

## 18. INTERNAL AUDIT – MONITORING REPORT

Report from: Audit Manager  
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Tel:(01444) 477241  
Wards Affected: All  
Key Decision: No  
Date of Meeting – 11<sup>th</sup> July 2016

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### 1. PURPOSE OF REPORT

The purpose of this report is twofold; to update the Committee on the progress of the 2015/2016 and 2016/2017 Internal Audit Plans and to report on the progress made in implementing previously agreed recommendations.

### 2. SUMMARY

- 2.1 The audit plans 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 2015/2016 and 2016/2017 audit plan.

### 3. RECOMMENDATIONS

**The Committee is asked to receive this report.**

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### 4. PROGRESS AGAINST THE 2015/2016 AND 2016/2017 INTERNAL AUDIT PLANS AS AT 30<sup>th</sup> June 2016

- 4.1 Since the last report to this Committee, the following audits has been finalised:
- CenSus Housing Benefits
  - Income Collection (Cashiers)
  - Payments (Creditors)
  - Sundry Debtors
  - Capital Accounting and Asset Management
  - Budgetary Control
  - FMS
- 4.2 During the period under review, audits of CenSus NNDR and CenSus Council Tax were undertaken by Horsham District Council and Adur District Council. The outcomes of these audits were as follows:
- CenSus NNDR – substantial assurance
  - CenSus Council Tax – satisfactory assurance

4.3 Work has commenced on the following audits:

- NFI Data Matching Exercise
- Car Parking Income

I can confirm that all audits in the 2015/2016 internal audit plan were completed by 31<sup>st</sup> March 2016, apart from the Income Collection audit that was finalised in April 2016.

### **Progress on implementing agreed actions**

4.2 Since the last report to this committee on 16<sup>th</sup> March 2016, a number of follow up reviews have been undertaken as follows:

#### CenSus Housing Benefits Audit 2015/2016

##### **New Housing Benefit Claims**

During testing earlier in the year, we found that in some cases, evidence was missing in support of the benefit claim. During our follow up work, we have confirmed that claims have either been cancelled or evidence provided.

##### **Local Housing Allowance**

Out of the 30 cases we tested, we found four cases to the same a total of £324.98 had been underpaid to claimants. It was confirmed that all cases were adjusted in a timely manner.

##### **Backdated Claims**

We tested 30 backdated claims and found that in 24 cases, the reasons for the claim being allowed was not documented. *We are currently testing a sample of backdated claims and a verbal update will be provided at the meeting on progress in this matter.*

##### **Self Employed Claimants**

We identified one case where an expense had been wrongly processed as 49pence instead of £59. This was not a significant error and was adjusted in a timely manner.

##### **Access to the CenSus Academy System**

Out of 322 users, we found that 74 were inactive. We were advised in November 2015 that System Administration had begun an exercise to remove all dormant accounts, or those of staff who had left the three Councils. *We are currently reviewing this and a verbal update will be provided at the meeting on progress in this matter.*

##### **Backing Up of the CenSus Academy System**

Whilst we have identified that ICT have a process in place for backing up the Academy System to tape drive, we do not have assurance that the tape could be used successfully to recover Academy in the event of a system failure.

In previous years there has been evidence that the system has been recovered using the tapes. Within last year CenSus ICT have lost a key member of staff who supported the Academy system and no testing of the backup process has been carried out.

Management confirmed that there are two separate matters:

- 1) Restore from backup tape to the current LIVE production server (located in HDC);
- 2) Restore from backup tape to the DR Server (located in MSDC).

It has been confirmed that CenSus ICT are consulting with Capita with regards to the implementation and it is likely that this will take place in August 2016. CenSus ICT will liaise directly with the Auditors on completion of this and I will report progress on this matter to the Committee in due course.

### Payroll

We found that the Payroll Manager occasionally set up casual staff on the Payroll system, which did not provide for adequate segregation of duties. It was confirmed that this responsibility passed to HR on 9<sup>th</sup> November 2015.

