



Internal Audit Section

Annual Report

2002-03

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INTERNAL AUDIT **ANNUAL REPORT 2002-03**

Introduction

1. As an independent appraisal function within the County Council, the primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources. In addition, Internal Audit is also looking to:
 - support the County Treasurer in the discharge of his duties
 - contribute to and support the Finance and IT Department's objective of ensuring the provision of, and promoting the need for, sound financial systems
 - facilitate and support the corporate risk management process.
2. An important element in this overall process, is that the Chief Auditor must report annually to the County Treasurer and the Standards Committee on the performance of Internal Audit. This report therefore presents an overview of Internal Audit's performance and findings for the operational year ended 31 March 2003. In addition, the report seeks to identify the key issues and developments within the authority, which will have an impact upon the future work of Internal Audit.

Review of Internal Audit Performance 2002-03

Overall Performance Statistics

3. In order to present an overview of Internal Audit's performance for 2002-03, the following tables summarise certain key targets against which we measure our achievements.

Area	Target	Actual	Change	Comments
Analysis against Wiltshire County Council Audit Plan				
Number of audit days	1,826	1,843	+1%	Audit Plan fully achieved
Cost per audit day charged	217	208	-4%	Slight variations in staffing mix
Gross expenditure less external income As % WCC Gross expenditure	397,000 0.100%	384,000 0.097%	-3%	Short-term vacancy, plus transport savings

Area	Target	Actual	Change	Comments
Analysis of time (% of total excluding leave) - Average for all staff				
Chargeable time	76%	78%	+2%	Target exceeded
Development / management/support	12%	12%	-	Target achieved
Total productive time	88%	90%	+2%	
Non productive time	12%	10%	-2%	Reduced administration

Area	Target	Actual	Change	Comments
Performance on Schools Audits				
Timely presentation: Reports issued within 4 weeks of audit	80%	69%	-11%	Based on 87 school audit reports issued in the year
Client satisfaction: Audits rated 'Good' or 'Very Good'	80%	90%	+10%	Target exceeded (based on 62 client feedback forms received)

4. Another important measure of our effectiveness is the view which external audit must express each year on whether we have met our statutory and professional standards. The Audit Commission's annual review of our work in 2002-03 concluded that it was of sufficiently high quality for them to place reliance on, and that we had met the professional standards for internal audit in local government, specified by CIPFA.

Factors Influencing Performance

5. One positive aspect of the year's performance was that we were able to deliver more productive audit days than we had originally set out in our Audit Plan. This was primarily attributable to the following factors:
- We enjoyed a more settled period in staffing terms, compared with the upheavals of the previous year. We succeeded in appointing a full-time Computer Audit Manager from 1 April 2002, and experienced only one relatively brief vacancy at Auditor level, before appointing a replacement
 - We were able to reduce the amount of non-productive administrative work, following the implementation of a new audit management software system (APACE) from April 2002. This also provided more comprehensive and up to date information for audit planning, management and control purposes.

6. We also managed to secure a reduction in our actual costs compared to the original budget. Some of this was due to a saving in transport costs, achieved partly through the greater use of pool cars when travelling to audits around the county.

Review of Audit findings 2002-03

Reactive Work

7. Although we agree an Audit Plan at the start of the year and aim to work to this, there will inevitably be a number of unforeseen issues which arise and need to be dealt with during the course of the year. Some of the more high-profile examples of this type of audit work were as set out below.

Internet and E-mail monitoring

8. With the widening availability of access to the Internet, and the increasing volume of e-mail 'traffic', a number of cases have been referred to us where we have needed to carry out investigations into allegations of abuse of Internet/e-mail facilities. These have involved potential breaches of the County Council's E-mail and Internet Code of Conduct, such as accessing inappropriate websites and sending inappropriate material by e-mail.
9. Thankfully, our investigations revealed that the incidence of confirmed abuse has been low. However we are conscious that as a public body and as an employer we have a duty to ensure that such facilities are used as intended in a responsible manner. To this end we have developed policies, procedures and computer interrogation and data analysis processes for monitoring and investigation purposes. With the inevitable further increases in Internet and e-mail activity in the future, we believe that the need for ongoing monitoring and investigation will also increase as a result, as it has done in other local authorities.
10. In addition, in a similar context we were involved in providing facilities to the Police, in order to help them pursue local enquiries and investigations as part of a national operation concerning use of the Internet for criminal purposes.

