

**South Bucks Council**

**Internal Audit Progress Report**

**2014/15**

**Audit Committee: 18 June 2015**



**INTRODUCTION**

1. This summary report provides the Audit Committee with an update on the progress of our work at South Bucks District Council as at 13 May 2015. The report is based on internal audit work carried out by TIAA and management representations that have been received during the period since 1 April 2014.

**PROGRESS AGAINST THE 2014/15 ANNUAL PLAN**

2. Our progress against the Annual Plan for 2014-15 is set out in Appendix A.

**EMERGING GOVERNANCE, RISK AND INTERNAL CONTROL RELATED ISSUES**

3. We have not identified any emerging risks which could impact on the overall effectiveness of the governance, risk and internal control framework of the Council. The action plans and management responses to our audit work for priority 1 and 2 recommendations for the period from 21 February 2015 to 13 May 2015 is shown in Appendix B.

**AUDITS COMPLETED SINCE THE LAST REPORT TO COMMITTEE**

4. The table below sets out details of audits carried out since our last report to the Audit Committee.

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OE
Payroll	Substantial	18/03/2015	01/04/2015	07/04/2015	-	-	3	1
Joint Working with CDC	Reasonable	23/01/2015	19/03/2015	24/03/2015	-	2	-	-
Main Accounting	Reasonable	04/12/2014	04/12/2014	18/12/2014	-	1	5	-

Debtors	Reasonable	19/01/2015	23/01/2015	27/01/2015	-	3	3	2
Creditors	Substantial	02/12/2014	02/12/2014	07/12/2014	-	-	1	-
Cash Bank and Treasury Management	Substantial	02/04/2015	10/04/2015	13/04/2015	-	-	1	-
Governance	Reasonable	27/04/2015	28/04/2015	01/05/2015	-	-	3	-
Car Parking	Substantial	27/04/2015	05/05/2015	08/05/2015	-	1	-	-
HR issues arising from Service Reviews	Substantial	30/04/2015	11/05/2015	14/05/2015	-	1	-	-

### CHANGES TO THE ANNUAL PLAN 2014/15

6. The following changes to the annual audit plan for 2014/15 have been made:
- An audit from 2013/14 (**Environmental Services – 2013/14**) has had additional work undertaken at the request of the client in 2014/15.
  - Community Grants has now been cancelled for the 2014/15 plan and will be undertaken in 2015/16. This has arisen due to the timing of Grants and system changes.
  - Data Protection and Freedom of Information will now become two audits. Due to system changes this audit has been cancelled from the 2014/15 audit plan. The Freedom of Information audit will now take place during 2015/16.

### FRAUDS/IRREGULARITIES

7. We have not been advised of any frauds or irregularities in the period since the last summary report was issued.

### LIAISON WITH EXTERNAL AUDIT AND THE CLIENT

8. We continue to liaise with EY and have made available working paper files and the report on key financial systems. Regular meetings are held with the Audit Manager for the client.

**PROGRESS ACTIONING PRIORITY 1 RECOMMENDATIONS**

9. There are no Priority 1 recommendations to report at this time.

**RESPONSIBILITY/DISCLAIMER**

10. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. The matters raised in this report not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

## Progress against the Annual Plan for 2014/15

System	Planned Quarter	Days	Current Status	Comments
Environmental Services – 2013/14 additional work	2014/15 Q1	4	Final Report issued November 2014	An additional audit for 2014/15
HR Issues arising from Service Reviews	1	5	Final report issued May 2015	
Community Grants	1	5	Audit now cancelled from 2014/15	Revised date for audit to be determined. Audit now cancelled from 14/15. Will be undertaken early 15/16
Absence Management	1	5	Final report issued November 2014	
Licensing	1	6	Final report issued October 2014	
Data Protection/FOI	2	5	Audit now cancelled from 2014/15	A new system is being installed to manage this area. An audit will be progressed once this is in place. Audit now cancelled from 14/15. Will be undertaken early 15/16
Procurement	2	5	Drafting report	
Farnham Park – Stock Control	2	5	Audit complete – guidance provided on procedures	No formal report issued
Housing Grants(energy efficiency)	2	5	Draft report issued May 2015	
Payroll	2	8	Final report issued April 2015	Audit for 14/15 will not include Wycombe and Aylesbury Vale Councils
Joint Working (with CDC)	2	8	Final report issued March 2015	
Main Accounting	3	5	Final report issued December 2014	
Debtors	3	6	Final report issued January 2015	
Creditors (inc VAT)	3	6	Final report issued December 2014	

