

BABERGH DISTRICT COUNCIL

FROM: HEAD OF FINANCE

REPORT NUMBER F52

**TO: OVERVIEW & SCRUTINY
(STEWARDSHIP)**

DATE OF MEETING 18 JULY 2006

2005/06 ANNUAL REPORT – INTERNAL AUDIT

1. SUMMARY

- 1.1 This report sets out the outcomes of the internal audit work carried out during 2005/06, achievements against the audit plan and details any major control weaknesses in the Council's systems and procedures that were found.
- 1.2 From the work undertaken during 2005/06, it can be concluded that key systems of internal control are operating soundly and there have been no fundamental breakdown of controls. It can also be concluded that satisfactory arrangements are in place to ensure the effective, efficient and economic operation of the Council's financial affairs.

2. RECOMMENDATION

- 2.1 That the position regarding the 2005/06 internal audit work be noted and a further report be submitted during 2006/07 on progress on outstanding actions in relation to key areas where weaknesses were identified.

The Committee is able to resolve the matter.

3. FINANCIAL IMPLICATIONS

- 3.1 None

4. KEY INFORMATION

- 4.1 Internal audit provides Members and senior managers with an independent and objective opinion on the Council's control environment; it objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 4.2 Internal audit carried out a wide range of reviews of the Council's operations last year, critically evaluating the internal control systems and, where necessary, making recommendations for improvements to controls and the introduction of best practice. The 2005/06 work programme was approved by this Committee in March 2005 (Report D278).
- 4.3 The external auditors (Audit Commission) are now required to follow the UK and Ireland's version of International Standards on Accounting – ISA (UK&I), which has significantly changed the way in which they work. One of the most important changes is a greater emphasis on gaining an understanding of the organisation being audited to identify risks of material misstatement in the financial statements, particularly an understanding of the internal controls. This impacts on the work done by internal audit.

4.4 To address the potential impact of this additional work on external audit resources (and thereby audit fees), internal audit was asked to assist the external auditors by documenting each material system and associated internal controls and carrying out walk-through tests of the systems in the latter part of the year. This was in addition to the originally approved work programme.

Achievement Against The Work Programme

4.5 The work required by the Audit Commission had a significant impact on the achievement of the 2005/2006 work programme.

4.6 In addition, the Audit Manager was also heavily involved in completing part of the Use Of Resources Assessment (UoR) and compiling the evidence, which was another substantial piece of unplanned work.

4.7 There were also some staff changes during the year, which resulted in the loss of an experienced Auditor, the post being vacant for one month and the appointment of a new inexperienced Audit Assistant.

4.8 Due to the changes outlined above the Internal Audit Work Programme for 2005/06 had to be revised. The work programme at Appendix 1 shows the approved and revised work programme. The major changes are as follows:

- Risk management reviews were not carried out, however work on strategic risks was undertaken and this has ensured that good progress in implementing the Risk Management Strategy was made.
- The Legality of Financial Transactions and Gershon Efficiency reviews were postponed and are included in the 2006/07 work programme.
- A full application review of the IBS system could not be carried out and has been postponed until 2007/08.
- Follow-up of the implementation of audit recommendations was suspended from November and recommenced in April 2006.

4.9 The initial audit programme was based on 551 days, which is the number of days remaining after allowance has been made for holidays, induction, training, planning and administration etc. The actual days were 524, the difference being due to the vacant post and the induction of the Audit Assistant.

Fundamental Reviews

4.10 This work undertaken looked at the documentation, evaluation and testing of the effectiveness of systems of internal control within the Council's fundamental financial systems, including compliance with the Council's policies and procedures. These are classified as 'key' audit areas by the Audit Commission and the audits must be carried out on an annual basis. The reviews provide an assurance of the adequacy of the systems and enable the Audit Commission auditors to rely on the work carried out. The fundamental financial systems covered in the 2005/06 work programme were:

Asset Register
Benefit Assessment
Benefit Fraud
Benefit Overpayments
Creditor Payments
Debtors
General Ledger

Housing Repairs
Local Taxation
Payroll
Rents
Treasury Management

There were two fundamental reviews in progress at the year-end and these have now been completed. Therefore, the total programme was very substantially achieved by the end of financial year.

