

# Audit Committee

29 September 2016



<b>Title</b>	Internal Audit interim Report		
<b>Purpose of the report</b>	To note		
<b>Report Author</b>	Internal Audit Manager, Punita Talwar		
<b>Cabinet Member</b>	Councillor Howard Williams	<b>Confidential</b>	No
<b>Corporate Priority</b>	Financial Sustainability		
<b>Recommendations</b>	<b>That the Committee notes the report.</b>		

## 1. Key issues

- 1.1 Attached at Appendix 1 is a summary of Internal Audit work undertaken in the period April – August 2016.
- 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 2016**



## Appendix 1 - Summary of Internal Audit work April – August 2010

Audit Review	Assurance Level*	Comments / Agreed areas for improvement
ICT –Incident management process	Some Improvement Needed	<p>Incident Management is defined as the capability to effectively manage unexpected disruptive events, with the objective of minimizing impact or restoring normal operations, within defined limits. In general, controls were sufficient and operating effectively, albeit there is scope for:</p> <ul style="list-style-type: none"> <li>- Users to be made aware of their responsibilities and procedures to follow when reporting an incident.</li> <li>- Regular messages circulated to staff and network users requesting prompt reporting of any security weaknesses or incidents, without any fear of recrimination.</li> </ul>
Emergency Planning and Business Continuity	Some Improvement Needed	<p>Monitoring the agreement with Applied Resilience for the delivery of Emergency Planning and Business Continuity Planning should incorporate specific targets and expected outcomes in order to measure actual performance. Monitoring exercises need to be meaningful and clearly evidenced.</p>
Housing Benefits	Some Improvement Needed	<p>Internal Audit identified three areas for improvement relating to:</p> <ul style="list-style-type: none"> <li>- Debt management (overpayments)</li> <li>- Reporting of rising overpayments</li> <li>- Management review of daily reconciliations between Council Tax Support and Council Tax.</li> </ul> <p>The Corporate Debt Group shall be discussing legal support for recovery of Housing Benefit overpayments and the Housing Benefits Manager will provide relevant information supporting overpayment statistics issued.</p>

Payroll	Effective	<p>The scope of the audit encompassed compliance testing in the following key control areas:</p> <ul style="list-style-type: none"> <li>• Monthly Payroll reconciliation to the General Ledger</li> <li>• Reconciliations of the Payroll system to Human Resources records</li> <li>• Circulation and management review of establishment lists</li> <li>• HR review of variance (exception) payments</li> <li>• Approval and processing of Starters and Leavers</li> </ul> <p>Controls in place to manage the risks associated with the Payroll function were generally satisfactory and operating effectively.</p>
Cash Collection and Banking	Some Improvement Needed	<ul style="list-style-type: none"> <li>- Clear procedure notes on completing bank reconciliations under the new bank account arrangements should be devised.</li> <li>- Support could be obtained from the banking provider to facilitate the reconciliation process and resolve any unreconciled differences.</li> <li>- Comprehensive procedure notes should be compiled for cash and bank related functions to ensure continuity of the service, particularly in light of the impending retirement of the Senior Revenues Officer.</li> </ul>
Leisure Centre Contract	Some Improvement Needed	<ul style="list-style-type: none"> <li>- To obtain a suitable set of accounts to enable a formal analysis of whether the profit sharing clause needs to be activated (if relevant profits have exceeded the threshold).</li> <li>- Regarding post 2021 Leisure Centre provision, urgent action to be taken to set up a dedicated project team and redefine project objectives, roles, responsibilities and timetables. Project progress to be monitored against plan to ensure timely progress.</li> </ul>
Community Infrastructure Levy (CIL - Planning)	Some Improvement Needed	<p>There is a sound system and effective controls in place to ensure that the Council's policy on CIL is adhered to and the prescribed statutory requirements are complied with. Scope for improvement was however identified in terms of:</p> <ul style="list-style-type: none"> <li>- Timeliness of issuing income demand notices to developers (once the commencement notice has been received, targets should be introduced for issuing demand notice to developers to ensure income is received promptly)</li> <li>- Income reconciliation (regular exercises should form part of budget monitoring)</li> </ul>
Partnership	Major	Limited attention has been given to Partnership Governance since 2011 and therefore some

