

**Appendix 4**



**Internal Audit Section**  
**Summary of Audit Findings**  
**2004-05**

**Contents:**

- Department for Children and Education*
- Department of Adult and Community Services*
- Environmental Services Department*
- Finance and IT Department*
- Corporate and Library Services Department*
- Corporate IT Audits*

**Chief Auditor:** Steve Memmott

**Date:** September 2005

**WILTSHIRE COUNTY COUNCIL - INTERNAL AUDIT**  
**SUMMARY OF AUDIT FINDINGS 2004-05**

**Department for Children and Education**

**Core Systems Audits**

**Accounting and Budgetary Control**

This audit reviewed a number of areas, including budget planning, consistency in budget monitoring processes throughout the department, accounting for the movement of funds, and departmental year end accounts.

Internal controls were considered to be good in the main. The department has systems in place to monitor and control budgets, although an up to date scheme of delegation is needed to identify who is responsible for each cost centre heading. It was noted that two systems of budgetary control persist which is less efficient than operating one system, but this is being addressed.

**Creditors**

The purpose of the audit was to evaluate the controls and procedures for processing creditor payments in the department. Controls are operating satisfactorily. However, recommendations were made to secure improvements eg: orders and initiating documents should always be completed in full; invoice details should be checked to the corresponding order (or initiating document); all invoices should be submitted to the Finance and IT Department within 10 days of receipt (or immediately if payment is due within 10 days) to avoid a charge to the authority for interest on outstanding debts.

**Establishment Audits**

**Schools**

Number of schools visited – 68 (18 secondary, 5 special and 45 primary schools)

**Most Common Findings and Recommendations**

**Scheme of Delegation**

- Some schools have still to review their schemes in accordance with the most recent legislation.

**Register of Business Interests**

- Some Registers are not reviewed annually or the minutes of the Governing Body fail to demonstrate that an annual review has been completed.

**School Development / Improvement Plans**

- We continue to find some schools not extending their development plans, in outline, for at least the next three years.

**Banking**

- Some schools do not reconcile the bank statement to the SIMS ledger balance by using the SIMS unreconciled items report.

#### Asset registers/Inventories

- We found several examples of the annual check not being completed and in very many cases the results of any inventory check had not been reported to the Governing Body.
- There were several examples of newly acquired assets not being security marked.

#### Self assessment

In addition to school visits, we carried out a 'self assessment' exercise, whereby we piloted the audit of seven 'lower risk' schools without a visit ie via questionnaires, completion of returns, examination of centrally held records etc. This worked successfully (all schools were ranked good or very good) and we intend to extend this approach during 2005/06.

#### Schools Bulletin

In conclusion, based on the evidence from our schools audits this year, systems and procedures are operating well in the majority of cases. The common issues arising, and necessary improvements, have been publicised by means of our second Internal Audit Schools Bulletin, which went out to all schools. This also highlighted appropriate guidance and advice for dealing with these issues. The bulletins will be issued periodically as the need arises.

We also made a presentation later in the year to the Wiltshire Association of Secondary Heads (WASSH), to raise awareness of how we are now covering the audit of wider risks relevant to schools during 2005/06.

#### Childrens' Homes

Of the two homes visited, controls were considered to be satisfactory at one and poor at the other. Main concerns focused on a lack of fully documented procedure guidelines, inadequate segregation of duties, some absence of supporting documentation for transactions for imprest accounts and income, controls over use of credit card transactions. Issues were also raised regarding data security and payroll.

The audits included coverage of wider risks, such as placement stability, damage to property and vetting of staff. Issues related to placement stability and the associated cost implications were highlighted, together with the need to seek proper assurances on the vetting of agency staff.

#### Departmental Audits

##### **School related audit: Financial Regime**

The purpose of the audit was to evaluate the application of new developments in the schools' financial regime and to report to management. Areas reviewed were: the impact of the DfES Financial Management Standard and "Toolkit" on the financial regime; progress in updating the Schools Finance Manual; implications of the previous audit report.