Impact of IT-Related Legislation

11. The increasing importance and pervasiveness of information technology in the day to day business activities of the Council has resulted in a corresponding increase in the importance of complying with relevant legislation. The Computer Misuse Act, Data Protection Act, Freedom of Information Act, Regulation of Investigatory Powers Act and Human Rights Act all present far-reaching challenges throughout the authority.
12. As a result of being consulted for advice, we identified certain initial deficiencies in some relevant policies and procedures. We have therefore been extensively involved in assessing the implications of the legislation both in individual instances and in the production and implementation of more robust policies and procedures.

Planned Audits

13. In addition to the various elements of reactive work, we were able to complete the programme of audits included in the Audit Plan, agreed with each department at the start of the operational year. The overall conclusion arising from these audits across all departments, was that internal financial controls were in place and operating satisfactorily in the main. This contributes to the overall level of assurance required by the County Treasurer, to enable him to sign the Statement on the System of Internal Financial Control, which now forms part of the County Council's Statement of Accounts. Issues arising which merit specific mention are as set out below.

Departmental Changes

14. During the course of the year, responsibility for Children and Families services was transferred from the former Social Services Department, into a new Department for Children, Education and Libraries. This represented a significant management upheaval for the departments involved, and we were therefore concerned to ensure that this period of considerable administrative change did not bring with it an unacceptable deterioration in the standard of financial controls operating within day to day systems.
15. In the event, our work in the two departments led us to conclude that financial controls needed to be strengthened in certain areas, and that service managers needed to pay close attention to the continued operation of sound financial systems and procedures. That said, the general response to our findings has been encouraging, and there is a willingness to agree Action Plans for implementation of audit recommendations, against which we will review the actions taken by management during 2003/04.

Risk Management

16. During the year, the Chief Auditor was given a facilitating role in the development of a Risk Management framework for the County Council. Since then, progress has so far been achieved as follows:
- a Risk Management Strategy has been approved by Cabinet.
 - a Risk Register has been compiled for the whole authority
 - a Corporate Risk Management Group (CRMG) has been established, which the Chief Auditor chairs.
17. The role of the CRMG will be to keep the Corporate Planning Group updated on key risks in relation to achievement of the County Council's corporate objectives. The essential aim is to seek to embed risk management as an integral part of service planning. In order to begin this process, we have held two initial risk workshops for service managers, and more are being planned for the current year.

National Fraud Initiative (NFI)

18. This year the Audit Commission's NFI data matching exercise was carried out, initially involving us in the collection and processing of large amounts of data extracted from various County Council and school systems. Subsequently, on receipt of the Audit Commission data-matching reports, we carried out follow-up investigations on a range of individual cases to determine whether there was any potential fraud. All matters investigated were satisfactorily explained, with the exception of a small number of pensions cases where payments have been terminated pending further information.
19. Brief summaries of the results of individual audits for all departments are given in the Appendix to this report. Audit findings are used to update the Internal Audit Risk Index, which helps to ensure that the relevant areas of each department's activities are audited over a three year period in accordance with the assessed risk.

Future Audit Strategy – Influencing Factors**Current Year**

20. Our Audit Plan for the current year 2003-04 has been based on our present three-year strategy, updated to take account of current issues and client concerns arising from audit planning discussions. The developments in Risk Management previously referred to provide us with an opportunity to develop a wider role in relation to reviewing new risk areas identified by the process. This year we are looking to begin this by extending our payroll-related work into wider areas associated with personnel management.

Future Years

21. In common with the rest of local government, an increasingly important issue for the County Council to address will be the need to strengthen its arrangements for Corporate Governance. More specifically, the Council will need to have regard to the CIPFA/SOLACE Framework and Guidance documents, "Corporate Governance in Local Government, a Keystone for Community Guidance", which represent best practice for local authorities in this important area.
22. In order to comply with the approach recommended in the Framework, authorities are urged to:
 - review their existing corporate governance arrangements against the Framework
 - prepare, adopt and maintain an up-to-date local Code of Corporate Governance, including arrangements for ensuring its implementation and ongoing application
 - make an annual statement in their Statement of Accounts, on how they are complying with their local code, including how they have monitored the effectiveness of their arrangements in the year, and any planned changes.
23. Since this whole area is likely to come under increasing scrutiny from external audit, it has considerable potential significance for the future work of Internal Audit. This is due to our position within the authority, whereby we can play a part in helping to establish these arrangements in the first instance, and subsequently provide an independent review and assurance on the adequacy and effectiveness of the local code, and the extent of compliance with it.