### FMS Audit 2015/2016

We checked 92 users of FMS to the Payroll to confirm that the users were employees of the Council. We found one instance where a member of staff who had left the Council in 2011 was still active on FMS. We confirmed that the user was removed from FMS on 8<sup>th</sup> March 2016.

### Payments (Creditors) Audit 2015/2016

When a purchase order is greater than £1,000, the purchasing system requires someone to raise the order and a budget holder to authorise the expenditure from their budget. This provides an appropriate separation of duties and control for higher levels of expenditure.

There was one purchase order raised for an amount less than £1,000 which was subsequently amended to an amount higher than £1,000.

This test highlighted that amended purchase orders did not require the authorisation of the budget holder within the Purchasing System. Whilst the amount involved with this particular purchase order was for a low financial value, this is a control weakness because orders can be raised for amounts in excess of a £1,000 without the budget holder's knowledge or appropriate authorisation.

We have confirmed that access levels have been reviewed and amended as appropriate.

### Income Collection Audit 2015/2016

#### **Documented Procedures**

Whilst procedures relating to income collection are generally satisfactory, we found that there were some areas where these could be improved and these were deemed to be low priority findings. These included within the Finance Team, Car Parking, Planning and Building Control and Licencing. It was confirmed that the procedures are being updated, and a verbal update will be provided at the meeting on progress in this area.

### **Storage of Cash**

During a review of the controls over cash, it was found that £800 of cash was stored in an unlocked cupboard whilst the value of cash insured was £500. It has been confirmed that a key safe and a pass code has now been installed so that cash may be locked away.

We also found that when the Finance Team occasionally collect cash from the main reception they do not provide a receipt or signature to evidence this. This does not comply with the Council's Financial Procedure Rules. This has been addressed by management and transfers on monies in this way are now evidenced.

### **Background Papers**

Internal Audit reports relating to 2015/2016 and 2016/2017  
Working papers relating to 2015/2016 and 2016/2017

Appendix A

Mid Sussex District Council  
Internal Audit Plan 2015/2016  
Summary of Recommendations from 1<sup>st</sup> April 2015– 31<sup>st</sup> March 2016

| 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 |
| Anti-Fraud Work- Fraud Risk Assessment  | 24/02/2015   | 29/07/2015   | -                         | 7               | -            | 7     | 4                         | 1              | 1                          | 1                       | -                             | -                       | -            |
| Payroll                                 | 09/11/2015   | 10/11/2015   | -                         | 1               | -            | 1     | -                         | -              | -                          | -                       | 1                             | -                       | -            |
| Procurement                             | 13/11/2015   | 26/1/2016    | -                         | 1               | -            | 1     | -                         | -              | 1                          | -                       | -                             | -                       | -            |
| Treasury Management                     | 7/12/2016    | 08/12/2015   | -                         | 1               | -            | 1     | 1                         |                |                            |                         |                               |                         |              |
| CenSus Housing Benefits                 | 01/03/2016   | 10/03/2016   | 5                         | 3               | 1            | 9     |                           |                |                            | 9                       |                               |                         |              |
| Income Collection (Cashiers)            | 13/03/2016   | 14/04/2016   |                           |                 | 7            | 7     | 3                         |                |                            | 4                       |                               |                         |              |
| Payments (Creditors)                    | 24/02/2016   | 24/03/2016   |                           | 2               |              | 2     |                           |                |                            | 1                       | 1                             |                         |              |
| Sundry Debtors                          | 10/03/2016   | 10/03/2016   | -                         | -               | -            | -     |                           |                |                            |                         |                               |                         |              |
| Capital Accounting and Asset Management | 9/03/2016    | 14/03/2016   | -                         | -               | -            | -     |                           |                |                            |                         |                               |                         |              |
| Budgetary Control                       | 07/03/20016  | 01/03/2016   | -                         | -               | -            | -     |                           |                |                            |                         |                               |                         |              |
| FMS                                     | 18/03/2016   | 22/03/2016   | -                         | -               | 1            | 1     |                           |                |                            |                         |                               |                         |              |



