


# Crawley Borough Council

	Report No: FIN/264	
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## Report to Audit and Governance Committee

14<sup>th</sup> March 2012

### Internal Audit Progress Report as at 29<sup>th</sup> February 2012

#### 1. Key Points

- 1.1 The purpose of this report is primarily to update the Committee on progress towards the completion of :-
- 2011/12 Internal Audit Plan; and
  - to report on the progress made in implementing previous recommendations.

#### 2. Recommendation

- 2.1 The Committee is asked to receive the report and to note progress to date.

**Gillian Edwards**  
Audit and Risk Manager

### 3. Background

#### Work Completed

- 3.1 Since the last progress report, as at 29<sup>th</sup> February 2012 the following reviews have been **completed**:

<b>Audit Title</b>	<b>Audit Opinion</b>
Part B Report	Not applicable
Hawth Tender	Full Assurance
DWP CIS Security Procedures	Full Assurance
ICT Procurement and Supplier Management	Should be completed by Audit and Governance Committee meeting date. We will provide verbal update at that meeting
Benefit Overpayments	Not applicable
Street Cleansing	As above
Community Centres	As above
Council Tax	As above
NNDR	As above
Housing Benefits	As above
Section 106 Agreements	As above
ICT Service and Continuity Management	As above
Review of Rent Deposit Scheme Write Offs	As above

- 3.2 High priority findings in this period

#### **Benefit Overpayments**

As part of unplanned audit work for 2011-2012, a review was undertaken in respect of three payments of Housing Benefit that were made in error in April, July and August 2011. These were:

Month	Number of Benefit Files Affected	Value	Date Overpayments Were Recovered
April 2011	471	£223,742.71	April – May 2011
July 2011	521	£520,195.61	September 2011
August 2011	5	£2,274.00	August 2011

**At the time that the payments were made, the Council notified landlords, claimants and the local press and took the action to recover amounts where appropriate.**

**These are not further payments made in error. We are reporting on the circumstances surrounding the payments already notified to relevant parties.**

Where possible, the reasons for the overpayments were established, and testing was undertaken to ensure that measures put in place in both the Benefits section and the Finance section would prevent overpayments of this nature occurring again.

During this review, we reported five findings, four of which were of a high priority. These are outlined below.

### Audit Trail for Benefits Interface Files

The Interface file originating from the Northgate system containing the payment details are over written so that they only contain the current payment details. This data is sent to Finance who will facilitate the payments by BACS transfer or by a cheque.

In Benefits, two payments a week are made on Mondays and Thursdays with the latter being a usually small value run. Therefore, the Monday file data over writes the data from the previous Thursday file and so forth. In addition, all new claims are paid on the 28<sup>th</sup> day of every month. In July 2011, the 28<sup>th</sup> day payment of new claims coincided with the payment of the Thursday second run of benefits.

In July 2011, the over writing part of the programme appears to have failed, resulting in an overpayment being made that was due to the new payment file including both the former payment file and the new payment file. This created a new payment file for Thursday 28<sup>th</sup> July 2011 which was £798,623.04, resulting in an overpayment of £520,195.61.

Discussions with ICT confirmed that that there was not an audit trail for this Interface file and could not therefore advise or confirm the exact nature of any adjustments or failures that had been made to or had occurred within the programme for this Interface file. This is a breach of CIPFA's Computer Audit Guidelines which states that "a complete audit trail should be maintained which allows for both an item to be traced from input through to its final resting place and a final result to be broken into its constituent parts."

Two recommendations were made as follows:

- a) ICT should ensure that all Interface files between Finance and all other departments contains an audit trail to identify any changes or adjustments made to the programmes and ensure that these are authorised.
- b) ICT should provide assurance that the new Interface file will have an audit trail that can be independently verified and reviewed by the Audit and Risk Section.

To address part b of this recommendation, ICT wrote a new Benefits Interface File, containing an audit trail that was put into place on 15<sup>th</sup> September 2011. We will review this as part of our follow up to this audit in March 2012 and report the outcome to the Audit and Governance Committee in June 2012.

We also made a recommendation that Benefits should have a facility built into their Finance Interface file that would confirm that the amount to be paid is correct prior to the payment being made. However, this was not accepted by management and no action will be taken on this recommendation. We will review this as part of the follow up audit to confirm that there are adequate compensating controls in place to provide assurance that amounts passed for payment are correct, prior to payment being made.

### Payment of BACS Transmission File

When Finance sends a BACS transmission file, they receive an e-mail acknowledging receipt of the file in the Accounts Payable Inbox which confirms the number of payments and the total value received for payment.

On 30<sup>th</sup> August 2011, Finance sent a BACS transmission file for Benefit payments in the sum of £2,274. This occurred on 22<sup>nd</sup> August 2011 when a BACS batch number 943 appeared to have failed since the usual acknowledgement e mail was not received to confirm that the transmission had been successful. The batch was re-run and the BACS payment was made again. It was found that the original BACS transmission on batch number 943 had been successful and a duplicate payment to the landlords had been made. Finance have identified the landlords and are recovering the duplicate payments made.

A recommendation was made that Finance's payments processes should stipulate that, if after sending a BACS payment file the confirming email has not been received, BACS should be contacted to confirm if they have in fact received the transmission file before attempting to re-send the BACS payment file.

This was accepted by management and we will confirm that this control is operating satisfactorily when we undertake the follow up review in March 2012.

