

AUDIT COMMITTEE

11 MARCH 2010

INTERNAL AUDIT PROGRAMME 2009/2010

Report from: Internal Audit

Author: Richard Humphrey, Audit Services Manager

Summary

To advise Members of progress in delivering the approved 2009/2010 work programme.

1. Budget and Policy Framework

- 1.1 Following the Council's decision to establish this committee, it is within the remit of this committee to take decisions regarding accounts and audit issues.

2. Background – 2009/2010 Programme

- 2.1 Members approved the internal audit 2009/2010 work programme on 25 June 2009. The programme is derived from a number of sources, which are:-
- the Council's risk identification process, identified through the risk register, business and service plans,
 - internal audit's view of risk,
 - work requested by Members, Chief Executive, Chief Finance Officer, directors and other officers,
 - predetermined audits that form part of an agreed arrangement with the external auditor.
- 2.2 The programme and progress to date as at mid February, is set out at Annex A. Additions to the plan are shown at Annex A whilst items removed from this year's programme are shown at Annex B. Staff vacancies have contributed to the start date for some of the planned audits being deferred but all audits are expected to be completed and reported to this committee by June 2010.
- 2.3 Audit work on main financial systems, work carried out on behalf of the external auditor, corporate governance related areas are considered key activities and are given priority when resources are allocated. The aim is that all of the key assurance audits will be completed to meet the needs of the annual governance statement and external audit.

3. Risk Management, Financial and Legal implications

- 3.1 There are no risk management, financial or legal implications arising directly from this report.

4. Recommendation

- 4.1 Members are asked to note the progress in delivering the 2009/10 programme and that all key assurance work will be completed to support the needs of the annual governance statement and external audit.

Lead officer contact

Name Richard Humphrey
Job Title Audit Services Manager
Telephone: 01634 332355 Email: richard.humphrey@medway.gov.uk

Background papers

None

Internal Audit Programme 2009/10

Directorate/Department				
Activity ↓	Authority Wide	Children and Adults	Regeneration Community and Culture	Business Support Department
<u>BACS payments</u> This audit will review the BACS payment processes for payroll and creditors systems to ensure that only approved payments are made. It will include the handling of BACS rejects.				AC 03/10
<u>Bar Stock Control – value for money</u> Medway Council operates a number of bars across its leisure and culture sites. Separate audits at three of these sites showed differences in approach to stock control. A value for money audit of bar stock control is likely to identify savings that could be made from improved procurement practices and increased stock turnover.			F	
<u>Carbon Reduction Commitment</u> The audit will examine Medway Council's preparations for the Carbon Reduction Commitment including: <ul style="list-style-type: none"> Measuring the current carbon footprint Identification of future savings 	AC 03/10			
<u>Concessionary Fares</u> Pro-active fraud prevention work. Concessionary fares are a statutory function leading to rising reimbursement costs to operators over time, resulting in a budget pressure. The audit will examine controls in place to ensure cancellation and collection of bus passes that are no longer required and will follow up on the results of the NFI data matching exercise.			F	F
<u>Contact Point</u> This audit will examine Medway Council's preparations for "Contact Point". This is a new national system that records basic data relating to every child and the contact details of practitioners involved (e.g., parent/guardian school, GP, care worker, lead practitioner, if any). DCSF expect LA IA teams to provide annual assurance on the control operating locally. The audit will cover, accuracy, correct usage (i.e. business use only), competent users (ECRB checked and trained), monitoring activity and procedures for identification and remedy of weaknesses.		P		
<u>Co-ordination of bidding for External Funding</u> Medway Council's corporate funding unit has a key role in co-ordinating the Authority's bids for external funding. The audit will review the processes in place to ensure: <ul style="list-style-type: none"> All bids for external funding are channelled through the unit, Procedures for synthesising bids to maximise benefits for Medway and minimise potential duplication or contradictions in project proposals; Measurement and reporting of outcomes (to ensure funding conditions have been met). 	P			
<u>Corn Exchange</u> This is one of a range of audits planned to ensure devolved sites operate in compliance with Medway Council's financial procedures.			DR	

