

**officer to contact:** Diana Melville, Chief Internal Auditor  
**direct line:** 01722 434618

**email:** dmelville@salisbury.gov.uk

**web:** www.salisbury.gov.uk

# Report

**Report subject:** Update of 2005/6 Annual Audit Report and 2006/7 Progress Report

**Report to:** Audit Committee

**Date:** 26<sup>th</sup> September 2006

**Author:** Diana Melville

## 1 Introduction

- 1.1 The report updates the annual report for 2005/6 with the final reports and responses outstanding at the report received by the committee in June and summarises the progress against the 2006/7 for the first five months.

## 2 2005/6 Annual Report Update

- 2.1 The following table sets out the level of assurance that has been given to each of the areas audited, grouped together by theme. Key financial control audits are undertaken annually and five have improved the level of assurance in 2005/6 in comparison to 2004/5. It is particularly pleasing for 'full assurance' to be given in one area and for there to be no areas of 'no assurance'.

Audit Area	Level of Assurance	Audit opinion on proposed management actions at the point the report was issued	Audit opinion on management actions at the point of the follow up review
<b>Financial Control audits</b>			
<b>Cash collection &amp; banking</b>	<b>Substantive</b>	<i>The improvement in internal control should lead to a higher level of assurance.</i>	<i>The improvement in internal control should lead to a higher level of assurance.</i>
<b>Purchasing arrangements</b>	<b>Substantive</b>	<i>The improvement in internal control should lead to a higher level of assurance.</i>	<i>The improvement in internal control should reduce risk but not sufficiently to change the level of assurance.</i>
<b>Budget</b>	<b>Substantive on</b>	<i>The improvement in</i>	<i>No follow up yet carried</i>



Awarded in:  
Housing Services



<b>management and reporting</b>	<b>reporting, limited on management</b>	<i>internal control should lead to a higher level of assurance.</i>	<i>out.</i>
<b>Main accounting system</b>	<b>Substantive</b>	<i>The improvement in internal control should lead to a higher level of assurance.</i>	<i>The improvement in internal control should lead to a higher level of assurance.</i>
<b>Council Tax</b>	<b>Full</b>	<i>The improvement in internal control should maintain the high level of assurance.</i>	<i>The improvement in internal control should maintain the high level of assurance.</i>
<b>Debtors</b>	<b>Substantive</b>	<i>The improvement in internal control should lead to a higher level of assurance.</i>	<i>No follow up yet carried out.</i>
<b>Payroll</b>	<b>Limited</b>	<i>The improvement in internal control should lead to a higher level of assurance.</i>	<i>The improvement in internal control should lead to a higher level of assurance.</i>
<b>Housing rents</b>	<b>Substantive</b>	<i>The improvement in internal control should reduce risk but not sufficiently to change the level of assurance.</i>	<i>No follow up yet carried out.</i>
<b>Housing benefits</b>	<b>Substantive</b>	<i>The improvement in internal control should lead to a higher level of assurance.</i>	<i>The improvement in internal control should lead to a higher level of assurance.</i>
<b>Creditors</b>	<b>Substantive</b>	<i>The improvement in internal control should lead to a higher level of assurance.</i>	<i>No follow up yet carried out.</i>
<b>Corporate and Service Unit Audits</b>			
<b>Housing repairs follow up</b>	<b>Limited</b>	Follow up report did not follow the same format as other reports in 2005/6, so these conclusions were not made.	
<b>Waste management</b>	<b>Limited</b>	<i>The improvement in internal control should lead to a higher level of assurance.</i>	<i>The improvement in internal control should lead to a higher level of assurance.</i>
<b>Sale of council houses under right to buy</b>	<b>Substantive</b>	<i>The improvement in internal control should reduce risk but not sufficiently to change the level of assurance.</i>	<i>The improvement in internal control should reduce risk but not sufficiently to change the level of assurance.</i>