Appendix**WILTSHIRE COUNTY COUNCIL - INTERNAL AUDIT
SUMMARY OF AUDIT FINDINGS 2002-03****Department for Children, Education and Libraries**

Some audits related to services formerly managed by Social Services, but now transferred to the Children and Families Branch of the new Department for Children, Education and Libraries.

Core Systems Audits**Payroll**

Several important recommendations were made relating to starters, leavers, changes to employee records, the verification of input, treatment of overpayments / salary debt recovery, and management reviews of staffing reports.

Creditors

The main matters arising were the need to retain adequate supporting records for payments, VAT documentation and reclaiming, and late payments (ie beyond 30 days).

Budgetary Control / Main Accounting

A combined report was issued, which recommended that further consideration be given to the development of a budget monitoring manual, and that a review of the coding structure and financial reporting methods should be carried out, especially in view of the revised departmental structure.

Income

Recommendations were made regarding the completion of requisitions.

Establishment Audits**Schools**

Common findings and recommendations arose as follows:

Scheme of Delegation

- Not reviewed annually
- Not yet in accordance with DfES Guidance or Red Book

Register of Business Interests

- Evidence of review not minuted annually
- Staff not included
- Entries not signed and dated

Financial Monitoring

- Lack of evidence in the minutes to indicate regular and comprehensive budget monitoring

Purchasing

- Lapse in the use of official orders
- Lack of authorising signatures on invoices
- Inappropriate VAT invoices supporting payments
- Examples of late payment of invoices

Income

- Lack of segregation of duties in small schools (usually recommending the Headteacher to sign the SIMS paying in slip summary or receipts)
- Lettings policies of schools (especially charges levied) not in accordance with Guidelines

Inventories

- Incomplete lists
- Annual check of all items not completed
- Results of annual check not reported to governors

VAT

- Incorrect VAT codes used
- Invoices not always fully comply with Customs and Excise requirements

Pupil Records

- Numbers on registers do not reconcile with the PLASC return
- Registers not available for the audit

Libraries

The audit evaluated the controls in place for the collection and recording of income. Several practical recommendations were made, with particular attention recommended to segregation of duties and the operation of uniform procedures throughout the service. It was felt that the implementation of a new cash management system by 2005 should address many of the issues raised.

Sports, Youth and Residential Centres

Visits were made to 13 establishments and individual reports prepared for each. An overall report was also issued to the department summarising the main points. Generally, these related to financial planning and reporting, bank reconciliations / banking arrangements, imprests, lettings charges, inventories and security.

Departmental Audits**Financial Regime for Schools**

The audit considered the extent to which the current financial regime meets S151 responsibilities. The findings were considered by the working group charged with reviewing and updating the Schools Finance Manual.

School-Related Audits

Three school-related audit reports have been issued:

Payroll

A review of payroll procedures was undertaken at a selection of schools, including some who do not use the WCC Payroll service. In addition to issuing the Audit report internally, the main points were included in the recently published Schools Audit Bulletin. These concerned staff advertising procedures, the necessary file documentation to be retained and sickness reporting. A letter containing further advice is also being sent to those schools not using WCC Payroll.

Transport

The audit of school transport focused on children with special educational needs. Recommendations were made regarding authorisation methods for transport provision, verification of charges made by contractors, procedures for reviewing escort times and the need to allocate clear budgetary control responsibilities.

Standards Fund

The report acknowledged that greater freedom is allowed in the operation of Standards Funds, although we found there is still a need to demonstrate that funds are being spent on specified purposes, sound monitoring procedures are in place and systems of control are in line with internal regulations.

Student Support

The report stressed the importance of retaining supporting information when application forms are amended, and of ensuring that relevant declarations are signed by students before applications are accepted.