Internal controls were considered to be satisfactory. We expressed concern that the Schools Finance Manual has required updating for a long time, although we acknowledge it is under review now. Major decisions may have to be made to incorporate recent developments in the financial management of schools, especially if the Standard/Toolkit becomes mandatory. Other practical recommendations were made eg schools using alternative payroll providers should be reminded that the ultimate responsibility for making appropriate and timely returns is theirs and not their providers.

### **School related audit: School Contracts**

A sample of schools was selected for review and at each audit, we considered the contract letting procedures and controls over the use of consultants. The audit included consideration of wider risks to schools in the process, ie: vetting of potential contractors and consultants; contract default provisions; health and safety; insurance. Internal controls were considered satisfactory. Recommendations were made to ensure proper practices are followed for tendering procedures, vetting tenderers' financial viability, the appointment of consultants, and health and safety.

### **Special Needs**

We considered the adequacy of operational and management controls as well as financial controls and how the department has responded to the challenge of increasing costs of placing special needs pupils in independent special schools. We concluded that good controls are in place. Some recommendations were made, most notably that the procedures introduced to control costs and improve communications should be extended to all teams and active consideration should always be given to the cost of all placements and any subsequent changes that affect costs. The department should ensure that its procedures provide adequate information to support such costs and changes.

### **Child Protection**

The audit set out to establish the effectiveness of controls and procedures in operation for Child Protection with particular emphasis on Criminal Records Bureau checks on Schools, HQ, and supply staff. We considered the internal control environment to be satisfactory in a number of areas. For example, controls over compliance with procedures, legislation and statute in relation to Child Protection are effective, although improvements could be made in maintaining records of CRB checks. It is recognised that the department is currently developing a new CRB check database to improve the position.

### **Requested Audits and Advice**

We respond to numerous requests for audit advice on a day to day basis. In addition, we have been involved in the following:

#### **School refurbishment works**

We reviewed issues around refurbishment works carried out at a primary school after areas of concern were identified during a routine school audit visit. Records of how the work was awarded had neither been retained nor documented. Also, controls to monitor the work and the associated costs were not apparent. There were also potential conflicts of interest. A full report was prepared for the department and school, and actions to resolve the issues agreed.

**School company**

We considered the implications of a company set up by a school to carry out catering and cleaning services, with the aim of reviewing the development of the company and to report to management. Matters considered included transactions between the school and the company, possible exposure of the County Council to any liabilities, and whether there were any potential conflicts of interests. Main points to arise included the need to ensure all appropriate costs are included in the accounts and VAT should be accounted for on charges made by the school to the company.

**IT Audits**

We completed a number of IT investigations. These included thefts of IT equipment at a remote site following a burglary, where we risk assessed the physical and technical security measures and made recommendations accordingly. In addition, there was a relatively small number of internal disciplinary investigations into excessive personal use of internet e-mail facilities. We started the process of including IT issues into School audits, as part of the initiative to incorporate non-financial risks into audit work.

## **Department of Adult and Community Services**

### **Core Systems Audits**

#### **Payroll / Personnel**

The aim of the audit was to consider the adequacy of operational and financial controls and review progress in implementing the recommendations of our previous audit report. We also focused on the adequacy of controls for 'leavers' and considered implications arising from departmental staffing changes on procedures and controls, including the separation of duties. We concluded that internal controls are good.

From reviewing the system for setting up starters, we are satisfied that personnel files are complete and accurate. Our testing found the completion of documentation in respect of leavers to be good. Recommendations for improvements were made, and it was highlighted that there is a risk that the department relies too much on personal experience – a personnel procedures manual would help to overcome this.

#### **Creditors**

Samples of invoices were examined and the aim was to confirm that they were: legitimate and appropriate; subject to checking routines and paid promptly; properly authorised for payment; supported by adequate documentation and complying with regulations.

