continues to co-ordinate the Corporate Risk Register and reports three times a year to Audit Committee and Cabinet (see separate report).	

Counter Fraud	<ul style="list-style-type: none"> • All audit reviews consider fraud risks and a number of specific audits have been undertaken to identify fraud however, it remains the responsibility of management to ensure they have systems in place to prevent and detect fraud. • Frauds identified in other Councils are circulated to relevant staff to make them aware of risks. • A fraud risk assessment was prepared. • Spelthorne have received £60k of the DCLG fraud fund (up to March 2016), which is being used to assist in the detection and prevention of non-benefit fraud, focusing on housing, (homeless and housing applications, tenancy fraud, right to buy applications) business rates (evasion and avoidance),and Corporate/miscellaneous frauds e.g. investigating student exemptions for Council Tax. • The Internal Audit Manager collates quarterly fraud returns for submission to Surrey County Council and meets regularly with Housing to discuss progress in referring suspect fraud cases for investigation and decide further action. Liaison with A2D. • External groups are attended with Surrey Partners including the Surrey Counter Fraud Board (SCFB), Housing and Business Rates sub-groups. The SCFB are exploring options to trial specialist software to interrogate data in order to identify further potential fraud cases, e.g. by verifying residency and financial details of tenants/claimants.
Advice to management	<ul style="list-style-type: none"> • MAT reports – advice given on governance, risk and control issues • Alternative service delivery options for several services • Towards a Sustainable Future programme and agile working • Project management • Significant procurements / disposal of Council assets • New bank Contract • Grounds Maintenance • Document Retention • Policies and procedures • Income collection processes and cash handling relating to the Staines Magna Carta Event • Attendance, advice and support to a number of internal working groups
Miscellaneous	<ul style="list-style-type: none"> • Reports to MAT and Audit Committee • Performance Management (Service, team, timesheets, 1-2-1's, appraisals, personal targets) • Internal Audit Plan for 15/16– allocation of Audits, documenting Audit objectives, file review of Audits carried out and commissioning Audit resource from Surrey County Council.

	<ul style="list-style-type: none"> • Spelthorne Senior Auditor commissioned to carry out ICT Audits at Woking and Surrey – liaison with Officers at these Councils /associated management/preparation of contracts • Handover period/meetings prior to departure of former Head of Audit • Explored service resilience opportunities with Surrey County Council • Training • Annual Leave/Sickness Absence • Elections Support • Liaison with external audit • Meetings attended to discuss support costs and impact of alternative service delivery options on in-house services • Corporate management including: Management team meetings, Departmental Management Team, Managers Briefings • Support to the Council’s governance arrangements e.g. contribution to Annual Governance Statement • New Councillors Induction Marketplace
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*ASSURANCE KEY	
Effective	- Controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Some Improvement Needed	- A few specific control weaknesses were noted; generally, however, controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Major Improvement Needed	- Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
Unsatisfactory	- Controls evaluated are not adequate, appropriate or effective to provide reasonable assurance that risks are being managed and objectives should be met.