

Meeting: Audit Committee

Portfolio Area: Resources

Date: 26th June 2007

INTERNAL AUDIT UPDATE – QUARTER 1 2007/08

NON-KEY DECISION

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1 PURPOSE

To provide Members of the Audit Committee with an update on internal audit activity during quarter one of 2007/08.

2 RECOMMENDATIONS

That the Internal Audit Update – Quarter 1 2007/08 be noted.

3 BACKGROUND

Members of the Audit Committee receive an Annual Internal Audit Report and Audit Opinion as part of the Council's corporate governance arrangements. This has recently been supplemented with a half year report. It is now considered that Members of the Audit Committee should receive a quarterly report to provide them with timely summary information on internal audit activity. This was identified in the Committee's work plan, reported in March 2007. This approach is also advocated by the Audit Commission who recently made a recommendation to the Council in this respect.

4 RECENT INTERNAL AUDIT ACTIVITY

Internal Audit traditionally set aside quarter four of each financial year to concentrate on delivering audits of the Council's key financial systems. These systems are:

- Creditors
- Payroll
- Housing Benefits
- Council Tax
- Main Accounting
- Cash
- Sundry Debtors
- Business Rates
- Housing Rents

The audits are normally carried out at this time as part of an agreed protocol with the Audit Commission. This is mainly so that the Commission can rely on the work of Internal Audit for their purposes, thereby minimising duplication of effort and external audit fees. Historically, some of the above audits overrun into quarter one of the following year, partly because timescales have become increasingly challenging. This has indeed been the case for the 2006/07 audits, as these have occupied the Internal Audit team for most of quarter one of 2007/08 to date. The team has also

been dependent on some agency staff prior to and during this period. It has consequently not been possible to progress 2007/08 planned work at the time of writing. It has now been agreed with the Commission that audits of the key financial systems will in future start in quarter three each year, thereby giving an increased likelihood that the work will be completed in year. A summary of those 2006/07 key financial audits completed in quarter one to date is in any event set out below. With the exception of Sundry Debtors (work in progress at the time of writing), the remaining key financial audits were completed.

Payroll - We have confirmed that controls associated with making sure employees continue to be paid accurately and on time are effective and complied with. Most of our previous recommendations have been implemented. Those that have not have been reiterated. We have made new recommendations relating to reconciling the establishment list, improving documented procedures, administering starter and leaver information and better controlling the provision of payroll services to third party organisations.

Business Rates - We have confirmed that there continues to be effective controls for the provision of the Business Rates Service. Most of our previous recommendations have been implemented. Those that have not were reiterated. These recommendations relate to reconciling the property list, improving written procedures and early recovery action.

Council Tax – This report has been selected for reporting to the Audit Committee in this cycle as an individual audit report and is elsewhere on the agenda.

Housing Rents - We have confirmed that the various systems of control are in place and are complied with. However, recommendations relating to a Best Value Performance Indicator and the reconciliation of associated computer system totals were made. Rent Accounting is now managed by SHL on behalf of the Council and this report is being reported in detail to SHL's Audit Committee.

Main Accounting - We have confirmed that with the exception of applying controls consistently to virement, and records of petty cash imprest, the various systems of control are in place and complied with.

Creditors – We have confirmed that the various systems of control are in place and are complied with. However, recommendations relating to invoice processing, payment authorisation and computer system administration were made.

Cash – We have confirmed that the various systems of control are in place and are complied with. However, recommendations relating to petty cash floats and secure cash collection arrangements have been made. Some outstanding recommendations relating to postal receipts have been reiterated.

Housing Benefits – We have confirmed that the various systems of control are in place and are complied with. However, recommendations relating to claim verification, management information and reconciliations have been made.

Attached at Appendix A is a summary of each audit completed in the quarter, detailing the number of recommendations made, categorised between high/medium/low risk.

During the First Quarter other work undertaken by the Internal Audit team has included:

- reviewing some best value performance indicator outturn figures and audit trails
- providing responsive audit advice and assistance to staff elsewhere in the Council and Stevenage Homes Ltd.
- self assessing Internal Audit effectiveness to partly inform an item elsewhere on this agenda.
- producing the Annual Report and Audit Opinion, reported elsewhere on this agenda.
- dealing with data matches identified as part of the National Fraud Initiative.
- Following up several contract compliance issues.

BACKGROUND DOCUMENTS

- Internal audit reports on the Council's key financial systems.

APPENDICES

- Appendix A – Summary of Audits Completed & Recommendation Made – Quarter 1

SUMMARY OF AUDITS COMPLETED AND RECOMMENDATIONS MADE

<u>Internal audit</u>	<u>Number of recommendations</u>			
	High	Medium	Low	Total
Creditors	2	8	5	15
Cash	0	7	15	22
Payroll	0	12	12	24
Housing Benefits	0	7	2	9
Business Rates	0	3	0	3
Council Tax	2	2	7	11
Housing Rents	2	6	6	14
Main Accounting	2	8	13	23
Total Recommendations	8	53	60	121