Internal Audit Programme 2009/10

Activity ↓	Directorate/Department			
	Authority Wide	Children and Adults	Regeneration Community and Culture	Business Support Department
<u>Corporate Governance</u> The audit is intended to assess the effectiveness of the Council's arrangements covered by the six core principles of the CIPFA / SOLACE Framework, plus the 'general requirements' specified in the same publication.	F			
<u>Corruption Prevention System</u> The audit will be based on the KLoE for arrangements designed to promote and ensure probity and propriety in the conduct of the Council's business and will include review of the current policies on expected standards of ethical and moral behaviour, communication of these to members and officers, and examination of registers of offers of gifts and hospitality and declaration of interests.	P			
<u>Council Plan Monitoring</u> End of quarter audits to confirm the accuracy of reporting of a small basket of indicators. Each audit will cover 5 indicators. The audit will review controls in place to mitigate the risks that: <ul style="list-style-type: none"> • Performance measures may not be properly defined; • There may not be a sound methodology for calculating the indicators; • Data quality may be poor; • Performance may be reported inaccurately. 	DR			
<u>Council Tax</u> The audit will focus on controls in place to ensure the completeness, promptness, accuracy and validity of council tax transactions, including access restrictions, authorisations, accuracy checks on input, segregation of duties and error detection.				F
<u>EU Grant Claims</u> Statutory audits of EU grant claims. <ul style="list-style-type: none"> • Interreg IV A 2 claim to end June 2009 • Interreg IV A 2 claim to end December 2009 • Interreg 4 claim 				AC 09/09 AC 03/10 AC 03/10
<u>Foster Care Capacity Planning</u> Recent publicity indicates that a high percentage of foster carers are over 50, with a significant risk to the ability to deliver the service when they retire. The audit will interrogate foster carer data to quantify this risk for Medway Council and evaluate the effectiveness of mitigating measures.		AC 09/09		
<u>Free School Meals</u> Pro-active fraud prevention work. Management have expressed concerns that the service has to rely on parents notifying non-eligibility, which they may fail to do. The audit will cover: <ul style="list-style-type: none"> • Initial entitlement • Continuing entitlement • Accuracy of payments 		AC 09/09		

Internal Audit Programme 2009/10

Directorate/Department				
Activity ↓	Authority Wide	Children and Adults	Regeneration Community and Culture	Business Support Department
<u>Financial Control Self-Assessment in Schools</u> Review of the FCSA submissions from primary (tranche 3) and secondary schools in order to give the Chief Finance Officer assurance over the integrity of the FMSiS assessment.		Q4 – work delayed due to late submission by schools of FCSA.		
<u>Grounds Maintenance Contract Monitoring follow-up</u> Examination of arrangements for monitoring contract compliance and performance, including the recording and processing of defaults.			Q4	
<u>Health and Safety</u> The audit will determine the effectiveness of the monitoring arrangements to ensure compliance with Health and Safety legislation across the Authority's sites.	AC 12/09			
<u>Highways Maintenance Contract</u> The audit will examine and test arrangements for specifying, procuring and monitoring the highways maintenance work.			AC 09/09	
<u>*Homes and Communities Agency – Grant Claims</u> The intention was that HCA would agree the scope of the grant claim audit with the Audit Commission. However, HCA were unable to reach an agreement with the Audit Commission. Therefore, internal audit have been asked to carry out this work, which involves specific tests on each of the separate eighteen grant claims.				AC 03/10
<u>Housing Benefits</u> The audit will focus on controls to ensure the completeness, promptness, accuracy and validity of benefit entitlements assessed, paid and overpaid including access restrictions, authorisations, accuracy checks on input, segregation of duties and error detection.				F
<u>Housing Procurement follow-up</u> The audit will examine goods, services and works, procured by "HRA" Housing Services from individual suppliers, to assess value for money and compliance with statutory requirements.				DR
<u>Housing Rents</u> The audit will review system access controls, debit creation, rent collection and arrears management.				DR
<u>ICT Governance</u> Review of the strategic approach taken to ensure ICT enable the delivery of Medway Council's strategic objectives. The audit will examine tools used by ICT management to ensure current operational needs are met, whilst anticipating future resource requirements and mitigating the risk exposure from information systems.				AC 03/10
<u>Imprest Accounts</u> The council's financial rules permit the use of imprest accounts at some establishments in the interests of expediency and efficient administration. This audit will review the operation of these accounts to ensure they are used for legitimate expenditure and follow arrangements specified by the Chief Finance Officer.	AC 09/09			