Internal controls were considered to be good. Payments are legitimate and appropriate. Invoices are properly authorised for payment. However, improvements are needed to ensure invoices are paid within the correct terms and payments need always to be supported by adequate documentation. Recommendations were made to help to ensure this is achieved.

#### **Income**

A sample of income was selected to test that: regulations are complied with; administrative systems and controls are in place; banking arrangements are secure; debt collection performance is monitored. Internal controls are good and recommendations were made to ensure debtor invoices are raised where appropriate, demonstrate the monitoring of debts and assist in debt collection.

### **Establishment Audits**

This year's review focused on Area Offices. Procedures and controls in operation at Devizes, Salisbury and Trowbridge were evaluated. These included payroll, purchasing, income, imprests, amenity funds, inventories, data security, and insurance. Internal controls were considered to be good; some recommendations arose with regard to control of imprest accounts and inventories.

## **Departmental Audits**

### **Direct Payments**

The audit reviewed progress on implementing recommendations made in the previous audit report and considered other matters such as monitoring arrangements for varying types and values of payments, and the efficiency of the current management structure and lines of communication.

Internal controls are good, reflecting improvements made since the last audit and the implementation of previous audit recommendations. Importantly, a Guidance Manual has been produced for staff, documentation is now available on Wizard and further training has been provided. Some issues were raised which the department is continuing to progress e.g. further clarification of certain management arrangements; appraising the balance of responsibility for supporting users between the department and an external service provider; monitoring levels, in particular coordinating the roles of practitioners and officers who monitor payments.

### **Contract Management and Payments**

The internal control environment in relation to the areas reviewed is seen to be improving. There are still areas where evidence of adherence to contract regulations needs to be improved, whilst the allocation of staff resources/workloads would benefit from an objective risk based review. However, it is recognised that important steps have been taken since the last audit to improve administrative procedures and this is ongoing. More time may be required to complete the improvements to procedures to ensure working practices conform fully with Council regulations, and we will therefore maintain an ongoing interest in seeing further progress is made.

### **Pooled Budgets/Partnership Arrangements**

The objective of the audit was to evaluate selected areas within the mental health pooled Budget and other partnership arrangements. Testing was also conducted to seek assurance that the recommendations of the previous audit report have been actioned.

Internal controls were considered to be good. While, a high number of recommendations were made, it is recognised that the areas reviewed are diverse, and each area has therefore been considered independently. Improvements in control of contract management relating to the mental health contract team are particularly noted. Although some recommendations have been restated from our previous report, improvements in controls and procedures were evident from our testing.

## **Projects / Requested Audits**

Numerous requests for audit advice inevitably come in on a day to day basis and require a response. In addition, we have also been involved in specific requested audits as follows:

### **Users' Network**

We were asked by the department to review the financial management arrangements within the Wiltshire and Swindon Users' Network (WSUN), a voluntary organisation supported by the department. For 2004/05, total funding for both Core and User Involvement Service Level Agreements amounted to £152,612, of which £95,986 was provided by the County Council.

We considered the overall structure of financial management and the controls in place for the main financial systems and procedures.

We concluded that, as a result of the resignation of the former WSUN Finance Manager, adequate controls and procedures were not maintained for the period November '03 to March '04. Since coming into post in March '04, the present Finance Manager has implemented new procedures for purchasing, financial records, and data security. These procedures have secured notable improvements in financial control. We made recommendations aimed at further improving financial control with particular emphasis on budget monitoring and control.

### **CareFirst**

We reviewed progress and achievements to date on the phased implementation of the CareFirst system and prepared an interim report. There have been significant slippages in timescales for implementing the various modules of CareFirst, compared to the projected target dates earmarked in the position statement of October 2003. These have been caused at least in part by unforeseen factors which were outside the remit of the CareFirst project.

