

AUDIT PANEL			
Report Title	INTERNAL AUDIT PROGRESS REPORT		
Key Decision	NO		Item No. 6
Ward	ALL		
Contributors	EXECUTIVE DIRECTOR FOR RESOURCES		
Class	Part 1	Date: 20 December 2007	

## 1 Purpose of the Report

The purpose of this report is to present the members of the Audit Panel with:-

- an update on progress against the 2007/08 audit plan,
- a summary of the findings for the audits where Internal Audit have issued “limited” or “no” assurance opinions on the internal control mechanisms that have been audited,
- a progress update on the implementation of previously agreed recommendations.

## 2 Recommendations

Members are asked to note the report.

## 3 Progress Against the 2007/08 Audit Plan

- 3.1 The detailed 2007/08 audit plan was approved by the Audit Panel in July 2007. In total Internal Audit planned to undertake 94 audits during 2007/08. The table below shows the current position for these audits:-

Directorate	Planned / Unplanned Audits	Audits Completed	Draft Report Stage	Audits in Progress	Not Started
Corporate/Resources	29	9	5	6	9
C & Y P (exc. Schools)	9	1	1	4	3
Schools	31	1	2	20	8
Customer Services	10	1	1	2	6
Regeneration	6	0	3	1	2
Community Services	9	2	3	0	4
<b>Unplanned Audits</b>					
C & Y P (exc. Schools)	1	1	0	0	0
Customer Services / Lewisham Homes	1	0	0	1	0
Total	96	14	16	34	32

The unplanned audits consist of a grant claim for the Momenta Lewisham Schools Sports Partnership Programme (CYP) and a review of the Housing Refurbishment Sydenham 2 contract which covers the period when the housing stock was initially with the Council but has subsequently transferred to Lewisham Homes.

- 3.2 As can be seen from the table above, 31% of the planned audits have either been completed or have reached the draft report stage. A further 35% of the audits have started and are at varying stages of progress. Whilst this level of performance is in line with expectation with regards to the work that is in progress, performance is currently below expectations for this stage of the year for audits that have been completed or are at draft report stage.
- 3.3 The section is currently operating with one Audit Manager post vacant and, following surgery, one Auditor is currently on long term sick leave and is likely to be unavailable for around 12 weeks. The level of sickness of two other members of the team is also above the Directorate average and these officers have been referred to occupational health. These factors, coupled with slippage on some audits and the need to rearrange audits to fit in with clients requirements account for the fall in performance.
- 3.4 There are a number of the fundamental systems, such as debtors, benefits, council tax and NNDR that are scheduled to start during quarter three. The plan was to undertake these audits using staff from the in-house team. However, given the fact that the Audit Commission feel they are still unable to place reliance on the work of the section and these are the main systems where they would like to be able to place reliance, the strategy has been reconsidered. Instead of using the in-house team resources will be bought in from one of the main Internal Audit providers to undertake these fundamental systems audits. This should not only enable the section to recover some lost ground but should also address the quality issues regarding the work undertaken on the key systems, hopefully enabling the Audit Commission to place reliance on this work. As a result of the Audit Manager post vacancy there are funds available within the Internal Audit budget to use for additional resources
- 3.5 Progress will continue to be monitored closely throughout the coming months to ensure that any further slippage is identified and corrective action taken at the earliest possible opportunity.

#### **4 Summary of the audits completed to date where a limited or no assurance opinion has been given**

- 4.1 This section provides a summary of the findings and action taken by management for the systems/services that have not already been reported to the Audit Panel, where Internal Audit feel that either limited or no assurance can be placed on the internal controls that have been reviewed.
- 4.2 A full list of the audits completed prior to the publication of this report are shown at the end of section 4.3.2.

#### 4.3 Corporate/Resources Directorate

##### 4.3.1. Report No. 12108 - Payroll – Officers travelling and overtime claims

The primary purpose of this audit was to test the effectiveness of the controls around the management and processing of travelling and overtime claims submitted by officers. With regard to the travelling claims, 20% of the small sample selected for testing were found to have been processed without having an authorising signature on the claim form, and a total of 50% of the claims contained insufficient information about the journeys undertaken to enable an authorising or checking officer to substantiate the claim.

With regard to the overtime claims, 5% of the small sample tested was found to be calculated incorrectly and not detected until after the pay run had taken place. This error, which originated with the claimant, resulted in a significant overpayment being generated, although as a result of a compensating control elsewhere in the Council's systems the payment was prevented from reaching the officers bank account. Some 40% of the claims tested contained insufficient information about the nature of the work undertaken that necessitated the overtime. In addition we also found variations in the format of the overtime claim forms being used.

