

South Bucks Council

Internal Audit Progress Report

2015/16

Audit Committee: 28 June 2016



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 7 June 2016. The report is based on internal audit work carried out by TIAA and management representations that have been received.

EMERGING GOVERNANCE, RISK AND INTERNAL CONTROL RELATED ISSUES

2. 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 progress against the annual audit plan is shown at Appendix A. The action plans and management responses to our audit work for all recommendations for the period from 12 February 2016 to 7 June 2016 are shown in Appendix B.

AUDITS COMPLETED SINCE THE LAST REPORT TO COMMITTEE

3. The table below sets out details of audits finalised 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
Joint Working Arrangements	Substantial	04/02/16	11/02/16	15/02/16	0	0	0	0
Council Tax Support	Substantial	17/02/16	29/02/16	02/03/16	0	1	1	0
Benefits	Substantial	17/02/16	29/02/16	02/03/16	0	1	1	0
Cash and Bank	Substantial	18/02/16	18/05/16	19/05/16	0	0	0	0
FARNHAM Park Charitable Trust-Stock Control	Reasonable	18/02/16	09/03/16	11/03/16	0	1	4	3
Treasury Management	Substantial	04/03/16	16/03/16	21/03/16	0	0	1	0
Contracts	Reasonable	18/03/16	07/04/16	08/04/16	0	2	2	1

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OE
Payroll	Substantial	22/03/16	16/05/16	18/05/16	0	0	3	0
Council Tax & NDR	Reasonable	04/04/16	11/04/16	12/04/16	0	1	2	0
Car Parking	Substantial	03/05/16	04/05/16	06/05/16	0	0	2	0
Debtors	Reasonable	04/03/16	07/03/16	09/03/16	0	1	2	4
Creditors	Reasonable	21/12/15	02/02/16	03/02/16	0	1	2	3
Housing – Section 106	Substantial	14/04/16	25/05/16	27/05/16	0	0	1	2
Electoral Registration	Substantial	04/04/16	04/04/16	05/04/16	0	0	0	2

CHANGES TO THE ANNUAL PLAN 2015/16

4. The following changes to the annual audit plan for 2015/16 have been made:
- a) Disabled Facilities Grant – Additional Review
 - b) Defra Repair and Renew Grant (Flood Support Scheme) – Additional Review
 - c) Data Protection – Additional Review
 - d) The ICT audits have been cancelled due to the significant changes to the ICT at South Bucks and Chiltern and these have been replaced with the following two ICT audits:
 - i) Updata
 - ii) Transition Project Management

FRAUDS/IRREGULARITIES

7. There are no Frauds or Irregularities to report in this period

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 2015/16

System	Planned Quarter	Days	Current Status	Comments
Disabled Facilities Grant	-	2.5	Final report issued August 2015	Additional review
Defra Repair and Renew Grant	-	1	Final report issued July 2015	Additional Review
Main Accounting	3	3	Final report issued November 2015	
Payroll	4	7	Final Report issued May 2016	
Debtors	3	5	Final report issued: March 2016	
Creditors	3	5	Final report issued February 2016	
Benefits	3	5	Final report issued March 2016	
Council Tax Support	4	5	Final report issued March 2016	
Council Tax & NDR	4	9	Final report issued April 2016	
Cash & Bank	4	4	Final report issued May 2016	
Treasury Management	4	3	Final report issued March 2016	
Budgetary Control	3	3	Final report issued November 2015	
ICT - Information Security Management in shared service environment	3	3		Cancelled - Due to significant changes to the provision of ICT at South Bucks the timing of these audits is currently under review
ICT - Regulatory compliance	3	3		Cancelled