Education Other Than at School

Several recommendations arose from this 'high level' review, in relation to the objectives of the service (and alternative ways of achieving these), equality of service provision across the County, management arrangements, reporting lines, budgeting methods and budgetary control, output measurement and routine financial procedures. These received a very positive response from service management.

Requested Audits and Advice

Schools

We responded to numerous requests for audit advice, on topics which included school uniform suppliers, procurement through another local authority, community facilities and school trip administration. We also circulated general advice on schools' use of e-mail. Contract administration procedures were reviewed at a large secondary school.

Libraries

Advice was provided on the administration of libraries income received via discount and credit/debit cards and the necessary financial controls.

Other

Targets under the Local Public Service Agreement were considered, with particular regard to the arrangements for collecting data required to support whether they were being achieved. In general, we were able to confirm that data sources were appropriate, reliable and robust.

We responded to a request to report on the management of joint provision Sports Centres. The main issues related to the allocation of running costs and rates of recharge.

IT Audits

Children and Families amalgamation

Work is ongoing in this area, with further time allocated in 2003/04. We identified problems with access permissions to parts of the network which potentially allowed unauthorised access to sensitive files; this has now been corrected.

Galaxy System (Libraries)

The system is well managed both by Libraries HQ staff and by the application provider, DS Ltd. Some issues were identified relating to the underlying Unix operating system, which have now been rectified. We also provided assistance and advice on the implementation of a new cash handling module in all the libraries.

Overall Conclusion

We recognise that the department came into being part way through our audit year and has had to adjust to the consequent administrative changes. The overall conclusion from our audit coverage was that financial controls need to be strengthened in a number of areas. Service managers need to pay close attention to the operation of sound financial systems and procedures and the implementation of audit recommendations, especially in the areas most affected by the departmental changes.

Department for Adult and Community Services

Some audits related to services formerly managed by Social Services, but now transferred to the Children and Families Branch of the new Department for Children, Education and Libraries.

Core Systems Audits

Payroll

The audit concentrated on procedures related to starters and overtime payments (an issue also arose regarding payments to an employee other than through the payroll system). Matters raised included the need for up to date guidance to support staff operating systems eg re the necessary checks to be performed, documentation to be sought / retained, and a more consistent approach to the methods of recording and paying overtime.

Budgetary Control

This audit focused on the implementation of the accountability framework as laid down in Schedule 10 of the Section 31 Agreements drawn up with the Primary Care Trusts. Items were identified requiring attention so that roles and responsibilities are fully understood, operate effectively and are in accordance with the Agreement. The report concluded that sound procedures were being developed and progress was being made to implementing the provisions of Schedule 10.

Main Accounting

The review considered adherence to financial procedure rules, final accounts production, the coding structure and controls exercised over accounting journals. Control objectives were met subject to certain recommendations made in the report mainly related to journals but also to the supporting documentation required for changes to codes.

Income

This audit focused on procedures in place for income collection and debt control within the Department's HQ. The report recommended improvements to separation of duties in certain areas, more prompt despatch of some invoices and the need to allocate overall responsibility for debt management.

Creditors

A number of creditor payments were checked and recommendations were made concerning authorised signatories. The need to remind staff of the laid down procedures was also stressed.

Establishment Audits

We were able to conclude that financial administration, systems and procedures are operating satisfactorily at the sample of establishments visited (a Respite Unit, Resource Centre and Hostel for Older People). We recommended that up to date financial regulations should be made available to all establishments. Also, an inventory of assets should be maintained at all establishments and should be checked annually and the findings reported to the establishment manager. In addition to the overall report, each establishment visited also received their own report.

Further coverage of this topic will be provided for in our 2003/04 Audit Plan.

Departmental Audits

Home Care

Weaknesses in control were identified during the review, with most of the recommendations concerning domiciliary care. Generally, controls required strengthening to ensure that payment is made only for actual service provision. There was also a lack of monitoring of Home Care placements and charging by the Commissioning teams.

Management responded positively to the audit with our recommendations generally accepted and significant changes are being made to the way in which services will be commissioned in the future.