Internal Audit Programme 2009/10

Directorate/Department				
Activity ↓	Authority Wide	Children and Adults	Regeneration Community and Culture	Business Support Department
<u>Libraries Income Control</u> This is one of a range of audits planned to ensure devolved sites operate in compliance with Medway Council's financial procedures. This audit will review income procedures and processes.				AC 12/09
<u>Local and Regional Planning (Information Management)</u> The audit will determine key management information relied on for decision-making. Systems for recording this information will be identified and the information tested to ensure it is accurate, complete and up to date.			AC 12/09	
<u>Markets Income</u> This is one of a range of audits planned to ensure devolved sites operate in compliance with Medway Council's financial procedures. This audit will review control over income for the three markets.			AC 12/09	
<u>Medway Community College – financial controls</u> This audit will review financial control within Medway Community College, following a previous 'unsatisfactory' audit opinion.		AC 09/09		
<u>Mobile Phones – value for money</u> A value for money audit will examine the provision and use of mobile phones across the Authority. It will review monitoring arrangements to ensure that mobile phones have been provided only where necessary, are on the most effective tariffs and Medway Council has not paid for private use.	F			
<u>NNDR (business rates)</u> The audit will focus on controls to ensure the completeness, promptness, accuracy and validity of NNDR transactions, including access restrictions, authorisations, accuracy checks on input, segregation of duties and error detection.				F
<u>Parking Income</u> Examination of arrangements for processing, monitoring and controlling the collection of income from car park machines and the issue of excess charges and penalty notices.				AC 12/09
<u>Parklands Resource Centre</u> This is one of a range of audits planned to ensure devolved sites operate in compliance with Medway Council's financial procedures.		AC 09/09		
<u>PSA2 Final Outturn PI verification checks</u> The audit will review the accuracy of calculated performance indicators, the robustness of the arrangements to produce them and controls over the quality of data from which they are derived.	AC 12/09			
<u>Project / Programme Management – Evaluation and Approval of Projects</u> Examination of project management within the Authority. This audit will review the proposal, business case and initial project plan for a sample of approved and rejected projects to ensure that each has followed sound project management methodology.	F			

Internal Audit Programme 2009/10

Directorate/Department				
Activity ↓	Authority Wide	Children and Adults	Regeneration Community and Culture	Business Support Department
<u>Rainham Mark Grammar School – financial controls</u> This audit will review financial control within Rainham Mark Grammar School, following a previous 'unsatisfactory' audit opinion.		Q4		
<u>Risk Management</u> The audit will assess the effectiveness of the Council's risk management process.	Q4			
<u>Robert Bean Lodge</u> This is one of a range of audits planned to ensure devolved sites operate in compliance with Medway Council's financial procedures.		AC 09/09		
<u>Safer Recruitment in Schools</u> This audit will review the Authority's monitoring arrangements to ensure schools are complying with the safer recruitment policy. A sample of schools will be visited to evaluate the extent to which the Council's monitoring records reflect actual practice in Medway's schools.		AC 03/10		AC 03/10
<u>School In-house Payroll Provision</u> The majority of schools within Medway outsource payroll to either Medway Council or another specialist provider. A small number provide payroll in-house. This audit will review the payroll process in these schools to ensure: <ul style="list-style-type: none"> • Only legitimate payments are made; • Payments are accurate and timely; • Deductions (statutory and voluntary) are accurate and paid to the appropriate agencies; • Payments and deductions are reflected accurately and promptly in the school's financial records; • Access to confidential payroll data (computerised and documentary) is restricted to appropriate persons. 		AC 03/10		
<u>Security of Social Care Case Records</u> The audit will review restrictions in place to prevent unauthorised access to social care case records. It will review controls in place to mitigate the following risks: <ul style="list-style-type: none"> • Unnecessary and/or unauthorised access to Social Care IT systems. • Unauthorised access to other records kept on computers. • Loss, or unauthorised access to manual records. • Failure to comply with regulations governing the retention/disposal of records 		F		
<u>Social Care Case Recording</u> The audit will examine all records maintained for social care systems. It will review controls in place to mitigate the following risks: <ul style="list-style-type: none"> • Confusion about the records that should be kept. • Confusion about who should maintain the records. • Inaccessibility of records to those who need them. 		DR		