System	Planned Quarter	Days	Current Status	Comments
ICT - Control Assurance of services provided remotely	3	3		Cancelled
ICT - IT Management and operational structure	2	3		Cancelled
ICT - Service desk operation & management	3	3		Cancelled
ICT - Updata			Draft report issued June 2016	Audit delayed due to various restructures – scheduled to be carried out in 2016/17
ICT – Project Management review				Cancelled
Planning Development (and enforcement)	1	6	Fieldwork in progress	Audit delayed due to the service review being undertaken this year – to be carried out in quarter one of 2016/17
Housing - Allocations/Homelessness	2	3	Final report issued October 2015	
Housing – Section 106	2	4	Final report issued May 2016	
Contracts	3	4	Final report issued April 2016	
Car Parking	3	4	Final report issued May 2016	
Health and Safety – Contractor arrangements	3	4	Draft report issued April 2016	Following discussions with the client additional work to be done in quarter 1 of 2016/17
Community Grants	1	3	Final report issued November 2015	
Electoral Registration	2	3	Final report issued April 2016	
Freedom of Information	1	3	Final report issued February 2016	
Governance	4	4	Draft report issued May 2016	
Risk Management	2	3	Final Report issued November 2015	
Joint Working Arrangements	2	6	Final report issued February 2016	

System	Planned Quarter	Days	Current Status	Comments
Counter Fraud	3	5	Complete	No report issued
Data Protection	-	5	Draft report issued June 2016	Audit delayed due to various restructures – scheduled to be carried out in Q1 2016/17
Audit follow up work		4	Complete	
<u>Farnham Park Charitable Trust</u>				
Stock Control	2	6	Final report issued March 2016	
Operational Advice and Assistance	ongoing	4	Complete	Regular visits to the Park – annual report

KEY:

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

AUDITS FINALISED SINCE LAST AUDIT COMMITTEE

Title of review:	Benefits and Council Tax Support
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Date issued:	March 2016
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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Compliance	A sample review was undertaken with respect to 20 housing benefit and council tax support claims. It was noted that in one case the claim had been re-assessed without using the most recent capital figures provided by the claimant, which had resulted in underpayments being made to the claimant. Once highlighted, this was rectified immediately at the time of the audit.	Staff to be reminded of the need to use the most up to date information provided by the claimant when re-assessing claims.	2	<i>Agreed – All staff are aware of the importance of this. This case appears to be a one-off.</i>	N/A	<i>Revenues and Benefits Client Manager / Northgate Housing Benefit Manager</i>

Title of review:	Farnham Park – Stock Control
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Date issued:	March 2016
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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Compliance	There are no formal purchase orders prepared and purchases are generally ordered over the telephone.	Sequentially numbered standard purchase orders to be utilised for each order placed with an individual supplier. Purchase orders should be in sufficient detail to show the goods being ordered and the expected price, and should be authorised by the General Manager or the Head of Bar and Catering. In order to ensure segregation of duties as far as is possible, orders should not be placed by the same staff member who is checking and receiving delivery of the order.	2	<i>Orders will now be raised in Integra therefore generating sequential order numbers. These will be raised by the Catering Manager and authorised by the Golf Club General Manager. Integra orders will be supported by detailed order documents.</i>	30/06/16	<i>Golf Club General Manager</i>

Title of review:	Contracts
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Date issued:	April 2016
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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Compliance	The Transparency Code includes a mandatory requirement to publish details of all expenditure in excess of £500 on a quarterly basis, no later than one month after the quarter to which the data and information is applicable. It was noted that the CDC data was not up to date at the time of the audit (data for October – December 2015 had not been published). With respect to SBDC, it was confirmed that the most recent data had been published covering the period October - December 2015, however it was noted that the data for April - June 2015 was missing.	Action to be taken to ensure that all relevant expenditure data is published in a timely manner in accordance with the requirements of the Transparency Code.	2	<i>We are now fully staffed and this will be completed within the deadlines going forward.</i>	08/04/16	<i>Finance Manager</i>
4	Compliance	A review was carried out for 15 transactions from the 2015/16 financial year to verify whether appropriate details were recorded in the Contracts Register. For 10 of the 15 cases, no information was included in the Contracts Register. In two further cases, details were included in the register, however the correct legal name of the supplier had not been used.	Action to be taken to ensure all officers are aware of their responsibilities with respect to publishing relevant contract details, and to ensure that all relevant contracts are included on the Contracts Register in accordance with Transparency Code requirements.	2	<i>Reminder has been sent to all staff to remind them to complete the contracts register for all contracts over £5,000. Training has been provided to all Budget Managers reinforcing this.</i>	08/04/16	<i>Principal Accountant (Revenue & Procurement)</i>

