

9. INTERNAL AUDIT – MONITORING REPORT 28th February 2017

REPORT OF: Audit Manager
Contact Officer: Gillian Edwards
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Wards Affected: All MSDC Wards
Key Decision: No
Report to: Audit Committee
15th March 2017

Purpose of Report

1. The purpose of this report is twofold; to update the Committee on the progress of the 2016/2017 Internal Audit Plan and to report on the progress made in implementing previously agreed recommendations.

Summary

2. The audit plan provides for a mix of coverage of fundamental systems, IT systems and service systems, which had been identified as potential risk areas. Appendix A shows the status and types of recommendations arising from our work and Appendix B summarises the progress to date on the 2016/2017 audit plan.

Recommendation

3. The Committee is asked to receive this report.

Progress against the 2016/17 Internal Audit Plan as at 28th February 2017

4. Since the last report to this Committee, we have finalised three audits, being Capital Accounting, Budgetary Control and Procurement. The first two of these resulted in no recommendations.

Procurement Audit

5. There were six high priority and two medium priority findings arising from this review as shown below. Action has been agreed with management to strengthen the control environment.
6. **Training:**
The 43 new employees who have joined the Council since November 2015 have not received training on Procurement. Whilst they will not all have a need to be trained, it is evidence that there is no systemic approach to procurement in place.
7. **Exemption Forms:**
Staff were unable to obtain an Exemption Form which allows for the requirements to obtaining quotations or tenders to be waived. This is due to the link from Paragraph 8 of the MSDC Procurement Code on the website not working.
8. **Contracts Register:**
Under the requirements of the Transparency Code, the Council's Contracts Register should be kept up to date. During testing, we found that some contracts were not recorded on the Register and for a number of those that were, contract start and/or end dates were missing.
9. We also found that there is not an officer who has been formally assigned responsibility for maintaining the Contracts Register.

10. We have also started the following audits:
 - Income Collection (Cashiers)
 - Payments (Creditors)
 - Sundry Debtors
 - Payroll
11. The last audit in the plan is scheduled to begin on 20th March, and all work will complete the plan by 31st March 2017.

Progress on implementing agreed actions

12. There were no actions to follow up during the period under review.

Member Actions from 23rd January 2017

Car Parking Income

13. At the last meeting of this Committee, Members asked for confirmation that the Council is confident that the amount of money in the machines is reasonable for them to be self-insured, and whether there are provisions for removing staff leaver accounts in other non-CenSus systems.
14. The Parking Services Manager confirmed that only a few machines in the busiest car parks will have up to circa £1,100 in them for a short period before the cash is collected the others are in the region of circa £500 and so they believe this is a reasonable risk.

Other Work

15. It was agreed with Members that the Audit and Risk Manager would provide an opinion on whether or not users of the main financial systems, other than those used by CenSus, were legitimate employees of the Council.
16. During our work on the fundamental systems, we have undertaken a test to compare users who are recorded as having access to the Council's Establishment List. Any anomalies were investigated, for example where the user does not appear on the Establishment List because they are a contractor and confirmation sought that they should have access.
17. I can now confirm that for the following areas, only current employees, or current contractors have access:
 - Cashiers
 - Capital Accounting
 - Payroll
 - Payments
 - Sundry Debtors
 - Treasury Management
18. We are undertaking the FMS audit during the week commencing 20th March and will report our findings on this at the meeting in July.

Background Papers

- Internal Audit reports relating to 2016/2017
- Working papers relating to 2016/2017

**Mid Sussex District Council
Internal Audit Plan 2016/2017
Summary of Recommendations from 1st April 2016– 31st March 2017**

Audit Area	Draft Report	Final Report	Rating of Recommendations				Nature of Recommendations						
			High Priority	Medium Priority	Low Priority	Total	Policies and procedures	Staff training	Record keeping/maintenance	Data/Financial security	Authorisation of transactions	Contract/budget setting	System error
CenSus Council Tax	20/12/2016	10/01/2017	-	-	1	1			1				
Payroll			-	-	-	-							
Income Collection (Cashiers)													
Treasury Management	20/12/2016	20/12/2016	-	-	-	-							
Payments (Creditors)													
Sundry Debtors													
Capital Accounting and Asset Management	23/01/2017	31/01/2017	-	-	-	-							
Budgetary Control	20/01/2017	31/01/2017	-	-	-	-							
FMS													
E&Y Top up Testing													
Procurement	13/01/2017	31/01/2017	6	2	-	8		3	3		1		1
Anti-Fraud Work inc. NFI:													
<ul style="list-style-type: none"> • NFI • Anti Fraud Work CenSus 	NA 09/01/2017	N/A xxx	1	-	-	1				1			
Car Parking	8/07/2016	13/07/2016		1						1			

**Mid Sussex District Council
Internal Audit Plan 2016/2017
Progress Report 31st October 2016**

Audit Area	Budget / Days	Provisional Timing - commencing	Fieldwork Commenced	Draft Report Issued	Management Responses Received	Target date for issue of Final	Final Report Issued	High Findings Reported to Audit Committee	Comments
Fundamental Systems									
CenSus Council Tax	20	Dec 2016	21/11/2016	20/12/2016	20/12/2016	3/01/2017	10/01/2017	N/A	
Payroll	8	Dec 2016	16/01/2017						
Income Collection (Cashiers)	10	Jan 2017	21/11/2016						
Treasury Management	5	Jan 2017	12/12/2016	20/12/2016	20/12/2016	20/12/2016	20/12/2016	N/A	
Payments (Creditors)	8	Feb 2017	05/12/2016						
Sundry Debtors	8	Feb 2017	09/01/2017						
Capital Accounting and Asset Management	7	Mar 2017	09/01/2017	23/01/2017	23/01/2017	31/01/2017	31/01/2017	N/A	
Budgetary Control	4	Feb 2017	02/01/2017	20/01/2017	20/01/2017	31/01/2017	31/01/2017	N/A	
FMS	5	Mar 2017							
Ernst and Young Top Up Testing	10	Jan – Mar 2017							
High Risk and Corporate									
Procurement	10	Sep 2016	03/10/2016	19/12/2016	13/01/2017	31/01/2017	24/01/2017	15/03/2017	
Anti-Fraud Work including NFI:	25								
• NFI		Oct 2016	01/10/2016	N/A	N/A	N/A	N/A	N/A	Matches to be investigated April 2017
• CenSus Starters and Leavers		Dec 2016	06/12/2016	09/1/2017				23/01/2017	
Car Parking Income	8	Apr 2016	30/04/2016	11/06/2016	12/06/2016	12/06/2016	13/06/2016	N/A	
ICT Audits									
To be agreed	20	TBA							
Contingency									
	2	TBA							