Area/Charitable Funds

The overall conclusion was that guidelines laid down by the Council for the administration of unofficial funds are not always being followed. There is therefore a risk that funds are not being operated in accordance with best practices and monitoring methods may not detect this. Although not always public money, any losses or misappropriation could have serious implications for the Council. Recommendations were therefore made to improve controls. It was also recommended that consideration should be given to charitable grants being administered through official funds.

Direct Payments

Two 'special' investigations were carried out upon request following alleged abuse of the Direct Payments scheme. An interim report was issued recommending areas for improvement where immediate action could be taken. The full planned audit took place later in the year. Further weaknesses in control were then identified in the audit report which required the close attention of management and many recommendations were made. As a result, the department is considering setting up a central team for direct payments, and a plan to address the weaknesses will be implemented urgently.

Contract Management and Payments

The report made recommendations aimed at improving contract administration, and raised issues related to the use of Approved Lists, financial viability checks (further audit advice was given subsequently on this) and contract monitoring methods. It concluded that we would 're-visit' the subject to review progress made in implementing recommendations and to carry out further work on agreed areas of the service.

Youth Offending Team

Based on the results of our audit work, we were able to conclude that the Team's financial administration, systems and procedures are operating satisfactorily. The main recommendations aimed at securing further improvements in financial control related to financial planning, budget monitoring, the Public Service Agreement and asset inventories.

Projects / Requested Audits

Local Public Service Agreement

Targets for the department were considered with regard to the arrangements for collecting the data required to support whether they were being achieved. We found that in some areas improvements were needed to ensure that data sources were appropriate, reliable and robust.

Wiltshire Mind

We were asked to consider financial systems and procedures following an alleged financial irregularity in relation to claiming expenses. A report was issued which aimed to assist / enhance the improvements being considered.

Supporting People

We have aimed to keep up to date with developments, providing advice at various stages as necessary. A planned audit review will take place during 2003/04.

IT Audits

Care First and Children and Families amalgamation

Work is ongoing in this area, with further time allocated in 2003/04. We identified problems with access permissions to parts of the network which potentially allowed unauthorised access to sensitive files; this has now been corrected.

Overall Conclusion

We recognise that the department, which came into being part way through our audit year, may still be adjusting to the consequent administrative changes. Nevertheless, the overall conclusion from the audit coverage was that financial controls need to be strengthened in certain areas and, especially in this period of significant departmental changes, service managers should pay close attention to the operation of sound financial systems and procedures and the implementation of audit recommendations. We work together with managers to agree Action Plans for implementation of audit recommendations at the conclusion of each audit, and progress will be reviewed against the actions taken by management during 2003/04.

Environmental Services Department

Core Systems Audits

Payroll

The audit ensured that section managers were informed about and controlled the payroll costs within their sections. We were also able to confirm that there are adequate procedures in place for monthly validation against section budgets and sufficient summary departmental reporting.

Main Accounting

The audit concentrated on budgetary control within the department, although minor issues on the wording and back-up documentation of Journals were also reported. The systems and controls in place are satisfactory, with the minimum use of virements needed. The coding structure has been significantly streamlined, reflecting the outsourcing of various sections.

Creditors

The report highlighted the need for further training on VAT in the department's Finance section. This has now been carried out. There was an over-payment in SEN Transport section which has been dealt with, but this indicated the need for tighter controls and better communication between Transport and Education. Revised written working procedures will be completed during 2003/04.

Debtors

The review examined the financial procedures in place for the raising of invoices, debt collection and the write-off and reporting of bad debts. All followed the laid down standards currently in place.

Contract – Ringway Parkman

The systems and controls in place for the budgetary control and reporting of Highways expenditure are adequate with written working procedures. There were minor operational issues, including Health & Safety that were discussed with the Highways section. We also reviewed the sub-contractors used for maintenance work to ensure they appeared on the WCC Approved List. Ringway Parkman were advised during the year to improve their record on clearing contractor invoices for payment. This has now been put in place.

Contract – Sodexho

We worked with Sodexho and the department to create an electronic system for hospitality expenditure. This will commence during 2003/04 ensuring accuracy of records and saving administrative costs. Cleaning and Grounds contracts have had minor issues during the year, which should be corrected shortly. The Catering contract has still to be agreed.

Contract – Hills Waste

The audit concentrated on the Landfill Tickets which confirm the tonnage disposed in landfill. We recommended that the contractor should carry out further checking, and should also report the disposal of fridge/freezers separately, for government reporting. Both have now been implemented.