### Departmental Co-operation

Internal Audit received a high standard of co-operation from Benefits and Finance in providing evidence as and when required.

However, it has been observed that relations have become strained between the two sections, which may jeopardise the control environment.

A recommendation was made that management should tackle the situation regarding inter-departmental working relationships. This should enable the respective teams to understand the processes involved, what each department does, and how the teams can work together to promote a better working environment for the staff concerned.

Management have confirmed that a lot of work has been done between the two systems support teams which has developed a more positive attitude. There is a responsibility on senior managers to ensure good relationships and the avoidance of a "blame culture".

We will review these arrangements during the follow up to this review in March 2012 and report our findings to the Audit and Governance Committee in June 2012.

### 3.3 Follow up of high priority findings from previous periods

#### **Payroll**

A follow up audit was undertaken and it was found that in all cases except for one, the recommendation had been implemented by the due date.

One recommendation, due for implementation by 31<sup>st</sup> December 2012, was still outstanding at 24<sup>th</sup> January 2012. The Head of People and Technology confirmed that this was due to the new management arrangements at the Hawth, and that the recommendation would be implemented by 1<sup>st</sup> February 2012.

We will confirm that the recommendation has been satisfactorily implemented during the follow up audit in March 2012 and report our findings to the Audit and Governance Committee in June 2012.

### 3.4 Status of the Audit Plan

As at 29<sup>th</sup> February 2012, we are eleven months into the annual audit plan and on target to complete the work agreed in this Committee on 16<sup>th</sup> March 2011.

## **4 Unplanned Work**

- 4.1 At the request of the Director of Resources, we are currently undertaken a review of the Maidenbower Pavilion. This will be reported upon in this Committee at the meeting on 14<sup>th</sup> March 2012 by the Head of Finance, Revenues and Benefits.

## **5. Ward Members' Views**

- 5.1 Internal Audit Coverage does not impact directly on any specific ward.

## **6. Staffing, Financial and Legal Implications/Powers**

- 6.1 None.

## **7. Risk Implications**

- 7.1 Identified in individual audits.

## **8. Environmental Impacts**

- 8.1 None.

## **9. Links to the Sustainable Community Strategy and Corporate Plan**

The proposals contained in this report relate to the following key areas of the Sustainable Community Strategy

Community Cohesion	y	Community Safety	y
Young People and Children	y	Health and Well Being	y
Older People	y	The Environment	y

The Local Economy                      y    Social Inclusion    y

The following key principles are applicable:-

- (i) Working together    y
- (ii) Dignity, respect and opportunities for all    y
- (iii) Involving People    y
- (iv) Making it last    y

The report relates to the following areas in which the Council operates to enhance the town and the quality of life of local people:-

- (i) Prosperity    y
- (ii) Community    y
- (iii) Environment    y
- (iv) Value for Money    y

**10. Reasons for the Recommendation**

To enable Members of the Audit and Governance Committee to review the effectiveness of the internal control framework, in line with their responsibilities under the Constitution.

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## Appendix A

### Internal Audit Plan 2010/11 and 2011/12

#### Progress Report as at 29<sup>th</sup> February 2012

Audit	Audit Plan Year	Audit Opinion- Assurance	Number of High Priority Findings	Comments
<b>A. Work Completed in the Current Period</b>				
Part B Report	2011/12	Not applicable	2	See report in Part B
Hawth Tender	2011/12	Full Assurance	4	Should be complete by A&G meeting
DWP CIS Security Procedures	2011/12	Full Assurance	0	Should be complete by A&G meeting
ICT Procurement and Supplier Management	2011/12		0	Should be complete by A&G meeting
Benefit Overpayments - investigation	2011/12	N/A	4	
Street Cleansing	2011/12		0	Should be complete by A&G meeting
Community Centres	2011/12		0	Should be complete by A&G meeting
Council Tax	2011/12		0	Should be complete by A&G meeting
NNDR	2011/12		0	Should be complete by A&G meeting
Housing Benefits	2011/12		0	Should be complete by A&G meeting
Section 106 Agreements	2011/12			Should be complete by A&G meeting
ICT Service and Continuity Management	2011/12			Should be complete by A&G meeting
				Should be complete by A&G meeting
<b>B. Work In Progress</b>				
NFI – data matching 2011.	2010/11			
Year-end testing for Audit Commission:	2011/12			
o Cash and Bank				
o Estateman				
o General Ledger				
o Housing Rents				
o Treasury Management				
Reprographics	2011/12			
The Hawth Tender – second part	2011/12			
Tilgate Park Tender	2011/12			
Building Control Contract with HDC	2011/12	Not required		We have relied on the work of the Audit team at Horsham District Council to gain assurance on the controls in place. No work required at this time.
GCSX CoCo	2011/12	On hold		No involvement required at this time from
Discretionary Rate Relief	2011/12			
Budgetary Control	2011/12			
Payroll	2011/12			
Creditors	2011/12			
Sundry Debtors	2011/12			
Fixed Assets	2011/12			
FMS Computer Audit	2011/12			
<b>Other Work</b>				
Investigations:				
CI1112.07	2011/12			
Procurement Workshop	2011/12			
Maidenbower Pavilion	2011/12	No further involvement		Draft report passed to Head of Finance, Revenues and Benefits
<b>C. Follow Up Audits</b>				
Payroll Audit 2010/11	2011/12	Ongoing	1	One recommendation not implemented by due date – new due date agreed