Internal Audit Programme 2009/10					Annex A
Activity ↓	Directorate/Department				
	Authority Wide	Children and Adults	Regeneration Community and Culture	Business Support Department	
<ul style="list-style-type: none"> Inappropriate or delayed action at the first intimation or receipt of a case (i.e. referral, transfer, other notification) because records are inadequate. Poor liaison between internal teams and/or external agencies because records are inadequate. Inappropriate action in progression of case because reviews and updates of strategy have not been clearly recorded. Risk to clients because of poor compliance with the recording system. 					
<u>Stirling Centre</u> This is one of a range of audits planned to ensure devolved sites operate in compliance with Medway Council's financial procedures.			AC 03/10		
<u>Supporting People Grant Claim</u> This work fulfils a requirement to review the Supporting People grant claim.		AC 09/09			
<u>Theatres (Asset Management) – follow-up</u> A "health check" examination of the asset management systems operating at the Brook and Central theatres.			P		
<u>Workforce Planning – Readiness for CAA</u> Determination of the effectiveness of preparations to demonstrate the Council's performance in respect of KLOE 3.3 "Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities?" How will Medway Council demonstrate it: <ul style="list-style-type: none"> Has a productive and skilled workforce; Knows in the medium to longer term what staff it will need, with what skills, and has plans to achieve this; Engages and supports staff in organisational change; and has policies which support diversity; and Good people management. 	AC 12/09				

Key

AC = month & year reported to Audit Committee

P= audit at Planning stage, F = Fieldwork underway, DR = Draft report issued

Q4 = work to commence between January-March 2010

* = Addition to the plan

Audits removed from the Internal Audit Programme 2009/10

Activity ↓	Directorate/Department	Comments
<u>Business Continuity Plan</u> Review the Authority's Business Continuity arrangements to ensure that it can continue to deliver its critical services in the event of a major incident (e.g. flu pandemic, flood, terrorist attack). The audit will review the identification of corporate priorities, scenario planning and testing arrangements. The review will cover issues relating to staff, IT, building and other resources needed to deliver key services.	Authority wide	This audit has been deferred due to BCP being substantially updated.
<u>CAA Indicators</u> Following the CAA assessment in September / October Medway Council may need to make improvements in key areas. This audit will review the accuracy and completeness of data used for the key indicators required to meet any CAA targets.	Authority wide	This audit is not required, as CAA assessment did not indicate major improvement required in any key areas.
<u>Covalent</u> Audit following the implementation of the Covalent performance management system pilot. The audit will review the operation of the system in each of the pilot services to ensure that reporting is accurate and the expected benefits are being realised.	Authority wide	The project board has asked to defer this audit as the system is not fully operational. This work is likely to be now carried out by the external auditors.
<u>Credit Card Income</u> Pro-active fraud prevention work This audit will examine the procedures in place to minimise the risk that payments received over telephone and internet by credit card are fraudulent.	Business Support Department	Extensive enhancement work is currently being carried out on this system. The audit will now occur in 2010/11.
<u>Homelessness Rental Income</u> Examination of arrangements for charging and collecting top-up contributions and payments from clients not on housing benefit and ensuring receipt of the latter from those clients that are.	Business Support Department	Rent billing module only recently gone live and it is to soon to gain an accurate reflection of whether controls in the rent collection system are adequate to mitigate the risks.
<u>IFRS accounting</u> Examination of preparations made to ensure that Medway Council will be compliant with IFRS accounting standards when the Authority completes its transition to IFRS-based reporting in 2010/11.	Business Support Department	The external auditors will carry out this work to meet Audit Commission requirements.
<u>Libraries Stock Control</u> This audit will review stock control following the introduction of a new computer system.	Business Support Department	Enhanced computer system being installed late 2009/10. Audit deferred until 2010/11
<u>Medway Community Safety Partnership</u> The audit will review the operation of the partnership in meeting its aims and objectives, paying particular attention to governance, risk management and arrangements for prevention of fraud and corruption.	Regeneration Community and Culture	Key service manager has been unavailable. The audit has been deferred until 2010/11.

Audits removed from the Internal Audit Programme 2009/10

Activity ↓	Directorate/Department	Comments
<p><u>Raise debtors system (now known as care director)</u> Examination of arrangements for assessing, collecting and recording income due from clients for residential, nursing and domiciliary care, via the new RAISE system.</p> <p><u>Raise system payments (now known as care director)</u> Examination of arrangements for paying amounts due to external providers of residential, nursing and domiciliary care, via the new RAISE system. The audit will not examine the Foster Payments system, which will be the subject of an audit the 2010/11.</p>	Children and Adults	Major difficulties have been encountered implementing this system. Audit has been deferred to 2010/11.
<p><u>Treasury Management</u> The 2008/09 financial year highlighted previously unknown risks in the investment practices of local authorities. The environment for 2009/10 promises to be equally challenging. The audit will review the Authority's strategic approach to treasury management to ensure the safety of funds without unnecessary compromise to investment opportunity.</p>		The external auditors will carry out this work to meet Audit Commission requirements.