Title of review:	Council Tax & NDR
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Date issued:	April 2016
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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Compliance	<p>A review was conducted on a sample of 14 Council Tax and NDR write-offs from the current financial year. The following issues were noted:</p> <p>Six low value write-offs related to batches that had been authorised by the Revenues and Benefits Client Manager, contrary to the thresholds in the Council's Financial Procedure Rules;</p> <p>In four cases there had been no formal authorisation for the write-off;</p> <p>Formal write-off approval is not sought in cases involving bankruptcy / liquidation.</p>	Action to be taken to ensure that all write-offs are authorised in accordance with the thresholds set out in the Financial Procedure Rules.	2	<p><i>Agreed. The 4 unauthorised refunds had also been authorised by the Revenues and Benefits Client manager however these have now been authorised retrospectively by the Head of Customer Services.</i></p> <p><i>A new process will be put in place to ensure that all write-offs caused by Bankruptcy / Liquidation are also authorised.</i></p>	Immediate	Revenues and Benefits Client Manager

Title of review:	Debtors
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Date issued:	March 2016
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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Compliance	There are targets for both SBDC and CDC for the level of outstanding debtors more than 120 days overdue (SBDC: £50,000, CDC: £150,000). Reports to December 2015 indicated that the values over 120 days stood at £165,940 for SBDC and £270,228 for CDC. It was noted, however, that these figures may be considerably skewed due to high figures for unallocated credits (for December 2015 these totalled - £219,975 for SBDC and -£121,473 for CDC). Discussions with the Finance Manager indicated that this was a particular area focused on during 2015 to bring down the overall level of outstanding debtors, however it was acknowledged that this is still an issue.	Action to be taken to ensure that the levels of longer term outstanding debt are reduced for both authorities in line with internal targets, and for credits to be promptly allocated upon receipt wherever possible in order to allow for more accurate monitoring of aged debtors.	2	<p><i>The level of unallocated credits for SBDC is high due to the way that B & B debts are recorded.</i></p> <p><i>The high level of debt can be traced back to a small number of large outstanding debtors that are being individually managed each month.</i></p> <p><i>Debt levels and unallocated credits will continue to be closely monitored.</i></p>	31/03/17	Finance Manager

Title of review:	Creditors
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Date issued:	February 2016
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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Compliance	From the sample, it was identified that the majority of procurement card holders selected for testing were not providing the Finance department supporting receipts of expenditure incurred. The Councils need to address this matter, as this has an underlying impact on the ability for the Finance Department to reclaim the VAT on these goods and services paid for with these procurement cards. Combined expenditure on cards ranges from £10,000 to £20,000 per month, therefore there is a cost saving incentive to ensure VAT receipts are obtained to ensure the VAT element can be reclaimed. Sample testing in one case highlighted the use of a credit card voucher to support expenditure they had incurred. Procurement card holders should be reminded that credit card vouchers are not a detailed receipt, as they only specify the amount incurred, and by providing these vouchers there is a control risk that purchases incurred cannot be verified as appropriate expenditure by the Finance Department.	Procurement card holders be reminded of the importance and need for providing VAT receipts to the Finance Department, and that credit card vouchers are not acceptable.	2	<i>New Procurement Card Guidance has been produced and all card holders have been informed of the guidance.</i>	4 th January 2016	Finance Manager