Wiltshire

COUNTY COUNCIL

FINANCE & IT

Internal Audit Section
2003-04

Standards Committee
5th February 2004

Progress Report

Chief Auditor: **Steve Memmott**

Date of Report: **January 2004**

INTERNAL AUDIT
PROGRESS REPORT

Introduction

1. In accordance with our reporting procedures agreed previously with the Standards Committee, the purpose of this progress report is to present members of the Committee with an overview of the following:

    *   the overall position reached in delivering the agreed Internal Audit Plan for 2003-04
    *   findings arising from those audits already completed and reported to management, together with an interim conclusion regarding internal control arising from this year's audit work to date
    *   current developments having a bearing on the Audit Plan for the coming year 2004-05.

Overall progress against the Audit Plan 2003-04

2. Our Audit Plan for the year is based on being able to achieve a certain number of productive audit days throughout the year, and thereby delivering a range of planned audits. Taken to the end of December 2003, our overall level of productive audit days achieved has broadly progressed in line with our programme, since we have managed to maintain our staffing of the section without losing people and having to replace them.

3. In terms of how these audit days have been used, we have inevitably undertaken a mixture of planned and reactive work, the latter being in response to issues which arise during the course of the year, which could not reasonably be foreseen, but which nevertheless are important enough to need an audit response. We allow an element of time within our overall Audit Plan to accommodate such unplanned work.

4. A summary of the findings of each completed audit within each department is given in the Appendix to this report. In addition, items worthy of specific mention are set out in the following paragraphs.

Core Systems

5. We have previously drawn attention to the need to audit core financial systems in sufficient depth to enable our external auditors, the Audit Commission (AC), to take assurance as to the integrity of these systems. This year we agreed a timetable for this work in order to ensure that we completed it in time for the AC to maximise its reliance on what we had done. This means that our work in this area needs to be completed by the end of January 2004.

6. As that deadline approaches I am able to report that we are on course to achieve our aim, and present the AC with a complete range of audit work for them to review and place reliance upon during February and March. This should then enable them to gain sufficient assurance regarding core systems, without having to carry out extra audit work themselves.

Reactive Work

Learning and Skills Council – funding of 6th forms

7. Following a request from the Learning and Skills Council (LSC), we carried out a programme of work at a sample of five 6th form schools on their behalf. The aim was to verify course numbers to provide assurance to the LSC, in order to support the level of its funding of the 6th forms in those schools. This was part of a national audit initiative in which we had volunteered to take part, and the work generated additional external income for us. The LSC have recently visited to review our files and working papers, and have said they are entirely satisfied with the quality of the work we did for them.

8. We have recently learned that the LSC is nominating this overall project for the CIPFA Audit Panel Cliff Nicholson Award, on behalf of all participating audit teams.

Internet-related Investigations

9. The problem of inappropriate use of the Internet remains. Cases have continued to be referred to us where we have needed to carry out investigations into allegations of abuse of on-line facilities, by both our own staff and the general public. We used IDEA audit software to extract data from the various logfiles and produce evidence which was both intelligible and comprehensive, and which has been used in disciplinary action where necessary.

Risk Management

10. We have continued our work in helping to establish a framework for effective risk management throughout the County Council. Since the start of 2003-04 we have now held four risk workshops attended by service managers from all departments, in order to help the process of integrating risk management into the County Council's service planning.

11. The progress being achieved in this area has been recognised by the Audit Commission in their Annual Audit Letter, although more remains to be done to achieve a fully integrated risk management framework. We will continue to report further developments in this important area.

Interim Conclusion

12. The various audits completed so far this year have resulted in a series of individual audit reports and recommendations. We will provide a full summary of our findings and recommendations from all audits in our Annual Report in September.

13. Other than the items of interest specifically referred to above, at this stage our work has not given rise to any urgent matters which we need to bring to members' attention. Our overall findings to date continue to support our previous opinion that internal control is in place and working across the various systems and procedures we have reviewed and tested so far this year. This should again provide an important overall message of assurance for members of the Committee.

Audit Planning – Developments for 2004-05

14. One important development which will influence our thinking as we approach our audit planning for the coming year, is the new Code of Practice for Internal Audit in Local Government, recently issued by CIPFA. This new Code is now recognised as representing 'proper internal audit practices' as required by the Accounts and Audit Regulations, which effectively makes compliance with its various standards mandatory for internal audit across local government.

15. The Code has been revised in line with other public sector standards for internal audit, to place greater focus on governance, risk and control, and it emphasises the wider scope of internal audit work within this context. It is this wider scope which we must therefore consider as we discuss next year's potential audit coverage with the various departments. This could provide us with an opportunity to develop a wider audit role in relation to reviewing new corporate and operational risk areas, in addition to financial risks.