Corporate Governance

- 4.11 The Accounts and Audit Regulations 2003 require the publication of a Statement on Internal Control (SIC) within the Statement of Accounts. The statement is a key aspect of the Council's risk management and internal assurance framework and requires a review of the Council's whole system of internal control including corporate governance and risk management. The purpose of the SIC process is to provide a continuous review of the Council's internal control and risk management systems, so as to give assurance on their effectiveness and to produce an action plan to address identified weaknesses.
- 4.12 Work on producing the 2005/06 SIC, including the documentation and evaluation of the Council's key systems of internal control, was co-ordinated by internal audit. The significant control issues identified include the need to:
- Provide Corporate Governance Training
 - Produce SMART action plans for bottom quartile performance indicators featuring in the Council's corporate priorities
 - Fully embed risk management by providing training, carrying out operational risk assessments, ensuring that risk is considered as a part of the decision making process and introducing risk based auditing
 - Update business / service continuity plans and put a testing plan in place.
- 4.13 A small Member group from this Committee rigorously reviewed the SIC before it was published as part of the Statement of Accounts for 2005/06.

Use of Resources Assessment

- 4.14 The Use of Resources (UoR) Assessment was carried out during 2005. The assessment covered the following areas:
- Financial reporting
 - Financial management
 - Financial standing
 - Internal control
 - Value for money
- 4.15 The judgements are scores as follows:
- 1 = below minimum requirements – inadequate performance
2 = at only minimum requirements – adequate performance
3 = consistently above minimum requirements – performing well
4 = well above minimum requirements – performing strongly

4.16 All areas scored level 3 last year apart from internal control, which only scored 2. The theme is made up of three elements, which were scored as follows:

Management of significant business risk	1
Maintenance of a sound system of internal control	2
Promotion of probity and good conduct of business	3

4.17 Management of significant business risk scored 1 – inadequate performance, because reports to Members / senior management to support strategic policy decisions and project initiation documents do not include a risk assessment.

4.18 In addition, a number of individual aspects only scored a 2 or a 3 ‘on balance’ and more work was needed to ensure that the scores were maintained/improved. Further work has been carried out as follows:

- The Risk Management Strategy has been revised and approved by Members
- A register is maintained of corporate business risks linked to the Council’s priorities and ownership has been assigned
- The Terms of Reference for this Committee have been revised to include responsibility for corporate risk management and the core functions of an Audit Committee, as identified in CIPFA guidance
- Member responsibility for the review and approval of the Statement on Internal Control has been strengthened by forming a Member group to review the SIC separately from the accounts

4.19 The Council should now score at least 2 for each element. To score a level 3 further work will be required:

- Management of significant business risk – The risk management process needs to be reviewed and updated at least annually; the risk management process must specifically consider risks in relation to significant partnerships and provide for assurances to be obtained about the management of those risks.

4.20 Further work to improve the Council’s UoR score will be carried out during 2006/07.

Computer Audit

4.21 The Council has an agency arrangement with Ipswich Borough Council for the provision of a computer auditor to carry out 40 days computer audit work per year. Three computer audits were completed by the Computer Auditor during the year:

- IT Management Review
- Project Management Methodology Review
- E-Governments Projects

4.22 The Computer Auditor also carried out preparatory work for the 2006 National Fraud Initiative and assisted the internal auditors with the following pieces of work:

- Reconciliation of the Delphi Personnel and Payroll databases
- Computer audit review of the Council’s Land Terrier
- Preparation for the IBS computer application review, which was subsequently postponed
- Review of the ICON system controls (Cashiers system)

4.23 Internal audit staff carried out computer audit reviews of:

- The Council's computer network
- Data Protection
- Freedom of Information

Anti-Fraud & Corruption and Whistleblowing

4.24 Internal audit has responsibility for raising awareness of the Council's Anti-Fraud & Corruption Policy and Whistleblowing Procedure. Regular articles are placed in Talking Shop, and contractors, staff and Members are informed of the policy on an annual basis. Anti-Fraud & Corruption and Whistleblowing information is on the Council's Intranet and the Website, where an email address has been set up so that the public can raise concerns easily.

4.25 During 2005/06 three concerns were raised externally and were dealt with appropriately.

4.26 The Council participates in the biennial National Fraud Initiative (the data matching of records such as benefits, payroll, pensions, student awards and housing rents), which is co-ordinated by the Audit Commission. The audit section takes a leading role in co-ordinating the exercise. The 2004/05 NFI exercise has recently been completed, the exercise only resulted in one overpayment of benefit of £392.29 and weekly incorrect benefit of £8.83, which provides assurance that the Council has effective procedures in place to prevent benefit fraud.

Audit Recommendations & Follow-ups

4.27 Recommendations arising from internal audit work are graded according to the significance of any weaknesses:

Priority 1 – action that is considered essential to ensure that the Council is not exposed to high risks;

Priority 2 – action that is considered necessary to avoid exposure to significant risk;

Priority 3 – action that merits attention and may result in enhanced control, quality or better value for money.

