

	Report No: FIN/279	
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## **Report to Audit and Governance Committee**

**26<sup>th</sup> September 2012**

### **Internal Audit Progress Report as at 31<sup>st</sup> August 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 and 2012/13 Internal Audit Plans; 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 15<sup>th</sup> June 2012 the following reviews have been completed:

<b>Audit Title</b>	<b>Audit Opinion</b>
Year-end testing for Audit Commission: o Payroll	Not applicable – the Audit Commission will report on these as part of their year end testing.
Payroll Audit 2011/2	Superseded by further Audit Commission testing undertaken by Audit and Risk Section
Sundry Debtors	Full Assurance
Creditors	Limited Assurance
Freedom of Information	Full Assurance
Gas Servicing	Full Assurance
Bewbush Final Account	Full assurance
Langley Green Final Account	Full assurance
Investigation C11213.06	N/A – verbal update will be given

#### Work in Progress

- 3.2 The reviews in progress and other work that we have undertaken in the period are shown at Appendix A.

#### 3.3 High priority findings in this period

##### 3.3.1 **Creditors 2011/12**

During our review of the Creditors system, we reviewed the Council's exposure to fraud from the three primary methods used to pay invoices with the Finance Management System (FMS), being via Purchase Orders, Non Purchase Order invoices and via Manual Payment Requests forms.

We detected a fundamental weakness in the Accounts Payable processing whereby the Accounts Payable Manager and the Accounts Payable Assistant were able to self approve their own payment batches. This work was mainly associated with payment corrections. This ability was removed on 3<sup>rd</sup> July 2012. There was a full audit trail of any amendments that they had made. No examples of either officer undertaking inappropriate actions was detected from our testing.

We also detected a fundamental weakness in the procedures for setting up or amending supplier details into the Finance Management System (FMS). This process is restricted to the two members of the Accounts Payable team where there is no independent verification undertaken to confirm that the changes made are legitimate. The members of the Accounts Payable section check each others work in this area, but this does not provide sufficient protection against the risk.

To make ad-hoc payments, the Council uses a Manual Payment Request Form. This exposes the Council to the risk of fraud as the approving signature / initials on the form can be easily forged.

Our testing sample was £311,532 being 1% of the audit volume. We also tested the system for evidence of any duplicate payments made.

We did not find any evidence of fraud occurring. We believe that introducing the measures incorporated in our recommendations below will help to secure the process and protect the persons operating the Accounts Payable system.

Recommendations have been agreed by management to improve the control environment.

The Audit Commission have undertaken additional tests on transactions in the financial year 2011/12 and will report on these independently.

### 3.4 Freedom of Information (FOI) Requests

In July 2012, the Audit and Risk Section assumed responsibility for the administration of FOI requests. Our responsibilities cover logging the requests, confirming our receipt with the requester, sending them to the relevant member of staff for their response to the request, monitoring the timescales for dealing with the request, ensuring that the provisions of the FOI Act 2000 and the Data Protection Act 1998 are complied with, and responding to the requester within the 20 working day deadline.

Since 9<sup>th</sup> July 2012 to 31<sup>st</sup> August 2012, we have processed 100 requests. Of the 51 that were due back before the end of August 2012, six were sent to the requester outside of the 20 working day deadline. Of these, four were one or two days overdue, as a result of annual leave or late replies being received from the department providing the information. The other two related to commercial properties, which have been the subject of changes to legal rulings in the last two months and for which we were waiting for confirmation of the impact of these rulings. We wrote to the requester in both cases to apologise for the delay.

## **6 Unplanned Work**

6.1 There was no unplanned work during the period under review.

## **7. Ward Members' Views**

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

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

None.

## **9. Risk Implications**

9.1 Identified in individual audits.

## 10. Environmental Impacts

10.1 None.

## 11. 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

## 12. 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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## Internal Audit Plan 2011/12 and 2012/13

Progress Report as at 31<sup>st</sup> August 2012

Audit	Audit Plan Year	Audit Opinion-Assurance	Number of High Priority Findings	Comments
<b>A. Work Completed in the Current Period</b>				
Year-end testing for Audit Commission: o Payroll	2011/12	NA		The Audit Commission will report on this work as part of their year end testing.
Payroll Audit	2011/12			Superseded by further Audit Commission testing undertaken by Audit and Risk Section
Sundry Debtors	2011/12	Full Assurance		
Creditors	2011/12	Limited Assurance	3	
Freedom of Information	2012/13	Full assurance		
Gas Servicing	2012/13	Full assurance		
Bewbush Final Account	2012/13	Full assurance		
Langley Green Final Account	2011/12	Full Assurance		
Investigation CI1213.06	2012/13	N/A		The Audit and Risk Manager will provide a verbal update on this.
<b>B. Work In Progress</b>				
Discretionary Rate Relief	2011/12			
Civil Parking Enforcement	2011/12			
Proactive Fraud Work	2012/13			
Risk Management Training for Staff	2012/13			
NFI Data Matching 2011/12	2012/13			
NFI Data Matching 2011/13	2012/13			
IT Programme and Project Management	2012/13			
FOI Requests – day to day work	2012/13			
Cyclical Repairs	2012/13			
Commercial Rents – Horsham DC	2012/13			
Tilgate Park : • Tender • Transitional Arrangements	2011/12			At draft report stage - the Audit and Risk Manager Will provide verbal update on this project.
Worth Park Restoration Project	2012/13			At draft report stage - the Audit and Risk Manager Will provide verbal update on this project .
IT FMS Audit	2012/13			At draft report stage - the Audit and Risk Manager Will provide verbal update on this audit.
<b>Other Work</b>				
Investigations: CI1112.07 CI1213.06	2012/13 2012/13			Ongoing Closed
Sussex Audit Group Benchmarking	2012/13			Ongoing
<b>C. Follow Up Audits</b>				
Community Centres	2011/12	N/A		Ongoing – the Audit and Risk Manager will provide a verbal update on this.