Tenders

We continued to attend tender openings, to ensure procedures were followed correctly. A selection of Best Value Tender Assessments were reviewed and found to be correct.

Capital – PFI

We agreed a system of monitoring the PFI contract with the White Horse Partnership, which should ensure that all parts of the contract are reviewed annually.

Establishment Audits**Depots – Environmental Audits**

We provided assistance to the department to ensure the International Standard for environmental management, ISO 14001 was awarded. A further report during the year helped raise awareness of environmental issues, including the recommendation for a new County Environmental Policy.

Departmental Audits**Property Maintenance**

The GVA Maintenance system was reviewed which enabled us to confirm that it was reliable and robust.

Strategy and Procurement

We reviewed the running of this new section to ensure that budgetary control was effectively maintained. The annual Volume Value analysis of all payments was provided to the Corporate Procurement Unit to help identify areas where framework contracts could be negotiated.

Printing and Graphics

The income of the Print unit was examined in order to confirm that all costs were being recovered on a timely basis.

Trading Standards

The licences provided for Petroleum and Explosives establishments were reviewed. These were accurate and well documented. All income was agreed.

County Farms

Following the Best Value Review, we looked into the agreed reorganisation of the County Estates. Some issues arose regarding the recording of minor acreage of farm land, and changes in valuation.

Gypsy Sites

Following the County Council's reassuming the control of Gypsy Sites from the District Councils, we were looking to ensure there are sufficient systems and controls in place to administer income and expenditure. We were able to confirm this.

Emergency Planning

The overall conclusion was that the section's financial administration, systems and procedures are operating satisfactorily.

Requested Audits

Streetlighting

We carried out work in partnership with the Audit Commission to ensure that the streetlighting contract was operating correctly. The audit findings were satisfactory.

Procurement

We attended the Virtual Procurement Team meetings and provided management information for contract purposes. We are also involved in validating management information on contract savings.

Risk Management

In liaison with various sections, we helped to provide the Risk Management information that was included in the department's Service Plans during the year.

IT Audits

GIS/Oracle incorporating UNIX Access Controls

Work continues in this area, as time was allocated in both 2002-3 and 2003-4 financial years. This topic will be reported in 2003-4.

Overall Conclusion

Although there were significant changes in senior personnel during the year, the department has adequate systems and controls in place. These could be further strengthened with an extension of written working procedures, and better liaison with other departments.

Finance & IT Department

Core Systems Audits

General Ledger

The procedures operating in relation to the running of the APTOS General Ledger are good. We made a series of minor recommendations concerning reconciliations, budgetary control, journals and suspense accounts.

Accounts Payable

We found the procedures operating within the Accounts Payable (AP) system to be generally satisfactory. Some issues arose concerning duplicate payments and recurring invoice payments, that are currently being reviewed.

Accounts Receivable

The Accounts Receivable (AR) system has good procedures in some areas but lacks an adequate separation of duties. Although there has been a recent reallocation of the AR duties it is important that employees with write off or cancellation facilities do not also have responsibility for receiving and entering payments onto the income system.

Cash Collection and Banking

Generally procedures and controls are operating satisfactorily, although there should be adequate separation of duties at all times. The total amount of cash and cheques held overnight can exceed the level for which WCC is insured.

Payroll

We carried out a range of testing on starters and leavers during the year, together with a detailed review of third party payments, especially to the Inland Revenue. The reconciliations and controls in place are generally adequate, although there is a need for more training for staff who input data remotely, and for a greater use of exception reports to highlight input errors.

Pensions

The overall controls and procedures operating over the pensions are generally adequate, although the issue of reconciliation with the payroll system still remains.

The data that is recorded on the AXIS pensions system needs to be brought up to date, and control checklists should be maintained by the Pension Team Manager to ensure that all reporting deadlines are met.

Loans and Investments

The audit review showed that there are satisfactory controls and procedures in place covering the loans and investment function. An analysis of the total funds held in the various bank accounts ensured that all surplus funds had been invested at realistic interest rates. A restructuring of PWLB loans has given savings on interest paid.

There is still a problem of the Exchequer section not always being told by departments when a large amount of income into County Fund is expected.