4.28 Details of the internal audit and computer audit reviews and the number of recommendations made in 2005/06 on each of these priorities are shown in Appendix 2.

4.29 All of the priority 1 and the majority of priority 2 and 3 recommendations made during the year were accepted by the appropriate heads of service and managers. A formal follow-up procedure is in place and all audits are followed up to ensure that the agreed action has been, or is in the process of being, implemented.

4.30 The Audit Manager was to carry out a review of all outstanding recommendations from 2001 – 2004 during 2005/06, however due to the level of unplanned work and staff changes this was not possible. A review will now take place during the current financial year.

Review of Internal Audit Work 2005/06

4.31 The revised Terms of Reference for this Committee, approved in September 2005, require the Committee to review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.

4.32 Appendix 3 provides an overview of the audits finalised since October 2005, detailing the significance of the area under review, the objectives and scope of the audit and the key results and recommendations. The recommendations have been agreed with the appropriate managers and corrective action has or will be taken.

Opinion 2005/06

4.33 From the work undertaken during 2005/06, it can be concluded that key systems of internal control are operating soundly and there have been no fundamental breakdown of controls. It can also be concluded that satisfactory arrangements are in place to ensure the effective, efficient and economic operation of the Council's financial affairs. No system of control can provide absolute assurance against material misstatement or loss, nor can internal audit give that assurance. This statement is intended to provide reasonable assurance regarding the operation of the Council's internal control environment.

5. APPENDICES AND BACKGROUND PAPERS REFERRED TO:

- (a) Appendix 1 – Revised Internal Audit Programme 2005-2006
- (b) Appendix 2 – Internal Audit Reviews & Numbers of Recommendations Made 2005-2006
- (c) Appendix 3 – Summary Audit Reports 1st October 2005 – 31st March 2006

There are no background papers.

6. BACKGROUND PAPERS REFFERED TO:

None.

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Revised Internal Audit Work Programme 2005-2006

	2005/2006	Revised 2005/2006
Audit Programme Days	551.0	524.0
Work in Progress (Estimate 2004/2005)	21.0	20.0
Percentage of Total	3.8%	3.8%
Contingency - Unallocated	63.0	26.0
Contingency / advice to-date		16.5
Unplanned Work:		
Payroll Processing		9.5
Payroll Administration		3.5
Payroll Reconciliations		6.0
Staff Travel		9.0
Work for Head of Service		2.0
Corporate Information Review		2.5
Process Mapping & Walkthrough Tests		60.0
CIPFA Code of Practice Review		15.0
Use of Resources (KLOE) Assessment		16.5
Total Contingency	63.0	166.5
Percentage of Total	11.4%	31.8%
Fundamental Systems		
Asset Register	13.0	8.0
Benefit Assessment	17.0	17.0
Benefit Fraud	10.0	8.0
Benefit Overpayments	13.0	13.0
Creditor Payments	11.0	13.5
Debtors	13.0	13.5
General Ledger	12.0	5.5
Housing Repairs	11.0	9.0
Legality of Financial Transactions	11.0	0.0
Local Taxation	17.0	17.0
Payroll	13.0	15.0
Rents	11.0	11.0
Treasury Management	9.0	9.0
Total Fundamental	161.0	139.5
Percentage of Total	29.2%	26.6%
Corporate		
Performance Indicators	15.0	18.0
NFI	2.0	3.0
Money Laundering	2.0	1.0
Statement on Internal Control (SIC)	20.0	12.0
SIC - Member Working Group	0.0	1.5
Reports to Members	10.0	7.0
Anti-Fraud & Corruption	5.0	8.5
Gershon Efficiency Review	15.0	0.0
Flexible Working Arrangements	11.0	7.0
Total Corporate	80.0	58.0
Percentage of Total	14.5%	11.1%