Analysis of the overtime being claimed by officers during a six month period was also undertaken and this highlighted that the amount of overtime being claimed was significant being in excess of 49,000 hours at a cost of some £680,000.

Recommendations have been made to address the control weaknesses identified in this audit and these have been accepted by management. The level of overtime being claimed by officers is also under review by directorate management teams to ascertain if this is providing value for money for the Council. Internal Audit's overall opinion is that only **limited assurance** can be placed on the controls around the management and processing of travelling and overtime claims.

- 4.3.2 The table below sets out the audits that have been undertaken during 2007/08 and a final report has been issued. The table also shows the audits of grant claims that have been completed. As these are not a review of internal controls but the substantiation of expenditure included in the claim, Internal Audit do not issue an assurance level opinion for these audits.

Audit	Report No	Assurance Level
<b>Corporate and Resources</b>		
Creditors - duplicate payments testing	12101	Limited
Payroll (overtime & travelling claims)	12108	Limited
Oracle - Financials	12118	Substantial
Best Value Performance Monitoring System	12119	Substantial
IT Security Policy	12121	Limited
LAA Grant claim 06/07	12122	N/A
Performance Indicators	12126	Substantial
Consultant Procurement	12128	Limited
Meridio ERMS Project	12129	Substantial
<b>Children's and Young People</b>		
Education Management System	22109	Substantial
Momenta schools sport grant claim	22111	N/A
Hither Green School	22174	Substantial
<b>Customer</b>		
Leasehold Service Charges	32110	N/A
<b>Community</b>		
Supporting people grant claim 06/07	52101	N/A

## 5 Management's progress on the implementation of agreed recommendations

During the year, Internal Audit have adopted a more proactive approach to monitoring progress on the implementation of recommendations. Schedules of recommendations awaiting implementation for each Directorate have recently been introduced and sent to the respective Executive Directors. These schedules are produced on a monthly basis and their objective is to provide the Directorate Management Teams (DMTs) with information to facilitate tracking the implementation of audit report recommendations to try and prevent target dates from being missed.

The table as shown at Appendix 1 of this report summarises the current position regarding the recommendations that are awaiting implementation. Once all of the recommendations from a specific audit report have been implemented and this has been reported to the Audit Panel, the audit is deemed to be fully complete and as such it is removed from the table. Internal Audit will continue to monitor the progress on the implementation of these recommendations and to press management to implement those recommendations where the agreed target date has passed as a matter of priority.

**6 Legal Implications**

There are no legal implications arising directly from this report.

**7. Financial Implications**

There are no financial implications arising directly from this report.

**8. Equalities Implication**

There are no specific equalities implications arising directly from this report.

**9. Crime and Disorder Implications**

There are no specific Crime and Disorder implications arising directly from this report.

**10. Environmental Implications**

There are no specific environmental implications arising directly from this report.

**Background Papers**

None reported

## Appendix 1

		Total	Implemented			Not Yet Implemented & Overdue			Not Yet Implemented But Not Yet Due		
No	Audit	Agreed	Priority			Priority			Priority		
			1	2	3	1	2	3	1	2	3
12001	Starters movers and leavers (SMAL) System	14		2	6			3			3
12003	CRB policies and procedures	13		9			4				
12004	Budget Management	5	4	1							
12006	Debtors	5			1						4
12008	Treasury Management	9		4				5			
12011	Corporate Risk Management	8	5	1		1			1		
12013	Payroll including feeder systems	10		2	7						1
12014	Pensions	1									1
12015	Procurement	8	1	2		2	3				
12101	Duplicate Creditor Payments	6	1	2					3		
12108	Payroll	9	1	2		1	2			3	
12118	ORACLE e-procurement IT System	7		1						4	2
12119	Performance Monitoring IT System Data Quality	5								5	
12121	Security / ISO 27001 Gap Analysis	1								1	
12126	Performance Indicators	14								14	
12128	Procurement of Consultants	19		2		2	7			8	
12129	Document Management MERIDO IT System	6					1			4	1
22002	Fostering Service	11	7	2					1	1	
22109	EMS Data Quality	5								2	3

		Recommendations									
		Total Agreed	Implemented			Not Yet Implemented & Overdue			Not Yet Implemented But Not Yet Due		
No	Audit		Priority			Priority			Priority		
32001	National Non Domestic Rates (NNDR)	10		9						1	
32002	Council Tax	13		13							
32003	Benefits	1		1							
42001	Planning and Planning Enforcement	2			1						1
52003	Supporting People	10							3	7	
52102	Client Contributions for residential and domiciliary care	19		8						11	
	<b>Total</b>	211	<b>19</b>	<b>61</b>	<b>15</b>	<b>6</b>	<b>17</b>	<b>8</b>	<b>8</b>	<b>61</b>	<b>16</b>