The department has commissioned a review by consultants with the primary aim of evaluating the current deployment of the system against its original implementation objectives. We will need to be satisfied that the review has been carried out in accordance with its terms of reference, and that its conclusions are soundly based. The department has also indicated that it would welcome assurance from Internal Audit on the findings of the review, once it is completed and reported. We will therefore carry out and report further work during 2005/06.

### **National Fraud Initiative (NFI)**

This data matching exercise compared current residential clients' records with those of deceased persons. Overpayments totalling some £35,000 were identified. These were due to a combination of lack of information from service providers, and some administrative errors. Around 70% of the total value was accounted for by Supporting People clients. Recommendations were made to make recoveries where appropriate and install procedures to improve controls.

### **Supported Employment**

The department asked us to review a scheme where 40 to 45 people with learning disabilities were being employed by WCC and undertaking work for outside organisations, being paid for the hours worked by WCC through petty cash. WCC was being reimbursed the cost by raising invoices to the external organizations concerned. This raised issues regarding employment status and all the usual employers' responsibilities and liabilities, such as deducting tax and NI. The department have taken steps to regularise the situation and other departments have been notified so they can check there are no other such schemes.

### **Local Public Service Agreement**

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 and promoting independent living, so that the Council could submit an interim grant claim. Performance was noted to be well in excess of targets.



**IT Audits**

In addition to the National Fraud Initiative work referred to above, involving predominantly the Supporting People system but also Elderly People in residential Homes, we completed a number of IT investigations. These included thefts of IT equipment at remote sites resulting from burglaries. In addition, there was a relatively small number of internal disciplinary investigations into excessive personal use of e-mail facilities. We provided advice and support on risks associated with IT aspects of the Integrated Community Equipment Service system, including data transfer between DACS and our third party contractor via the Internet.

## **Environmental Services Department**

### **Core Systems Audits**

#### **Payroll/Personnel**

Our audit reviewed the payroll information passed on to ESD budget holders to ensure all ESD payroll expenditure was controlled. The use of this information in completing budgets and budgetary control satisfied the control objectives.

#### **Main Accounting**

The management information supplied to ESD by the Main Accounting System was reviewed, together with year end closedown and budgetary control. Internal control is good overall, and the structure and use of cost codes is currently being reviewed by the BPR team, to improve efficiency.

#### **Creditors**

As reported last year, Transport invoices are still manually recorded on two systems and then reconciled. Whilst internal control remains good, a considerable administrative saving could be made by the electronic transfer of authorised invoices.

#### **Debtors**

Debtors have been recorded correctly and all bad debts reported to Cabinet as agreed in the Constitution. All control objectives were met, and internal control assessed as good.

#### **Contracts**

- **Wiltshire Highways Partnership**

The resources for letting and managing the Highways contract have been reviewed and strengthened. There are control objectives in place which will be carried forward into the new Highways contract.

- **Sodexo**

The cleaning and grounds maintenance contracts have continued to operate efficiently. The profile of school catering contracts has been raised as will the nutritional levels of school meals. There are still concerns over the effectiveness of the contract.

- **Hills Waste**

The resources in the Waste Management Section have been increased to implement the placing of a new contract to cover "Waste to Energy". There is now a person promoting "Waste in Wiltshire". The existing control objectives have all been met.

- **White Horse PFI**

The contract is monitored monthly, with controlled documentation and digital photography used to demonstrate areas of concern. All contract payments have been made correctly and each area of the contract has been reviewed throughout the year.

## **Establishment Audits**

### **Depots – Health & Safety**

The Health and Safety reviews of depots and contractors were monitored against the new government guidelines. All control objectives and documentation had been completed correctly.

## **Departmental Audits**

### **Property Maintenance**

Following an audit report monitoring concerns about the administrative controls in place at Mouchel Parkman, several changes in Mouchel Parkman personnel were made. There are now Gateway processes in place, that meet the National Procurement Strategy standards. The Property Maintenance contract is currently being reviewed with alternative solutions being monitored.