Revised Internal Audit Work Programme 2005-2006

	2005/2006	Revised 2005/2006
Risk Management		
Strategic Risk Management Implementation	15.0	23.0
Revise Strategy		5.0
Risk Management Action Plans		5.0
Monitoring & Reporting to Members		5.0
Risk Management Reviews	64.0	0.0
Total Risk Management	79.0	38.0
Percentage of Total	14.3%	7.3%
Computer Audit Reviews - Internal Audit Staff		
Freedom of Information & Data Protection	16.0	15.5
Network Review	22.0	30.0
IBS Business Rates & Benefits Application Review	17.0	0.0
Total Computer Application Reviews	55.0	45.5
Percentage of Total	10.0%	8.7%
Follow-up		
Audit	14.0	4.0
Computer Audit	6.0	2.0
Total Follow-up	20.0	6.0
Percentage of Total	3.6%	1.1%
Other		
Business Development	3.0	1.0
Leisure Grants	3.0	2.0
IT Standards Group	4.0	1.0
Cheque Control (Omitted in error)	0.0	8.0
Financial Vetting	10.0	5.0
Contract Final Accounts	12.0	8.0
Total Other	32.0	25.0
Percentage of Total	5.8%	4.8%
Computer Audit		
IT Management Review	10.0	10.0
Project Management Methodology Review	5.0	5.0
Provision of IT re:CAST	8.0	8.0
Miscellaneous	0.0	1.0
E-Government Projects	13.0	13.0
Assist Auditors with Application Reviews	4.0	4.0
Total Computer Audit	40.0	41.0
Percentage of Total	7.3%	7.8%
Total Audit Programme Days		
	551.0	539.5
	100.0%	103.0%

Appendix 2

Internal Audit Reviews & Numbers of Recommendations Made 2005-2006

Audit Area	Priority			Total
	1	2	3	
Asset Register	0	0	2	2
Benefit Assessment	0	12	1	13
Benefit Fraud	10	0	2	12
Benefit Overpayments	0	7	4	11
Corporate Information	0	1	0	1
Creditor Payments	1	5	4	10
Data Protection	0	8	2	10
Debtors	0	8	3	11
e-Government Projects	20	6	0	26
Flexible Working Arrangements	0	2	5	7
Freedom of Information	0	8	1	9
General Ledger	0	0	3	3
Housing Repairs	0	0	1	1
IT Management Review II	3	9	0	12
Local Taxation	0	3	2	5
Payroll	2	4	2	8
Payroll Reconciliation	0	1	0	1
Performance Indicators	0	6	0	6
Petty Cash	0	8	0	8
Project Management Methodology	6	9	3	18
Rents	0	1	2	3
Review of the Council's Computer Network	0	20	6	26
Staff Travel	0	3	1	4
Treasury Management	0	4	2	6
Totals	42	125	46	213

Summary Internal Audit Reports

Fundamental Systems

1 Asset Register

Significance

At the year end 31st March 2005 the total valuation of all Council-owned assets included in the Fixed Asset Register was just over £245 million.

Objectives & Scope

The objective of the audit was to review and report on the controls and procedures for the complete and accurate recording of assets in the asset register in accordance with the current capital accounting requirements.

In order to achieve the above objective, the audit has evaluated the procedures in operation for: -

- A. Identifying all assets that are acquired or disposed of
- B. Checking the completeness and accuracy of the register
- C. Ensuring that the Council has adequate proof of ownership
- D. Ensuring that there are adequate controls in place for the secure storage, issues and return of ownership documents
- E. Authorising and carrying out any changes to the asset register
- F. Carrying out valuations in accordance with CIPFA requirements.

Summary of Significant Weaknesses

There were no significant weaknesses.

2 Housing & Council Tax Benefit Assessment

Significance

Live benefits cases on 9th February 2006

Benefits Category	Number
Rent rebates	2190
Rent Allowances	1362
Council Tax	
Total	8524
Joint CTB/HB Claims	3249
Benefit Category	Amount
Local Authority Tenants	£6,288,000
Private Tenants & Council Tax Benefit	£8,550,000
Total	£14,838,000

Objectives

The audit will review the procedures in operation to ensure that the Housing and Council Tax Benefit System is operated efficiently, in accordance with relevant regulations, that assessments are correctly calculated, applications and payments are legitimate and appropriate and staff are adequately trained.

Scope & Approach

The audit reviewed the following areas:

- Compliance with the verification framework regulations
- The documentary proof to support benefit transactions (including DIPs)
- The benefit assessment audit review process
- The correct assessment and calculation of benefit claims
- The time taken to process benefit claims, action Change of Circumstances and cancellations
- Backdating and discretionary payments
- Visiting benefit claimants
- Staff training
- The IBS system security and reporting facilities

Summary of Significant Weaknesses

It was acknowledged by management, at the time of the audit, that the processing time was falling short of targets. Action was being taken to resolve the situation. Management should ensure that the situation is resolved.

There was lack of clarity over the Intervention process. It appears that more visits than are necessary under the Dept of Work & Pension rules are being undertaken.

3 Housing & Council Tax Benefit Fraud

Introduction

A review of the arrangements in place to ensure the independence of the fraud investigation service and the adequacy of the arrangements to ensure staff safety has been carried out.