WILTSHIRE COUNTY COUNCIL - INTERNAL AUDIT 2003-04
SUMMARY OF AUDIT FINDINGS TO DATE

Department for Children, Education and Libraries

Core Audits

Audit	Findings
Payroll/Personnel	The audit focused on starters, leavers and variations to pay. While we found the input of information to the payroll system to be accurate and timely, we recommended certain improvements to internal checking procedures to reduce the risk of any errors.
Creditors	Controls and procedures relating to general payments are operating satisfactorily. However, close attention needs to be paid to certain basic controls in the areas most affected by departmental changes.

Departmental Audits

Audit	Findings
Early Years	The audit report concluded that while financial processes are operating satisfactorily, certain wider issues require management action eg the options available for dealing with the potential funding 'gap' for the statutory provision of free places for three year olds, management arrangements for the service as a whole and contract monitoring processes.
Libraries	Procedures and controls were found to be satisfactory overall. Some recommendations still needed to be implemented following last year's audit review and additional recommendations were made to secure further improvements in controls eg for income collected via credit / debit cards and the payment of invoices.
Contract Management	Systems and procedures are basically sound, although a few recommendations were made to improve administrative processes.
Heritage Services	Procedures and controls are operating satisfactorily. Recommendations were made aimed at securing further improvements eg for ordering / payments and maintenance of inventory records.

Establishment Audits

Audit	Findings
School Bulletin	Early in the year our first Internal Audit Schools Bulletin was produced and went out to all schools. This highlighted the regular findings arising from school audits together with appropriate guidance and advice. We intend this to be the start of a series of such bulletins.
Schools	74 schools have been audited to date (11 secondary, 4 middle, 59 primary) and audit reports issued to each one.

IT Audits

Audit	Findings
Internet Security	We have carried out detailed investigations into allegations of accessing pornographic websites. One case involved a WCC employee who has now been dismissed on grounds of gross misconduct, the others involved members of the public using the People's Network in WCC libraries. As a result of the latter, we are reviewing the filtering carried out by the South West Grid For Learning, to establish how access to such sites can be prevented.

Requested Audits and Projects

Audit	Findings
Children & Families	We provided help to investigate the reasons for the C&F 2002/03 budget overspend, leading to the report to Cabinet in July. An internal report was also prepared on the financial implications of the closure of Orchard House.
6th form funding	We audited a sample of Wiltshire schools on behalf of the Learning and Skills Council (LSC), which is now responsible for funding post 16 education. Wiltshire was one of ten authorities nationally to participate in the exercise, which was aimed at ensuring that schools were receiving the correct allocation of funds. The costs of the audit were met by the LSC.
Local Public Service Agreement (LPSA)	We were asked to update our earlier work on the adequacy of the data collection methods for determining the achievement of the LPSA targets, in relation to: • Educational attainment (Key stages 2 & 3) • Looked after children (attainment and offending). All were reliable and robust (subject to some further steps re. Looked after children's attainment data collection).

Department of Adult and Community Services

Departmental Audits

Audit	Findings
Community Meals	Our audit found that financial controls and procedures within the service are generally operating satisfactorily. However, some issues were identified which need to be addressed eg related to income collection, authorization of the provision of a meals service, and checking of meals actually delivered
Supporting People	We concluded that the administration of the Supporting People scheme is fundamentally sound, and is coping with the demands of creating a new service. Some wider concerns about the scheme as a whole were, however, brought to the attention of management.
Contract Management	A draft report has been issued and comments are being sought on the points raised.
Partnership arrangements	A review was carried out of the proposed 'pooling' of the community equipment budgets managed by the Council and the Primary Care Trusts (PCT's). Recommendations for improvements were made, particularly relating to budgeting and budgetary control procedures within the PCT's.

Requested Audits and Projects

Audit	Findings
Contracts	At the request of the Department, we carried out a review of the processes used for two mental health contracts.
Direct Payments	We attended various meetings and offered further advice following the recommendations made in our 2002/03 audit review.
Local Public Service Agreement (LPSA)	We were asked to update our earlier work on the adequacy of the data collection methods for determining the achievement of the LPSA targets, in relation to: • Drug treatment cases • Promoting independent living (PIL) Both were reliable (although PIL sources could be more robust).

Environmental Services Department

Core Audits

Audit	Findings
Highway Services	Our audit found that although financial controls and procedures within the service are generally operating satisfactorily, performance indicators need to be completed and better communications with partners should be developed. The problems with the A350 Semington to Melksham diversion are currently being investigated.
Sodexho – Grounds, Cleaning, Catering.	The grounds and cleaning contracts are being operated efficiently and there has been an improvement with the reporting of information by Sodexho. The Catering contract was still not signed by Sodexho, at the time of the audit.
Hills - Waste	The contract is well run, with waste information now being shared and validated by the District Councils. The performance indicators on Kerbside Collection should be carefully monitored.