<b>Housing Advances</b>	<b>Substantive on financial administration, Limited on policy</b>	<i>The improvement in internal control should lead to a higher level of assurance.</i>	<i>Financial Services: The improvement in internal control should reduce risk. Strategic Housing Services: Actions are still in progress. To date there is no significant improvement in internal control.</i>
<b>CCTV</b>	<b>Limited</b>	<i>There is no significant improvement in internal control.</i>	<i>Implementation of the management action plan is linked to the Scrutiny report on this area. The report will be considered by Cabinet in November. Follow up audit work will be undertaken in the latter part of the year.</i>
<b>Planning applications</b>	<b>Substantive</b>	<i>The improvement in internal control should lead to a higher level of assurance.</i>	<i>The improvement in internal control should lead to a higher level of assurance.</i>
<b>Homeless housing and leased properties</b>	<b>Substantive</b>	<i>The improvement in internal control should lead to a higher level of assurance.</i>	<i>Actions are still in progress. To date there is no significant improvement in internal control.</i>
<b>Section 106 Agreements</b>	<b>Limited</b>	<i>The improvement in internal control should lead to a higher level of assurance.</i>	<i>No follow up yet carried out.</i>
<b>Land Charges</b>	<b>Substantive</b>	<i>The improvement in internal control should lead to a higher level of assurance.</i>	<i>The improvement in internal control should reduce risk but not sufficiently to change the level of assurance.</i>
<b>Licences</b>	<b>Substantive</b>	<i>The improvement in internal control should lead to a higher level of assurance.</i>	<i>No follow up yet carried out.</i>
<b>Information Management</b>	<b>Limited</b>	<i>The improvement in internal control should lead to a higher level of assurance.</i>	<i>No follow up yet carried out.</i>
<b>Teamspirit (personnel &amp; payroll) application system</b>	<b>Limited</b>	<i>The improvement in internal control should lead to a higher level of assurance.</i>	<i>No follow up yet carried out.</i>

<b>Durrington Pool</b>	<b>Limited</b>	<i>The improvement in internal control should reduce risk but not sufficiently to change the level of assurance.</i>	<i>No follow up yet carried out.</i>
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### 3 Internal Audit Performance

- 3.1 The annual report estimated that the percentage of significant risks identified for which managers have proposed actions would be 88%. Final figures show this to be 92%. This compares to the percentage of recommendations agreed in 2004/5 of 95%. Follow up reviews for the 2005/6 audits have not yet been completed but figures to date show a similar level of agreed actions not being implemented as for the previous year. This is disappointing. Further stages for follow up are being implemented, including a second follow up where work is still in progress or insufficient progress made to identify whether this down to timing.
- 3.2 There have been changes to the temporary staffing arrangements in the section. There are now two part time temporary members of staff covering the period of maternity leave. Some audits have taken longer to complete than planned because of the need for new staff to become familiar with the council's systems. This will be regularly monitored and the implications for completion of the audit plan considered.

### 4 2006/7 Progress Report

- 4.1 A summary of the reports issued to date is included in the following table.

<b>Audit Area</b>	<b>Level of Assurance</b>	<b>Audit opinion on proposed management actions at the point the report was issued</b>
Cash Collection and banking	Full	The improvement in internal control should maintain the high level of assurance.
Purchasing Arrangements	Substantive	Draft report
Car Parking	Substantive	Draft report
Customer Services Income Collection	Substantive	The improvement in internal control should lead to a higher level of assurance.
Bank Reconciliation	Substantive	Draft report
IT Back up arrangements	Substantive	Draft report
Protection of IT Infrastructure	Limited	Draft report
Property Management	No	Draft report
Follow up audit to investigation of swimming lesson income.	Limited	The improvement in internal control should lead to a higher level of assurance.

Verification Framework compliance review	Not applicable	Not applicable
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Audit work currently in progress:

- Non domestic rates
- Fleet and transport management
- Officer and Member expenses
- Governance arrangements for partnerships.

## **5 Issues arising from current work**

- 5.1 The key area for concern from recent audit work has been property management for which 'No Assurance' has been given. This audit has focussed on the management of the council's investment land and property portfolio, which excludes the management of public buildings. Key areas of concern include:

- Property terrier had not been kept up to date.
  - Some leases on properties had not been renewed.
  - Rent reviews on some properties had not been undertaken.
  - Comprehensive monitoring of outstanding debts not undertaken.
  - Arrangements to monitor occupation of land or maintenance of buildings not effective.
- The property team had undergone a number of staffing changes, including long term illness of one member of staff and a vacancy remaining open, since the previous audit in 2002/3. More recently the team had been closely involved in supporting the development of new public buildings and decant arrangements. A decision has been made to recommend the area for inclusion in the SIC. The action plan for ensuring improvement in this area is included in the SIC report on the agenda.

- 5.2 Two other audits were given 'limited assurance': protection of IT infrastructure during the decant and building works at Bourne Hill and also the follow up audit looking at procedures for managing the income arising from individual swimming lessons. A management action plan has been proposed to address the risks raised in relation to the swimming lessons.

## **6 Recommendation**

- 6.1 It is recommended that the Audit Committee note the results of Internal Audit work for 2005/6 and for the first five months of 2006/7.