Objectives & Scope

The objectives of the audit were:

- To evaluate the independence of the benefit fraud section
- To determine whether there are adequate procedures in place to safeguard benefit fraud officers

The audit has determined whether:

- Fraud Investigators are independent of the assessment process
- Fraud Investigators complete a declaration of interests
- The council has adequate procedures to maintain a register of dangerous or high risk properties and people and to make relevant staff aware of them
- A risk assessment of benefit investigation work has been carried out, including the identification of the hazards and measures put in place to avoid or control the risks

The audit has been expanded so that it has covered both internal and external visits across the Revenues division.

Summary of Significant Weaknesses

A survey of all Council staff, regarding their views on safety arrangements when making face-to-face contact with the public, has indicated weaknesses in procedures across the Council.

4 Housing & Council Tax Benefit Overpayments

Significance

The total benefits overpayments collected in 2004/05 was £289,693. This is 48.44% of the amount collectable.

2003/04 National Performance Indicators For Percentage Of Recoverable Overpayments Collected.	
Babergh	50.0%
Total average score	47.7%
Regional average score	46.1%
Average for the same type of authority	49.3%
Bottom Quartile	38.13%
Median	46.13%
Average	47.74%
Top Quartile	55.10%

A comparison of the values of overpayments collected in 2003/04 and 2004/05 show a drop of 1.56%.

Objective

To ensure that the Council has suitable arrangements in place for the efficient and effective recovery of Benefit Overpayments

Scope and Approach of the Audit

- A A review of the Council's policy, standing orders and financial regulations in respect of benefit overpayments to ensure suitability and compliance.
- B Checks to ensure that there is adequate documentary evidence to support all overpayment transactions.
- C Consideration of the efficiency and effectiveness of the process for the recovery of overpayments

Summary of Significant Weaknesses

The most significant recommendation was a move from the current reliance on manual records to an IT based process. This was achieved during the course of the audit.

At the time of the audit it was not possible to reconcile bad debt or irrecoverable write offs. Suitable reports are now available from the system so arrangements have been made for the systems team to carry out regular reconciliations.

Other minor recommendations have been agreed.

5 Local Taxation

Significance

	Council Tax	NNDR
2004/05		
Collectable Debit	£35,029,190	£14,471,374
Amount Collected	£34,557,973	£14,307,633
Amounts Written-off	£7,471	£8,289
Arrears as at 01/04/2005	£447,942	£148,694
Committal Cases	3	0
Bailiffs Cases	880	102
Sept 04 – Oct 05		
Number of Refunds	2,605	324
Cumulative		
Overdue Amounts Being Pursued	£541,645	£160,062

Objectives & Scope

To ensure that the collection and refunding of Council Tax and National Non Domestic Rates (NNDR) is properly controlled and to ensure that the Council is actively pursuing outstanding Council Tax and NNDR.

To achieve the above objectives the audit determined whether:

- The collection and refunding of, Council Tax and NNDR is carried out in accordance with statutory regulations and the Council's Constitution
- There is documentary evidence to support all payment and refund transactions

- Records and accounts are updated to record payment and refund transactions
- Refund transactions are correctly calculated and valued
- Direct debit transactions are initiated and recorded promptly.
- Recovery and enforcement procedures are carried out in accordance with statutory requirements and the Council's Constitution
- All recovery action taken is supported by documentary evidence and relevant records and accounts are updated
- Recovery action is taken in accordance with the Council's strategy and is cost effective.
- Recovery action is initiated and recorded promptly.
- Recovery action is legitimate and appropriate.

Summary of Significant Weaknesses

There were no significant recommendations.

All recommendations have been agreed.

6 Rents

Significance

In the twelve months October 2004 – September 2005 there were 277 Council-owned housing properties that were 'void' or unoccupied due to termination or transfer of tenancy, and 5 properties involved in mutual exchange.

Objective & Scope

To ensure that tenancy terminations, transfers and exchanges are adequately controlled.

To achieve the above objective, the audit ensured that: -

- Terminations, transfers and exchanges are carried out in accordance with legislation and the Council's procedures
- Terminations, transfers and exchanges are adequately supported by documentary evidence
- Tenants are aware of their rights and responsibilities when leaving a property
- All relevant records and accounts are updated with all termination, transfer and exchange of tenancy details
- All termination transactions are correctly calculated and valued
- All transfers or exchanges are appropriate
- All void properties are correctly calculated, valued and monitored

- All terminations, transfers and exchanges are initiated and recorded promptly and within the timescales laid down by regulation and/or the Council's policy and are legitimate and appropriate
- Records are protected from loss or unauthorised access.

