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Report

Subject : Internal Audit – Six Month Update
Report to : Audit Committee
Date : Wednesday 24 September 2008
Author : Audit Manager

1. Introduction

- 1.1. The Internal Audit Plan for 2008/09 was approved by the Audit Committee in April. The plan reflected judgements on the need for assurance to support the Governance Statement process, the identification and assessment of key risks, as well as sufficient coverage of key controls to enable the Audit Commission to place reliance on the work of Internal Audit and to avoid duplication.
- 1.2. The decision taken in July 2007 on the unitary authority has meant that the council has been in a transitional state for 14 months and therefore it is appropriate to review the plan to ensure it retains its relevance to the council's risks and objectives up until vesting day, as well as those arising from transitional work.
- 1.3. The original and updated plan are built around giving assurance on four key areas:
 - Governance, internal control and risk management arrangements.
 - Council operations and projects that align with the council's strategic objectives.
 - Operational risk.
 - Corporate and local government review programme and project work.
- 1.4. Details of the original allocated audit days and the revised audit days are shown in Appendix A. Any changes to the original plan have been highlighted.

2. Key Factors for Revision of the Plan

- 2.1. Provisions in the plan to support governance and risk management arrangements have been retained, although work in this area has been scaled back by 5 days to accommodate additional work in support of transition. A key area of activity, completed during the first quarter of the year, was to inform the council's governance framework in support of the Annual Governance Statement, which was recommended by the Audit Committee for adoption by Full Council in June 2008.
- 2.2. The contingency of 22 days in the original plan has been reduced to 7 days, with the release of 5 days for additional transitional work and 10 days for the completion of 2007/08 internal audit work on the council's objectives.



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- 2.3 Transitional work has included an allocation of 10 days for training and participation in schools inspection work under the Financial Management Standard in Schools (FMSiS) scheme. All members of the Internal Audit team have attended training, and to date, the Audit Manager has participated in an inspection. This is a key area of work for the Internal Audit team at Wiltshire County, and will become part of this team's work following the establishment of the new Unitary.
- 2.4 As a consequence of the council's Internal Audit staff undertaking training in county work pre-vesting day, agreement has been reached with the Head of Internal Audit at WCC to provide similar training and audit work opportunities for county Internal Audit staff on purely district council functions. This arrangement has yet to be finalised, but is likely to involve joint working on housing rents, and input from WCC staff has been planned for 10 days.
- 2.5 An additional 5 days has been allocated to support joining up work with the WCC Internal Audit team and audit teams from the other District Councils.
- 2.6 The Audit Manager is currently involved on many transitional issues. These include membership of the WCC Internal Audit Management Group, joint working on the establishment of the Audit Universe for the new Unitary, Internal Audit working methodologies, audit report presentation and formats, a counter fraud strategy and policy, as well as liaising on joint working with the objective of reviewing data transfer arrangements and SAP interfaces.
- SAP, or Systems, Applications and Products, is the software package purchased by Wiltshire County Council which will encompass finance and control, purchasing and procurement, project systems and investment management, and payroll and human resources in the new Wiltshire County.
- 2.7 All members of the audit team have also been meeting with WCC audit staff to discuss working practices and reporting.
- 2.8 The allocation of audit time for assurance work on project management for the new City Council has been reduced by 5 days. It is anticipated that assurance work on project management for the new Unitary will inform any similar work on the City Council, and therefore preparation, planning and scoping on the audit of the City Council will be less onerous.
- 2.9 As part of the Internal Audit Plan for 2007/08, an audit on Contract Final Accounts was undertaken. A key issue arising from this audit was the inadequacy and untimely completion of the final account audits. The Head of Housing Management requested the assistance of Internal Audit in the completion of a number of outstanding final accounts. An allocation of 10 days has been included in the revised plan to accommodate this area of work. To date, seven Housing Contract final accounts have been audited. In addition, the final account for the Bourne Hill enabling works has also been completed on the request of the Property Services Manager.
- 2.10 Key areas for assurance in support of the council's objectives have been largely unchanged although Internal Audit does recognise that the timescale, before the creation of the Unitary, limits the council's opportunity to make improvements in some of these areas. However, many areas of operational risk will remain for the new authority so it is appropriate to continue with audit work in these areas.

3. Internal Audit Assignment Performance

- 3.1 All audit assignments from 2007/08 have now been completed and all reports have been finalised. Those audits completed after the end of 2007/08, and subsequently finalised, are shown in the following table together with the levels of assurance.

Audit Area	Level of Assurance	Audit Opinion on Proposed Management Actions at the point the Report was Issued
Property Management Follow Up	Limited	The improvement in internal control should lead to a higher level of assurance.
Housing Rents	Substantive	A substantive assurance will be maintained.
Main Accounting System	Full	A full assurance will be maintained.
Wireless Networks	Substantive	The improvement in internal control should lead to a higher level of assurance.

- 3.2 Audit assignments from the 2008/09 plan which have been completed together with the level of assurance are shown in the following table.

Audit Area	Level of Assurance	Audit opinion on proposed management actions at the point the report was issued
Data Security	Limited	The improvement in internal control should lead to a higher level of assurance.
National Non Domestic Rates	Substantive	Report currently in draft.
Security of Assets	Limited	Draft report issued, some management responses still awaited.
Cash Collection and Banking	Substantive	Draft report issued, some management responses still awaited.
Housing and Council Tax Benefits	Full (current risks) and Limited (transitional risks)	Report currently in draft.