Governance	Improvement Needed	<p>actions are required to revitalise the necessary governance arrangements and associated controls:</p> <ul style="list-style-type: none"> <li>- A responsible officer to review, update and re-issue the Partnership Governance policy.</li> <li>- A list of significant Partnerships entered into (strategic, commercial and work- related) should be identified and recorded centrally.</li> <li>- Governance status questionnaires such as those issued in 2009 should be sent to relevant Managers responsible for any identified strategic partnerships so that governance arrangements can be assessed.</li> <li>- Members of Overview and Scrutiny Committee to scrutinise Partnership activity if required.</li> <li>- Arrangements made to ensure that partnerships are supported by suitable contact documentation (where appropriate)</li> <li>- Where charges are raised to Partner organisations in respect of proportions of salary, there should be a supporting calculation on file for reference purposes.</li> <li>- Staff charges should be reviewed to consider whether the application of VAT is appropriate.</li> </ul>
Housing	Some Improvement Needed	<ul style="list-style-type: none"> <li>- Reduction in processing times for homelessness applications to be targeted</li> <li>- A delegation of authorities document should be produced within Housing Options, so as to formalise who can authorise each of the various decisions that are taken as part of routine operations</li> <li>- Provision of a banding changes report would enable clearer visibility of all banding changes and would facilitate management checks.</li> <li>- The officer responsible for managing former debt should be supplied with a copy of the monthly Sales Ledger Aged Analysis Report to supplement current recovery efforts. Occasional spot-checks should also be carried out by the Housing Options Manager</li> <li>- Management review is necessary to gain assurance that all reported housing related frauds are being captured on the spreadsheet.</li> <li>- Evidence collected following visits to suspect fraud applicants should be scanned promptly. There may also be scope for streamlining records relating to fraud.</li> </ul>
Audit assignments at other		<ul style="list-style-type: none"> <li>- The Senior Auditor carried out an ICT Audit review at Waverley Borough Councils relating to SharePoint. This has enabled sharing of best practice and approaches with Spelthorne.</li> </ul>

Councils		
<b>Work In Progress</b>		
Parking	Identify and assess key risks relating to the Parking function. Test check income and expenditure.	
Audit Follow Up	A number of audit recommendations have been followed up and progress recorded.	
<b>Audit Investigations</b>		
<ul style="list-style-type: none"><li>Special Investigation carried out relating to appointment of Contractor.</li></ul>		
<b>Other work</b>		
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"><li>Spelthorne received £60k of the DCLG fraud fund in January 2015 which has been used to assist in the detection and prevention of non-benefit fraud, focusing on housing, (homeless and housing applications, tenancy fraud) business rates (evasion and avoidance),and Corporate/miscellaneous frauds e.g. investigating student exemptions for Council Tax.</li><li>As this funding initiative was intended to cover a period of 18 months until June 2016, the Internal Audit Manager collated quarterly fraud returns for submission to Surrey County Council. Significant payback/financial returns have been achieved from this grant funding. As at 30 June 2016 the cumulative return for Spelthorne was <b>£675k</b> (shared across SBC, SCC and Surrey Police).</li><li>A business case has been prepared by the Internal Audit Manager for Corporate Fraud Resource</li><li>External groups are attended with Surrey Partners including the Surrey Counter Fraud Board (SCFB), Housing and Business Rates sub-groups. This enables the sharing of best practice and approaches in tackling housing fraud/business rate avoidance and evasion.</li><li>The Internal Audit Manager chairs the internal Counter Fraud working group and disseminates any best practice</li></ul>	

	<ul style="list-style-type: none"> <li>• All audit reviews consider fraud risks and a number of specific audit tests have been undertaken to identify potential fraud. However, it remains the responsibility of management to ensure they have systems in place to prevent and detect fraud.</li> <li>• Internal Audit circulates details of frauds identified nationally to make staff aware of risks.</li> </ul>
Advice to management	<ul style="list-style-type: none"> <li>• MAT reports – advice given on governance, risk and control issues</li> <li>• Data Migration</li> <li>• ICT Security (logical access control)</li> <li>• Project management</li> <li>• Procurement of assets</li> <li>• Parking</li> <li>• Disabled Facilities Grants process</li> <li>• Data Protection</li> <li>• Document Retention</li> <li>• Policies and procedures</li> <li>• Mayor's Charity Fund</li> <li>• Attendance, advice and support to a number of internal working groups</li> </ul>
Miscellaneous	<ul style="list-style-type: none"> <li>• MAT and Audit Committee</li> <li>• Liaison with Portfolio Holder</li> <li>• Service Planning and Performance Management (Service and personal targets, 1-1's, review of work allocations and backfilling, monitoring progress in delivering Internal Audit Plan)</li> <li>• Preparation of audit programmes and management review of Audits carried out</li> <li>• Team Management</li> <li>• Budget Monitoring/raising orders and invoices</li> <li>• Commissioning internal audit resource from Surrey County Council and exploration of service resilience opportunities</li> <li>• Spelthorne Senior Auditor commissioned to carry out ICT Audits at Waverley BC and Woking BC - planning meetings/preparation of contracts/ associated management</li> <li>• Attending new IT system demonstrations</li> <li>• DSE (Health and Safety) assessments</li> <li>• Training (CPD/Qualification)/Seminars/Workshops</li> </ul>

	<ul style="list-style-type: none"> <li>• General Administration/filing</li> <li>• Liaison with external audit/submission of requested information</li> <li>• Corporate management including Management team meetings</li> <li>• Support to the Council's governance arrangements eg contribution to Annual Governance Statement</li> <li>• Support with election duties</li> <li>• Annual Leave/Sickness Absence</li> </ul>
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<b>*ASSURANCE KEY</b>
<b>Effective</b> - Controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met.
<b>Some Improvement Needed</b> - 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.
<b>Major Improvement Needed</b> - Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
<b>Unsatisfactory</b> - Controls evaluated are not adequate, appropriate or effective to provide reasonable assurance that risks are being managed and objectives should be met.