System	Planned Quarter	Days	Current Status	Comments
Housing Benefits	3	6	Draft report issued May 2015	
Council Tax Support	3	6	Draft report issued May 2015	
Cash and Bank and Treasury Management	3	6	Final report issued April 2015	
Council Tax and NDR	3	12	Draft report issued May 2015	
ICT contingency time	3	15	Audit fieldwork in progress	Joint audits with Chiltern Council
Governance	4	5	Final report issued May 2015	
Car Parking	4	6	Final report issued May 2015	
Audit Follow up	4	4	Audit is undertaken in Q1 of 15/16	Fieldwork complete – drafting report
Annual Audit Letter	4	1		
<b>TOTAL</b>		<b>139</b>		
<b>Management time</b>		<b>15</b>		
<b>GRAND TOTAL</b>		<b>154</b>		

KEY:

	=	To be commenced
	=	Site work commenced
	=	Draft report issued
	=	Final report issued

**AUDITS FINALISED SINCE LAST AUDIT COMMITTEE**

Title of review:	<b>Joint Working with CDC</b>
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Date issued:	<b>March 2015</b>
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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Compliance	There were IT equipment issues for the Community Safety and Building Control teams at day 1.	The new Shared Service Project Plans need to be more detailed, with specific IT requirements and identifying who is responsible for the tasks.	2	<i>Lessons were learnt from the first reviews about the need for more detailed planning of ICT changes and accommodation moves. These will be carried through into subsequent implementations.</i>	30/04/15	<i>Head of Business Support</i>
2	Compliance	There were accommodation issues for the Building Control team at day 1.	The Accommodation Project Plans need to be more detailed, with specific actions and who is responsible for the tasks.	2	<i>Lessons were learnt from the first reviews about the need for more detailed planning of ICT changes and accommodation moves. These will be carried through into subsequent implementations.</i>	30/04/15	<i>Head of Environment</i>

Title of review:	<b>Main Accounting</b>
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Date issued:	<b>December 2014</b>
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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
4	Compliance	Internal audit completed a review of significant financial subsidiary feeder system reconciliations' to the Integra General ledger, for both CDC and SBDC. Audit testing confirmed that the 2014/15 monthly payroll and creditor reconciliations are completed and independently reviewed on a timely basis. For both CDC and SBDC the debtor reconciliations were last completed as at 31st March 2014. It was noted that a recommendation was raised in the previous audit report to ensure that the Sales Ledger reconciliations are carried out on a quarterly basis. As at the date of the audit, no 2014/15 sales ledger reconciliations had been completed.	For both CDC and SBDC reconciliations between the Integra sales ledger and the Integra General Ledger debtor control account to be undertaken regularly and reviewed by the Principal Accountant.	2	<i>Sales and Purchase ledger reconciliations have had a lower priority during the implementation of the Finance shared service team. It is intended that more regular reconciliations will be completed in 2015/16.</i>	31/03/15	Finance Manager