Summary of Significant Weaknesses

The audit recommended that upon implementation of the new 'Workflow' feature on the housing module of the IBS system, system notes should be produced. The recommendation was accepted.

7 Responsive Repairs

Objective

The objective of the audit was to ensure that responsive repairs carried out are legitimate and appropriate; are carried out within the required timeframe and the Council is charged the correct rate.

Significance

The Council has three main contracts, each for the three-year period 2003-2006, for the execution of responsive repair works to Council housing property.

Scope

In order to achieve the above objective the audit ensured that:

- Responsive repair work is charged in accordance with the schedule of rates
- Emergency repairs are carried out promptly, within the required timescales
- Budgets are monitored regularly to ensure that they are not exceeded
- Contractors performance is monitored
- Tenants are aware of the procedure for reporting faults
- Records are adequately protected against loss or unauthorised access.

Summary of Significant Weaknesses

There were no major recommendations to arise from the audit, with controls found to be operating effectively.

8 Treasury Management

Significance

Funds available for investment on 1st April 2005 were:

Overnight investment	£935,000
Temporary loans	£5,200,000
Total	£6,135,000

Estimated Interest for 2005/06 is £345,000

Objectives & Scope

To review the procedures in place to ensure that the Council gets the maximum return on its surplus funds.

To achieve the above objective the audit will review:

- The procedures in place for the forecasting and monitoring of the Council's cash flow.
- The procedures for the investment of surplus funds and the controls in place to ensure that the Council is not exposed to risk or loss.

Summary of Significant Weaknesses

The Treasury Management Document is in need of update. There is a risk, particularly in the event of a long term absence of a key member of staff that procedures may not be correctly followed – it was agreed that the documents should be updated

9 Creditors

Objective

A review of the controls being exercised over the Council's Creditor Payments has been undertaken.

Significance

During the three months April – June 2005 over £6 million was paid for the supply of goods, works and services. This period has also seen a change in the way that invoices are posted to the Agresso system, with Purchase Order officers in divisions posting invoices themselves instead of the Payments Officer.

Scope

The objective of the audit was to ensure that payments to creditors are adequately controlled. To achieve this objective the audit ensured that:

- Payments to creditors are made in accordance with standing orders and financial regulations.
- There is adequate documentation to support payments made.
- Each invoice is supported by an order.
- Invoices are processed promptly.
- Payments are legitimate and appropriate
- Payments are strictly controlled.
- BACS payments are authorised properly and paid correctly.

Summary of Significant Weaknesses

There is no formal contract in place for consultancy work carried out on the CAST project, with no proper monitoring of payments made for this service.

Subsequent to issuing a draft version of this report, it was discovered that a report was submitted to Strategy Committee on 23/6/05, requesting that an exemption of the requirement to seek tenders be approved retrospectively. This was subsequently approved.

10 Payroll

Objective

The objective of the audit was to ensure that amendments to the payroll system in respect of starters and leavers are properly controlled.

Significance

There were 69 employees who joined the Payroll and 66 that left during the year 2004/5. There were 434 individuals on the Payroll at 9th May 2005. Approximately £7m was paid in salaries, wages, maternity pay, overtime and bonuses during 2004/5.

Scope

In order to achieve the above objective the audit has ensured that:

- New employee records are supported by documentary evidence.
- Payroll and human resources records are updated to record new employees.
- Only bona fide persons are employed
- All Inland Revenue and DWP regulations are complied with
- There is documentary evidence to support all leavers
- All relevant parties are informed and all relevant records updated, when an employee leaves
- Any monies owed to the Council are correctly calculated and promptly repaid
- Leavers are not paid beyond their leaving date.

Summary of Significant Weaknesses

Discrepancies were found between Human Resources records and the Personnel and Payroll modules of the Delphi system.

It has been agreed with the Human Resources Manager that a regular reconciliation between Human Resources data and Delphi system Payroll data will take place.

11 Petty Cash

Introduction

Internal Audit had been asked for advice regarding the level of a division's petty cash float, after reviewing some reimbursements it became apparent that on occasions petty cash was not being used appropriately and that a full review should be carried out.

Significance

There are twelve petty cash floats as follows:

Float	Amount	Float	Amount
Sudbury Railcard	20	Admin	100
Hadleigh Railcard	10	Environmental	230
Lavenham TIC	50	Housing	200
Sudbury TIC	35	Planning	250
Flatford TIC	80	Human Resources	250
Finance	50	Technical Services	50

Objectives & Scope

The objectives of the audit were to ensure that the Council's petty cash procedures were complied with and that the level of the petty cash floats were appropriate to the needs of the service.

