



Internal Audit

2008-09

Progress Report

Final Accounts & Audit Committee
25 March 2009

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Chief Auditor: **Steve Memmott**

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INTERNAL AUDIT PROGRESS REPORT

Introduction

1. This progress report presents members of the Committee with the following:
 - an overview of the actual position reached at 28 February 2009, in delivering the agreed Audit Plan for 2008-09, and a projection of the expected final outturn against the original Audit Plan
 - brief details of the more significant issues relating to audit work carried out in the period since our last progress report at the end of November.

Overall progress against the Audit Plan 2008-09

Productive Audit Days

2. We base our Audit Plan for the year on being able to achieve an estimated number of productive audit days throughout the year. Most of this is earmarked for planned audits, with an element being retained to allow for unplanned work such as investigations or other reactive reviews. Taken to the end of February 2009, our actual performance against the overall plan was as set out in the following table:

	No of Audit Days
Total Audit Plan for 2008-09	2,000
Target productive days to 28 February 2009	1,825
Actual productive days to 28 February 2009	1,868

3. This shows that going into the final month of the operational year we have broadly achieved our overall plan in terms of productive audit days. We should achieve a small excess over the year as a whole, on account of the continued placement of a CIPFA trainee within the team as part of their professional training programme.

Current Issues Arising

4. A summary of the more significant issues relating to audit work in the period since the last progress report is set out in the following paragraphs.

The Transition to Wiltshire Council

5. In the final months leading up to the transition to Wiltshire Council we have increased our detailed involvement in a number of areas related to this major project, as outlined in the following paragraphs.

Business Management Programme (BMP)

6. We have continued our participation in the numerous workshops held as part of the Realisation phase of BMP. These have focussed on the transformation to new working processes necessary for the implementation of the SAP system.
7. We have also widened our focus into the areas of system testing and data migration. We have sought to ensure that testing has been carried out to an adequate level to give proper assurances in the run-up to going live on 1st April. This has included reviewing the results obtained from the User Acceptance Testing. As part of this work we have also monitored closely the progress on parallel running of the payroll system. Our concern has been to ensure that the decision to go live is only finalised when testing results are confirmed to be satisfactory.
8. In order to gain assurances with regard to business readiness, we have concentrated on three critically important areas where payments have to be made, namely Housing Benefits, DCS Payments to Providers and DCE Payments to Foster Carers. We have worked closely with key users and those responsible for the day to day operations to assess the latest state of readiness.
9. As processes and procedures are still being finalised, we have looked to ensure that contingencies are in place to provide continuity. One such example is making a double payment in March to avoid having to make payments in the first two weeks of SAP going live. There are still issues to be resolved regarding the interfaces from Housing Benefit systems into SAP, and contingencies are currently being discussed in order to address these. We will continue to review contingency plans and assess business readiness in the run up to going live.
10. In recent weeks we have regularly attended and contributed to meetings of the Department of Resources Finance Recovery Group, and the main Programme Board for the BMP.

11. Throughout this period members of the Internal Audit team have undertaken a range of training courses related to SAP, in order to gain an understanding of the operational aspects of SAP, and equip ourselves for the audit and review work required for the new SAP system following the transition. This training will continue into the new operational year.

Other Aspects of Preparing for the Transition

12. Alongside our involvement in the BMP, we have continued to work in a number of other areas aimed at helping the transition happen successfully. These have included the following:

- Reviewing contract regulations as part of the process of developing new regulations for the new council. This work incorporated a review and updating of current tendering procedures.
- Contributing to the development of governance arrangements, through the establishment of an audit committee in line with current principles and professional guidance
- Continuing to work jointly with audit colleagues in the district councils to ensure audit plans across all authorities are completed and reported appropriately
- Reviewing, co-ordinating and improving our internal audit working practices for the benefit of the new combined audit team, to equip us to discharge our wider range of responsibilities from 2009-10.

Other Work

Data Security

13. We have recently investigated two instances of problems coming to light with regard to security of the Council's data, as follows:
- A memory stick containing bank account details of over 1,300 benefit claimants in the Salisbury area was lost in the external post. Whilst this understandably attracted considerable media interest and concern, our investigation confirmed that the risk of misuse of the data was low as the memory stick was protected against unauthorised access.
 - We were informed by two members of the public that sensitive personal data was available on the Council's website, in two spreadsheets attached to committee reports from several years ago. These spreadsheets have now been removed from the website and from Google's cache of websites. A review of all other committee papers has confirmed that no other such data is available on the website.

14. As a result of these incidents we will be carrying out a wider review of data security throughout the authority over the next two months, and will report the findings to the new Audit Committee of Wiltshire Council.
15. The new authority will be connected to the central government's GCSx secure network, which will enable secure communications between ourselves and, for example, the Department for Work and Pensions, and the NHS. In conjunction with the CICTU, we have been involved in assessing the control requirements imposed by GCSx, and our compliance with them.

Steria Contract

16. Our last progress report included an extensive review of the operation of the contract between WCC and Steria, our outsourced IT service provider. The various issues arising have now been agreed with the CICTU and Steria management, and are being incorporated into the renegotiation of the contract for the new authority.

DCS Focus Project

17. As part of our involvement with the review of the FOCUS project, we are undertaking work to provide assurance that adequate controls are maintained within the new processes and to serve as an 'external challenge' to the effectiveness of revised practices.
18. We have examined the project-related documentation supplied by the Programme and Project Managers and have so far raised the following issues:
 - the extent of involvement and consultation with the HR Advisors in respect of the proposals affecting DCS staff
 - maintenance of project risk and issue registers with regular review of progress
 - production of regular project highlight reports with discussion at project team meetings
 - monitoring and reporting of project KPIs and associated customer / stakeholder complaints and feedback
 - identification of project dependencies highlighting issues that could affect the project critical path
 - reasonable assurance that key project staff and resources will continue to be available throughout the duration of the project.
19. We will maintain our interest in this major project and follow up these issues as the project progresses through the next stages.

Financial Management Standard in Schools (FMSiS)

20. Our programme of reviewing schools against the FMSiS is continuing. Assessments completed so far have confirmed that 27 secondary, 86 primary and five special schools are meeting the Standard. In the case of a further seven schools we have identified the improvements they need to achieve in order to meet the Standard.

External Audit Liaison

21. Each year we review and test a series of key control systems which our external auditors, KPMG, look to place reliance upon for the purposes of their work in auditing the Council's final accounts. These control areas are identified in the Joint Working Protocol we have drawn up with KPMG, and we have recently completed our agreed programme of audit work in relation to them. This is now with KPMG for review to ensure they have sufficient evidence to place full reliance on our work. The areas we have examined are:

- Financial reporting
- Accounts receivable
- Accounts payable
- Payroll costs
- Cash, investments and borrowings
- Capital accounting and financing
- A range of controls relating to IT systems and procedures.