- 3.3 The only key area of concern reported in audit assignments which resulted in a risk rating in excess of the council's risk appetite, was identified in the Security of Assets audit. This risk posed an organisational, reputational and capability risk with "minor" impact but "almost certainty" in likelihood. The risk identified was because the council's land terrier has not been maintained or updated since 2004, the digitalised version may be incorrect and out of date.
- 3.4 Audit assignments which have been commenced and are currently in their initial stages include:
- Service Charges Follow Up
 - Payroll

4 Other Audit Work To Date

- 4.1 In addition to the usual planned audit assignment work and transitional work, as well as the new areas of work as detailed in section 2 above (Contract Final Accounts and FMSiS), Internal Audit has undertaken numerous additional activities. In the financial year to date, these have included:
- Negotiation of the Equifax contract for the continued provision of credit reference facilities for the remaining life of the council, and the undertaking of credit checks on behalf of the council.
 - Monitoring the 1C4W project and the work of the Implementation Executive in developing strategies for the new Wiltshire Council.
 - Corporate benchmarking exercises, including the annual audit performance return for CIPFA, as well as the data comparison exercise for the BIA4S (Building Internal Audit for Success) benchmarking group which meets quarterly in Daventry.
 - Tracking, validating and co-ordinating the council's efficiency achievements against the forecast for the financial year 2007/08 Backward Looking Efficiency Statement.
 - Meeting with and attending workshops with consultants assisting Housing Management to clarify and develop its procurement practices.
 - Investigating the loss of two prints from the Guildhall youth court, and working with Guildhall staff to ensure that adequate controls are in place to prevent re-occurrence.
 - Investigating the misplacement and loss of £481 from the Payment Office and working with Payment Office staff and their managers to ensure that existing controls are adhered to and that the risks of re-occurrence are negligible.
 - Assisting Financial Services in gathering evidence in support of the Use of Resources assessment by the Audit Commission.
 - Preparation for the National Fraud Initiative, including identification of data download subjects, data formats, data specifications and data submission requirements.
 - Production and completion of job descriptions and job evaluation questionnaires for Senior Internal Auditor and Audit Manager posts as required by WCC.
 - Continuing professional development of staff through attendance at selected training events, including CIPFA Annual Audit Conference, Procurement and Contract Audit Forum and Appraisal Skills for Line Managers.

5 Recommendation:

- 5.1 The Committee is asked to approve the revisions to the audit plan for 2008/09 as shown in Appendix A and note the audit work for the first part of 2008/09.

Internal Audit Plan 2008

APPENDIX A

			Date of Last Audit	Audit Days Original 2008/9	Audit Days Updated 2008/9	Change in Days 2008/9
Governance & Risk Management Arrangements						
Corporate Governance Annual Review & Governance Statement	Framework and provision of assurance based on Internal Audit work.	Annual review of action plan.	Annual	6	5	- 1
Audit Committee support	Internal Audit reports to Audit Committee	Annual report, Audit plan, performance reports plus others as required.	Annual	20	20	
Follow up of audit work	General work to follow up actions taken by managers in response to previous audit work	Follow up certificates	Annual	12	8	- 4

Objectives of the council	Key areas for assurance	Audit Areas			
Deliver efficient and customer focused services that give local people value for money.		Use of resources improvement work	2007/8	4	4
		Service Charges - sheltered schemes follow up	2007/8	10	10
	Ensuring that the council's key financial processes, including those which are material for the statement of accounts have robust controls in place. The Audit Commission will seek to place reliance on the work of internal audit in these areas.	Main accounting system	2007/8	10	10
		Bank Reconciliation	2006/7	6	6
		Creditors	2007/8	12	12
		Debtors	2007/8	12	12
		Payroll	2007/8	20	20
		Cash collection & banking	2007/8	10	10
		NNDR	2006/7	12	12
		Housing & council tax benefits	2007/8	15	15
		Housing rents	2007/8	16	16

	Completion of 2007/8 audit work	0	10	+ 10
Corporate Efficiency, Best Value Review and Feasibility Study	Benchmarking exercises Effectiveness of arrangements Programme Office Project Plans (Corporate Plan - May 2008)	30	30	

Operational Risk

IT Services	Data sharing and data security	Deloittes	7	7	
Housing Management	Capital Contract Final Accounts		0	10	+ 10
Ensuring that the council's arrangements for the prevention and detection of crime are robust. Undertaking investigation work where required.	Counter fraud work - responsive work to local issues, unitary counter fraud policy liaison		15	15	
Contributing to national data matching activities.	National Fraud Initiatives	2006/7	10	10	
	Help & advice		30	30	

Transition to Unitary

Joint audit work with Districts, County and Audit Commission	Assurance work on project management for unitary		25	25	
	Joining up work with other IA teams - WAG, information sharing		15	20	+ 5
Corporate	Security of assets and information		18	18	

IT Interfaces with SAP	Joint working with North Wilts and Kennet DCs and WCC	Deloitte	10	10	
Data Transfer Arrangements (SDC to SAP)	Payroll, HR and debtors (all live data) and creditors and CIT standing data (all under contract or continuing under Unitary)	Deloitte	6	6	
Salisbury City Council	Assurance work on project management for new council		20	15	- 5
Income Management	Income collection, BACs and security (rents, council tax, NNDR, Five Rivers, etc.)		10	10	
Wiltshire Schools Inspection	Financial Management Standard in Schools (FMSiS)		0	10	+ 10
Contingency					
Contingency			22	7	- 15
TOTAL			383	393	+ 10
SDC AUDIT DAYS			383	383	
WCC AUDIT DAYS			0	10	+ 10
VARIATION			0	0	