### **Passenger Transport**

Further work was carried out to ensure there was sufficient control documentation and management information in place to satisfy the Calne Area Transport Wigglybus group. All controls recommended in the original audit have now been put in place.

### **Corporate Procurement Unit**

The CPU was supplied with Volume/Value Creditor information to enable framework contract decisions to be made. Meetings with potential contractors were attended to discuss various options WCC had, in placing contracts.

## **Requested Audits**

### **Records Office**

Internal Audit supplied the new OGC Gateway standard documentation and discussed the implementation, to ensure the correct procedures were followed through the life of this contract.

### **EU Grant Claims**

The EU Claim for Grant from Local Action Group were reviewed and working papers and summary documentation forwarded to the Audit Commission for authorisation.

### **Transport**

A review of the methods used to recover outstanding debt was carried out. A revised letter has been sent to the few parents that do not follow existing payment procedures.

**Local Public Service Agreements (LPSA)**

We have continued to audit 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.

**IT Audits**

We identified and investigated a small number of instances of network/server insecurity, whereby files and folders had become potentially accessible by all WCC staff. There was no indication that the files had actually been accessed, and the information contained in them did not include personal data, however there was a risk that they could have been deleted resulting in operational problems. We also completed one incident of inappropriate use of e-mail facilities.

## **Finance & IT Department**

### **Core Systems Audits**

#### **General Ledger**

Based on the evidence of our audit work, in our opinion, the internal control environment is good. The identified risks have been communicated and addressed and there are satisfactory controls over the bank and control accounts. The department is increasing the use of electronic transfer of information. The timetable for closedown is on target. There were minor issues over the access monitoring and authorisation/distribution of management information.

#### **Accounts Payable**

Internal control is good. The majority of the input into the Accounts Payable system is timely and correct, although some areas could be improved with departmental training. Efforts should be made within departments to restrict the number of invoices received from suppliers. The late payment of invoices is monitored on a monthly basis and is currently reasonable, although efforts are being made to improve the situation. Reports have been issued on dealings with other government bodies that impact on the Whole of Government Accounts.

#### **Accounts Receivable**

The internal control for the recording of invoices is good. Sections have been stopped from raising their own invoices without informing Exchequer. The procedures for debt monitoring and reporting are working efficiently.

#### **Cash Collection and Banking**

New government guidelines for reporting the Whole of Government Accounts have been reviewed and changes have been made within cash collection to report receipts from other government bodies. The changes will be further reviewed during 2005-06, prior to reporting.

#### **Payroll**

The audit was carried out in two parts. The first part covered the areas under direct control of Exchequer and the internal control was found to be good. There were minor issues over change control and logical access controls; however the staff dealing with these controls are highly knowledgeable and experienced. The second part of the audit covered control issues around both physical and remote access to payroll. These issues are being strengthened within the new FM Contract that is being placed.

#### **Pensions**

Internal Audit used the National Fraud Initiative (NFI) data matching reports to monitor various areas in pensions, and investigate a series of specific queries. In all cases, evidence received showed there to be satisfactory explanations, and no issues are outstanding. The pensions system is in the process of being reconciled with the payroll system and this will be further monitored during 2005-06.

## **Budgetary Control**

The internal control environment in relation to Budgetary Control in the Finance & IT department is good. This opinion is based on the controls in place for budget setting and monitoring. Not all departments use the full budgetary reporting facilities within the Main Accounting System. Cost centres are currently being reviewed by the Business Process Re-engineering group, which will improve the budgetary reporting facilities.

## **Loans and Investments**

The procedures and controls in operation over the administration of the Treasury Management section were found to be satisfactory.

## **Departmental Audits**

### **Journals**

Internal Audit reviewed the process of Departmental Journals and Inter-Departmental Journals reducing the number of invoices raised by the authority to recharge services provided within the authority. There is a cost attached to raising and paying an internal invoice. This process had been previously used to demonstrate that Wiltshire Direct Services was an "arms length organisation". This is no longer necessary. The departments now electronically journal the recharges. This is monitored and controlled within Corporate Finance, and demonstrates efficiency savings.