Title of review:	<b>Debtors</b>
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Date issued:	<b>January 2015</b>
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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Compliance	Aged debtor reports are due to be run monthly as part of the period end process in order to review unallocated amounts, instalment arrangements, and generally to identify any cases which might require further follow up action. A general review of the SBDC files confirmed that these are carried out monthly, however it was noted that for CDC reports had not been run in August or October. A recommendation was raised in the previous year's audit report relating to the frequency of running these reports, and as such has been re-iterated here.	Aged debt analysis reports to be run on a monthly basis in order to enable the prompt identification of accounts that require further recovery action to be taken.	2	<i>Aged Debts analysis is now being run for both councils on the first working day of the following month. These are reviewed with the Finance Manager monthly.</i>	<i>Immediate</i>	<i>Sue Watson Finance Manager</i>
4	Compliance	There are internal targets in place for both authorities for the level of outstanding debt more than 120 days overdue (SBDC: £50,000, CDC: £150,000). Reports for November 2014 indicated that the values stood at £82,680 for SBDC and £268,886 for CDC. Discussions with the Finance Manager indicated that this is a particular area which has already been highlighted at team meetings as	Action to be taken to ensure that the levels of longer term outstanding debt are reduced for both authorities in line with internal targets.	2	<i>An Action Plan has been put in place and staff members working on Debtors have been working towards reducing debt levels over 120 days old as a priority. At the end of December debt over 120 days had been reduced to £75,934 for SBDC and £156,131 for CDC. Debt levels will continue to be reduced by more pro-active</i>	<i>31/03/15</i>	<i>Sue Watson Finance Manager</i>

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
		requiring increased focus and attention, with an action plan in place to improve the situation by March 2015.			<i>chasing.</i>		
5	Compliance	It was found that reminder reports for SBDC debtor accounts were run in April, July and August 2014, whereas reminder reports are run on approximately a weekly basis for CDC accounts. It was evident that the infrequent running of reminder reports for SBDC had resulted in delays sending out reminder letters and Final Notices. A recommendation was made in the previous year's audit report with respect to the frequency of running reminder reports, and as such has been re-iterated here. Any delay in running reminder reports allows for debts to remain outstanding for a considerable period of time before they are identified as requiring action to be taken.	Ensure that reminder reports are run on a frequent basis to promptly identify outstanding debts that require further action to be taken in order to maximise the income received by the Councils.	2	<i>Due to long term sickness of a member of the Debtors staff reports were not run as frequently as they should have been. This has now resumed and reminders are being issued regularly.</i>	<i>Immediate</i>	<i>Sue Watson Finance Manager</i>

Title of review:	<b>Car Parking</b>
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Date issued:	<b>May 2015</b>
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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Compliance	Discussions with the Parking Manager identified that there are no reconciliations between the car parking systems and the finance system. This creates a potential risk for fraud as currently a season ticket can be issued without payment being received. Consideration should be given to a reconciliation exercise conducted each month between the systems to ensure each season ticket has a corresponding payment. It was noted that there are system changes due to be implemented shortly, and as a result an appropriate interim control may be for the Parking Manager to conduct a monthly audit on a 10% sample of season tickets issued that month.	Consideration to be given to introducing a monthly reconciliation. In the interim period, a sample (minimum 10%) of season tickets to be reviewed each month to mitigate the risk of season tickets being issued without payment being received.	2	<i>This monthly reconciliation will be reinstated immediately for both Chiltern and South Bucks.</i>	30/04/15	<i>Simon Rycraft Parking Manager</i>

Title of review:	<b>HR issues arising from Service Reviews</b>
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Date issued:	<b>May 2015</b>
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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Operational	Staff response to IT matters was lukewarm or negative.	There needs to be an evaluation of IT priorities as regards the respective role for both the South Bucks and the Chiltern IT services – both in the support given at the stage of merging services, and on-going IT support structure.	2	<p><i>The challenges faced by IT were:</i></p> <p><i>1. Infrastructure at SBDC is outsourced whilst all the CDC service is in-house. Therefore, staff need to navigate 2 networks.</i></p> <p><i>2. The councils have remained separate legal entities and it has been difficult to convince some software vendors to allow us to cooperatively use their products.</i></p> <p><i>Progress has been made with the SBDC contractors to agree a way to move all staff onto one network. Similarly, in the past 12 months software vendors have begun to understand that more flexibility is needed by the public sector.</i></p> <p><i>Lessons were learnt from the first tranche of shared services and each new shared service is allocated a member of IT as their liaison person to ensure the IT implementation goes smoothly.</i></p>	<p><i>IT liaison has been implemented already.</i></p> <p><i>On-going discussions with software vendors</i></p> <p><i>Move to one network</i> 31.12.2015</p>	Head of Business Support