To achieve the above objectives checks were carried out to ensure that:

- Petty cash is kept securely, in accordance with the Council's procedures
- Petty cash is only used for approved purposes
- Petty cash expenditure is recorded in accordance with the procedures
- The amount of petty cash is appropriate for the needs of the service.

Summary of Significant Weaknesses

Petty cash boxes and keys should be held securely at all times.

All expenditure should be supported by a receipt.

The revised petty cash procedures should be published on BEN and petty cash holders informed.

Computer Audit Reviews – Internal Audit Staff

12 Data Protection

Significance

The Data Protection Act 1998 regulates the use and disclosure of personal information relating to living individuals. In the event of a breach of the act the employee may be held personally liable for not complying with the act or acting against its eight principles.

Scope

To ensure that the Council complies with the requirements of the Data Protection Act. To achieve the above objective the audit will ensure that:

- The Council has a clear documented data protection policy, that has been formally approved, is regularly reviewed and has been communicated throughout the Council.
- Staff throughout the Council are aware of the Policy and have received adequate data protection training.
- The Council has a nominated Data Protection Officer who is responsible for submitting the Council's notifications to the Information Commissioner, ensuring that the Council's registration is kept up-to-date and accurately reflects the personal data held.
- Personal data is only collected when it is relevant to the system concerned, can only be accessed by authorised persons, only the minimum required data is collected, the data is kept up to date and is not held any longer than necessary.
- Personal data is disposed of securely

Summary of Significant Weaknesses

The Assistant Solicitor - Projects and Policy fulfils the role of Data Protection Officer and provides legal advice on the Freedom of Information Act and other data topics. This officer works 16 hours a week and at the present time, her main responsibility is for licensing.

Data Protection has not been the focus of attention since 2002. Although Council officers have a general awareness of Data Protection issues there is some uncertainty.

The discussion of the draft report and findings from other audits identified a need for a review of the management of information at the Council. The responsibility for Data Protection should be part of that review.

These issues will be resolved through the review of the organisation.

13 Freedom of Information

Significance

The Freedom of Information Act enables people to gain access to information held by public authorities in two ways:

Publication Schemes

Every public authority must make some information available through a publication scheme. Information that is included in such a scheme must be routinely made available to the public. A publication scheme is both a public commitment to make certain information available and a guide to how that information can be obtained.

General Right of Access

People also have the right to make a request for any information held by a public authority and the authority has to comply with the Act by responding. This right came into force on the 1st January 2005.

Exemptions

The Act recognises that there are grounds for withholding information and provides a number of exemptions from the right to know, some of which are subject to a public interest test.

The Act also sets out procedures for dealing with requests, for example, time limits and fees that can be charged for dealing with a request and so on.

At the time of the audit 37 requests for information had been recorded.

Objectives & Scope

The objectives of the audit were to ensure:

- That the Council is meeting the requirements of the Act;
- Senior managers and staff are fully aware of the implications of the Act on their areas of work and comply with the Council's Freedom of Information (FOI) procedures.

To achieve the above objectives the audit:

- Tested awareness and understanding of the FOIA
- Determined whether staff have been given adequate training and guidance
- Assessed whether staff dealt with FOI requests properly and were able to locate the requested information within the 20 working day response target
- Reviewed information records and checked that they are being kept up-to-date
- Reviewed and assessed the completeness of the publication scheme

Summary of Significant Weaknesses

There is not a Senior Officer acting as a FOIA champion. The Information Commissioner considers that this is an important role.

The SIRs are content with the support the Assistant Solicitors give them on legal matters, but there is no one to help with using the IT system, which is used for tracking enquiries or setting up group meetings with the representatives where problems can be discussed.

Before leaving the Council the Information Coordinator carried out health checks on all the division's record series. All divisions were sent action plans with the aim of improving record keeping. No monitoring of these plans is taking place.

The current situation is that no officer has clear responsibility for day-to-day support of the SIRs, or for monitoring the Council's compliance with the Act.

It was agreed that the best way forward would be to develop the Service Information Representatives' knowledge and to encourage them to disseminate their knowledge at team and divisional meetings.

This would be done at regular meetings of the group where information and experiences could be shared.

Leadership for the group would be provided by legal officers who would also carry out monitoring to ensure that enquiries were being recorded correctly.

Unfortunately no target date could be agreed for this as the legal section does not have the resources necessary to implement the recommendation.

As a result the authority does not have best practice control over Freedom of Information. This may have a detrimental effect on our next Comprehensive Performance Assessment.

These issues will be resolved through the review of the organisation.