Departmental Audits

Audit	Findings
Environmental Audit	Along with ESD staff, we met with the ISO 14001 environmental auditors and supplied information, which resulted in the department retaining its ISO14001 accreditation.
Property Maintenance.	We recommended the improvement of performance indicators and better communication with the partners.
Passenger Transport	The service has adequate budgetary control and has now improved the controls over School Crossing staff. The transport recharges for self-funding clients now have satisfactory written working procedures.

IT Audits

Audit	Findings
Unix Security	We have completed a review of the department's two main Unix servers, which are used for the Geographic Information System (GIS) and the streetworks system. Some control issues were identified, which are being addressed by management.
Network Security	As a result of Mouchel Parkman succumbing to a virus, we (in conjunction with the Corporate ICT Unit) ensured that the WCC network was protected and that adequate technical and contractual steps were taken before restoring the link between our network and theirs.

Requested Audits and Projects

Audit	Findings
Mobile Phones	We monitored the administration of mobile phones, as a result of which reminders of responsibilities were sent to staff in various departments.
Cotswold Water Park	Following an audit of the Gateway Sustainability Centre and a report to Cabinet, a loan of £100,000 was agreed.
Local Public Service Agreements (LPSA's)	We audited the systems and controls for the collection and reporting of performance data in relation to the following LPSA targets: • Potholes, • Traffic Accidents • Responsive Bus Services • Waste Recycling. All were found to be reliable and robust.
Bidding Unit	We helped to develop a set of control documentation to be used with regard to the European Social Fund – Co-Financing Projects.

Finance & IT Department

Core Audits

Audit	Findings
General Ledger	We were involved in monitoring the upgrade of the Main Accounting System to APTOS 9. All balances were carried forward in the right amount to the right code. The upgrade and validation of information was efficiently handled by F & IT staff.
Accounts Payable.	The payment of invoices is effectively handled and over 92% are currently paid on time. Departments have been reminded to improve administration so that this figure will improve.
Payroll - Pensions	We began a comparison of all the data on both systems using IDEA software. The initial data area we monitored was 'dates of birth'. All anomalies arising were checked, reported and rectified on both databases. The data monitoring is now being continued by Pensions staff.

IT Audits

Audit	Findings
Unix Security	We have completed a review of the two of the department's Unix servers, which are used for key financial systems. Some control issues were identified, which are being addressed by management.

Requested Audits, Projects and Advice

Audit	Findings
Agency Staff	We reviewed the total value and numbers of agency staff throughout all departments, together with the range of different agencies in use. Our main recommendation was that framework contracts should be developed with a small number of agencies.

Corporate Services Department

Core Audits

Audit	Findings
Creditors	Our audit found that financial controls and procedures within the system are generally operating satisfactorily. Invoices are being correctly checked and paid promptly.

Departmental Audits

Audit	Findings
Democratic Representation.	Following our audit of the Member's Allowances Scheme, the County Treasurer wrote to Cabinet Members in October 2003 clarifying the position in relation to approved duties.
Reception and Despatch.	The financial administration, systems and procedures are operating satisfactorily. Our recommendations were aimed at maintaining adequate levels of security for personnel within these two sections.

IT Audits

Audit	Findings
Internet Security	We investigated allegations that a member of staff had accessed inappropriate websites. The employee was dismissed following a disciplinary hearing held by the Director of Corporate Services.
Network Security	Following the discovery that all Corporate services staff could access virtually all files on their server, including Ombudsman, complaints, legal and personnel files, we identified the cause of the problem and arranged for Vivista to correct the permissions. We are now engaged in an exercise to assess permissions on critical servers elsewhere on the network.

Requested Audits, Projects and Advice

Audit	Findings
Telephones	Following the discovery that the WCC telephone system had been accessed from outside for fraudulent purposes, we worked with the department's staff to prevent further unauthorised outside access.

Corporate IT Audits

Audit	Findings
Administration of the corporate network	We identified a large number of unnecessary administrator accounts on the network; 34 of the 71 accounts were removed. These accounts have the highest level of access to the network, so it is essential that they are kept to a minimum. We have agreed a procedure with Vivista to ensure that WCC are informed of any additions to administrator accounts, to prevent this problem recurring.
Corporate network security	We have carried out a more wide-ranging review of network access controls, which has revealed several areas of concern, including an inadequate password policy and a large number of redundant accounts (due to the absence of a robust procedure for processing leavers). These issues are being addressed by the Corporate ICT Unit in conjunction with Vivista, the Council's IT partner.