Departmental Audits

Car Loans

We examined car loans as part of an overall review by the Audit Commission into aspects of ethical governance. All findings were satisfactory.

Requested Audits

Accounts Payable (AP) Reconciliation

Additional work was carried out on the reconciliation of the AP bank account. We helped establish a standard reconciliation model which is completed monthly and is now up to date.

Late Payment of Invoices

We were asked to provide validation of the figures and methodology for producing the Best Value Performance Indicator for late payment of suppliers' invoices, which had to be reported to the Audit Commission. There is now a control system using the "Date Invoice Received" data to provide accurate management information for this indicator.

IT Audits

IT Backups and Disaster Recovery

A disaster recovery plan covering business-critical servers and associated network equipment is in place, involving the use of a specialist external contractor. Advice and quality assurance was provided on the documentation of internal procedures for implementing the plan. Early in the year, instances of failure to restore adequately from backup tapes were encountered and investigated.

Hexagon

The Hexagon banking system provided by HSBC has appropriate security measures which are being operated correctly. Some minor concerns relating to physical and logical access to the PC used to operate the system were identified, and these are being addressed by management.

UNIX

Work continues in this area, as time was allocated in both 2002-3 and 2003-4 financial years. We will be producing a composite report in 2003-4.

Overall Conclusion

The Finance & IT Department has adequate systems and controls in place in the main. The changes in the structure of the department should enable the financial controls over the pensions system to be strengthened with tighter supervision and monthly reconciliations with payroll.

Corporate Services Department

Core Systems Audits

Payroll (Members' Allowances and Officers' Expenses)

In both areas, findings were satisfactory overall. Some reminders were needed to complete claims promptly, to include all necessary receipts, and to fully describe the reasons for claims.

Departmental Audits

Registration of Births, Deaths and Marriages

Procedures and controls were found to be satisfactory overall, both within Trowbridge Register Office and the monitoring function of the Statutory Support section at County Hall.

Coroner's Court

Although we found general administration satisfactory, we recommended the need to obtain adequate insurance cover.

Consultant Contracts

Following an extensive piece of work the previous year, we monitored the progress of tenders, letters, agreements and control documentation from the manual, "Procurement of Consultants/Trainers". We found that the documentation was being used correctly, and that adequate authorisation by the Section Manager was being given.

Lease Cars

We reviewed the ongoing costs of the lease car scheme, and the benefits of tendering for both group and solus contracts. This is now handled by the Corporate Procurement Unit with a new framework contract in place.

Requested Audits

Risk Management

The Corporate Services risks identified from the County Council's Risk Register were discussed with the department's Management Team. The Service Plans are now being used to identify all risks and relate them to the achievement of corporate objectives.

Creditors

Whilst working on the central Accounts Payable system audit, we found that external solicitor's invoices had not been properly recorded. A follow-up audit is being carried out in 2003-04 to ensure there are no further over-payments.

Overall Conclusion

Our audits lead us to conclude that the department has satisfactory systems and controls, although these could be further improved by implementing our various recommendations.

Corporate IT Audits

Windows NT and Novell Access Controls

Strong controls over the County Council's network are essential in order to protect unauthorised access and to ensure continued availability, integrity and confidentiality of data and systems. Authentication to the network is via the Windows NT operating system for e-mail, intranet and internet access; access to file and print services and to corporate applications is via NT authentication for some users, and by Novell Netware for others. We identified a number of control issues in the management of both operating systems, including non-deletion of accounts of staff who have left, inadequate password policy settings and unnecessary and insecure administrator accounts.

Intranet – Stationery Ordering Facility

The change of contractor for stationery procurement has brought about a new, faster means of placing orders, using the intranet and the internet. Approximately 40 Council staff can order stationery in this way, therefore there is clearly the potential for misuse or fraud if technical and procedural controls are not implemented to replace traditional controls. We assessed the security of the system and raised a number of issues which have been addressed by system administrators within ESD and also by the Contractor.

Overall Conclusion

Whilst considerable progress has been made by the authority as a whole in relation to the management and control of Council-wide IT facilities, the inevitable pace of change in technology requires constant vigilance on the part of Internal Audit to ensure controls remain relevant and continue to operate correctly.