## **Requested Audits**

### **Financial Reviews of Contractors**

Various financial reviews were carried out on behalf of Finance & IT, to assess the financial stability of contractors. An opinion was reported covering each contractor, the length and value of WCC contracts they may be associated with.

## **IT Audits**

We provided considerable technical input and advice to the project to identify and rationalise the numbers of redundant user accounts on the network. Allied to this, we were involved in departmental negotiations with a supplier in relation to software for which we were technically under-licensed. The user account rationalisation process will significantly contribute towards mitigating risks of non-compliance with licences of corporate software and applications. We identified large numbers of user accounts with weak passwords, resulting in radical changes to the password policy in terms of password length, complexity and frequency of change. Passwords now comply with industry best practice, resulting in much improved network security thus minimising risks relating to confidentiality, integrity and availability of data and systems.

## **Corporate and Library Services Department**

### **Core Systems Audits**

#### **Budgetary Control**

Budgetary controls are in place for budget setting and monitoring procedures. Although management information is good in some areas a better audit trail is needed. A business manager is being resourced to co-ordinate the financial administration of the department.

#### **Creditors**

The areas of accounts payable processes that were reviewed during the audit are generally well managed, but there were issues involving, placing of orders, late payment, payment of invoices and safeguarding assets that are being addressed.

#### **Contracts**

There are correct contracts in place for outside contractors, but key partnerships that the authority works with or deliver services on our behalf do not have signed agreements. This is currently being addressed throughout the authority.

### **Departmental Audits**

#### **Libraries & Records Office**

Libraries completed the internal control documentation and demonstrated, with evidence, a high standard of internal control within the section.

Internal Audit attended meetings and reviewed the tenders for the Records Office. A gateway checklist was supplied to the project manager, which is completed during the life of the project. The project is currently running on time, with the gateway checklist completed to date.

#### **Coroners – Porton Down Enquiry**

We reviewed the documentation in place and ensured that there was sufficient funding to make prompt expenses payments to witnesses. The recovery of expenditure will be reviewed in 2005-06.

### **Requested Audits**

#### **Transforming the Customer Experience**

We carried out a brief overview of certain overall control aspects relating to the major project, Transforming the Customer Experience. Based on the evidence available to us in relation to the areas examined, internal control was satisfactory. Risks have been identified and addressed, and the management information is accurate and reliable.

**IT Audits**

A number of disciplinary investigations were carried out into contraventions of the Council's e-mail and internet usage policy; similar investigations were carried out in relation to accessing inappropriate web sites by members of the public using People's Network PCs in libraries.



## **Corporate IT Audits**

### **Major Projects**

Our IT Audit Manager has been involved in two major ICT projects which commenced in 2004-5. The first was the multi-million pound project to re-tender for the contract to provide IT support across the authority, as the current contract will expire in September 2006. The second was the project to procure and implement an Electronic Document and Records Management System, initially in two small offices, which will eventually revolutionise the way the authority manages its files, both paper and electronic.

### **Network Security**

We have worked together with the Corporate ICT Unit to develop and implement a more robust network password policy, so as to increase the protection of the network and the confidential data held on it and thus minimise the risk of accidental or deliberate unauthorised access. Allied to this, we identified a large number of network and e-mail accounts relating to people who no longer worked for the authority, thus enabling wasted space on servers to be freed up. Having an accurate figure for the number of 'live' user accounts also enables the authority to be properly (but not excessively) licensed for the use of key software and applications.

### **IT Security Policy**

We have contributed to the process of developing a revised IT Security Policy for the authority, incorporating recent developments such as USB drives, broadband, PDAs and WiFi. We were also involved with the introduction of the Freedom of Information Act 2005.

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