Computer Audit Reviews – Computer Auditor

14 E-Government

Introduction

A review of progress to meet the Office of the Deputy Prime Minister's (ODPM's) electronic government (e-government) targets was undertaken. The audit covered the priority outcomes and the change management aspects of e-Government as recorded on the IEG4.5 return to the ODPM.

Objectives & Scope

Procedures were evaluated against the following control objectives:

- Does the work already done, or the proposed plans, meet the e-government priority outcome?
- Does the work already done, or the proposed plans, address the good practice issues recommended by the ODPM under Change Management.

Summary of Significant Weaknesses

Good progress has been made on many of the priority outcomes and a large amount of work is currently being done, by many different officers, within the Council to meet the deadlines. The Council has effectively spent a great deal of time and effort in modernising systems and services to meet the ODPM's objectives. However, the majority of the priority outcomes have still to be completed. Several are very unlikely to be achieved by the ODPM's deadline as they rely upon the Customer Access & Service Transformation (CAST) Project. The CAST project is a complex task and the Council is working with the I&DeA to develop an exemplar project.

Councils have been actively encouraged by the ODPM and the I&DeA to work in partnership and the Council has wholeheartedly entered into this through the Suffolk Strategic Access Board (SSTAB) and the Suffolk Accessible Group Partnership (SAGP). Partnership working should be the most cost effective way to meet the priority outcomes. Unfortunately, progress in partnership has been slower than hoped. All Councils have been busy on their own priorities and have had limited resources to devote to partnership working. Also, some Councils have already met certain priority outcomes in-house (e.g. Geographic Information Systems) and so are less interested in progressing a partnership solution. Unless more impetus, direction, and resources can be generated for the partnership working, then this Council may fail to meet the ODPM's deadlines for some outcomes.

15 IT Management Review

Introduction

A review of the arrangements for managing ICT (Information and Communications Technology) has been undertaken. The audit was done in accordance with the CIPFA Computer Audit Guidelines and included Business Continuity Planning, the use of personal computing facilities, and controls over computer files and data. Other aspects of the management of ICT were reviewed in 2004/05 and earlier in this financial year. Further aspects (further reviews of network controls, Internet and E-Commerce) will be covered in 2006/07.

The objectives of this audit were to check whether:

- A. The Council has adequate plans in place to enable Council operations to continue in the event of a disaster affecting ICT systems
- B. There is adequate control over the acquisition, support, and management of personal computing facilities.
- C. There is adequate control over the use of, and access to, files and data

Summary of Significant Weaknesses

Good day-to-day control of areas covered by this audit. However, the Council has failed to properly address measures for business continuity and disaster recovery. Although disasters affecting computer systems are rare, the Council's operations would be extremely vulnerable should this occur. Again, although much good documentation exists, there is a need to complete it to ensure that standards and services can be maintained in the event of the loss or absence of key staff.

16 Project Management Methodology

Introduction

A review of the Project Management methodology was planned for 2005/06. It was intended to review one project that had been managed from start to finish using the Timewise methodology to determine how effective it had been. Unfortunately this has not been possible as, to date, no such project has been completed. The E-Services Manager asked, instead, whether a report could be produced upon the use of Timewise to date. After consultation with the Audit Manager it was agreed that this would be done.

The Timewise reporting system (provides a register of projects and salient information pertaining to them) has been in use for ICT projects since Feb 2005. The Timewise methodology (based on Prince2 and used for controlling projects) has been in place for ICT projects since June 2005. Expansion of the use of Timewise for all corporate projects is now being considered and the E-Services Manager is currently revising the Timewise methodology to take account of this.

The objectives of this audit were to check whether:

- A. All projects are progressed through to completion.
- B. All projects are properly authorised.
- C. Projects are properly documented at all stages.
- D. Projects are properly supported.
- E. Budgets are controlled.
- F. Programmes of Projects are properly managed and integrated
- G. Benefits and Efficiency savings are identified from the implementation of projects

Summary of Significant Weaknesses

The Timewise methodology, and the supporting Timewise computer system, is an innovative approach to the management of corporate projects. It has greatly raised the profile of good project management within the Council. A good management structure has been set up and excellent summary reports are provided to assist the management groups. A comprehensive methodology has been devised but it has yet to be proven in practice and may need some adjustment for small projects. The main concerns identified relate to projects being inadequately resourced, too many projects being taken on at the same time, and conflicting priorities that cause project suspension and delay. It is crucial that the projects undertaken are prioritised in line with corporate objectives. Appropriate, adequate, and 'ring fenced' resources must be provided and appropriate governance arrangements made. Otherwise the Timewise initiative will not deliver the expected benefit of good project management.