

Report to: Audit Committee
Date of meeting: 30 June 2010
Report of: Audit Manager
Title: Implementation of Internal Audit Recommendations

1.0 **SUMMARY**

This is a new, quarterly report to the Committee explaining the new follow up arrangements for Internal Audit recommendations and detailing those recommendations which have not been implemented in accordance with agreed timescales.

2.0 **RECOMMENDATIONS**

- 2.1 Committee notes the new arrangements.
- 2.2 Committee instructs the relevant Heads of Services to implement the recommendations with immediate effect or provide explanations for failure to do so to the next meeting of this Committee..

Contact Officer:

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Report approved by: Bernard Clarke, Head of Strategic Finance

3.0 **DETAILED PROPOSAL**

- 3.1 Until now the practice for following up on the implementation of recommendations has been for the Audit Manager to contact Heads of Services on a rolling monthly basis to obtain written confirmation that all High and Medium Risk recommendations made in reports issued three months earlier had been implemented.
- 3.2 Failure to act on recommendations, reply to the Audit Manager or provide a reasonable explanation/alternative course of action led to a report to the relevant Corporate Director for action.
- 3.3 Irrespective of the above, all key system recommendations were automatically followed up during the following audit or, occasionally, a follow-up audit was carried out.
- 3.4 Under the new process the monthly chase up arrangements will continue but without several reminders being issued. Instead of reporting to a Corporate Director, all outstanding recommendations are now being reported to Leadership Team on a quarterly basis and to Quarterly Review meetings. Failure to act at this stage will now result in a report to the Audit Committee.
- 3.5 The following schedule contains details of two audit reports for which there has been no response from the Head of Service.
- 3.6 These new arrangements are being introduced as part of the Managing the Organisation agenda, to raise the profile of audit recommendations and to ensure prompt action thereby strengthening governance arrangements.
- 3.7 Progress will be noted in the next report.

4.0 **IMPLICATIONS**

4.1 **Financial**

- 4.1.1 The Head of Strategic Finance comments that there are no immediate implications arising from this report.

4.2 **Legal Issues** (Monitoring Officer)

- 4.2.1 The Head of Legal and Property Services comments that there are no legal implications in the report. The Council is under a duty to maintain an adequate and effective system of internal audit of its system of its accounting records and of its systems of internal control.

4.3 **Potential Risks**

4.3.1

Potential Risk	Likelihood	Impact	Overall score
Progress in implementing Internal Audit recommendations is not monitored, recommendations are not implemented and as a consequence, internal controls are weakened.	1	3	3

Background Papers

The following background papers were used in the preparation of this report. If you wish to inspect or take copies of the background papers, please contact the officer named on the front page of the report:

Internal Audit Files.

File Reference

None.

Implementation of Internal Audit Recommendations

Housing and Council Tax Benefit Administrative Systems							
Final report issued January 2010							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x/√	Revised deadline
5.1.20	A process for consistently entering relevant dates onto the Academy system to ensure the correct classification of overpayment error should be developed, approved, documented and adopted for the shared Revenues & Benefits service – including appropriate training for staff. This approach must be demonstrably consistent with the existing legislation and should be tested against the expectations of the external auditors.	HIGH	<p>Agreed.</p> <p>The Benefits section at Three Rivers District Council already classifies overpayment error as Local Authority error from the date at which the council was first aware of the change that led to the overpayment.</p> <p>Process maps have been prepared for all the processes to be operated by the shared Revenues & Benefits service. The process maps for dealing with changes in circumstances and overpayments will be updated to make explicit reference to the need to record dates correctly. Specific guidance notes will be given to staff to supplement the process maps in relation to recording the relevant dates correctly.</p> <p>Staff received training on the use of the Academy system over a three week period beginning 16 November 2009 and this included training on the recording of the correct dates for</p>	Benefit Manager for Shared Service	February 2010	x	

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Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x/√	Revised deadline
			<p>classifying overpayment error.</p> <p>Quality assurance checking of at least 30% of the work performed each week will identify whether there is an issue relating to the classification of overpayments once shared services is fully implemented.</p>				
5.2.25	<p>The Shared Services Project Team should ensure that all testing of the Academy system by Shared Services staff, and the resolution of identified errors, is fully documented. This evidence will supplement the evidence of testing performed by Capita and will support the decision on whether or not to perform the final acceptance sign off of the new system.</p>	HIGH	<p>Agreed.</p> <p>Documentation will be kept to evidence all of the user acceptance testing performed by shared services staff, including details of the exact test performed, the claim references tested, the date of the test, the results of the test and the outcome of any work identified as necessary to correct errors.</p> <p>A list of the expected tests has been prepared by Capita and will also be signed off by them once the testing has been completed by shared services staff.</p>	Benefit Manager for Shared Service	Immediate.	x	

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			This documentation will be maintained on a testing file to provide a comprehensive source of evidence to support the decision to sign off the Academy system as satisfactory.				
5.2.26	The resourcing of the manual offsetting of prior year overpayments from the CIVICA system against newly awarded benefit within the Academy system should be formally addressed as part of the Revenues & Benefits Shared Service project plan prior to the implementation of the shared service. Failure to resource this appropriately from the outset of the shared service will increase the risk of qualification of the subsidy claim for 2009/2010 should a backlog of outstanding adjustments remain unprocessed when the subsidy claim is produced.	HIGH	Agreed.	Shared Services Head of Revenues & Benefits	Immediate (prior to the "go-live" date for the Academy system).	x	
5.2.28	Finance and the Revenues & Benefits Shared Service Project Team should liaise at the	HIGH	Agreed. The Benefits Manager and Shared	Benefit Manager for Shared	February 2010	x	

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	earliest possible opportunity to ensure that necessary arrangements for reconciling the Academy system and the Financial Management Systems at both Watford Borough Council and Three Rivers District Council throughout the year are implemented before the go-live date in December 2009.		Services Head of Revenues & Benefits will arrange to meet with the relevant accountants from Finance to make arrangements for all reconciliations between the Revenues & Benefits systems and the Financial Management System.	Service and Shared Services Head of Revenues & Benefits			
5.2.29	Arrangements should be confirmed to ensure that the process for the production of the final subsidy claim information from the CIVICA Benefit system is adequately resourced.	HIGH	<p>Agreed.</p> <p>Since the fieldwork for this audit was completed it has become apparent that the subsidy routines for 2009/2010 cannot be run on the CIVICA system until the appropriate updates have been loaded in March 2010.</p> <p>The consultant who is currently assisting with extracting data from CIVICA for testing on Academy will be approached with a view to securing his services in March 2010 to perform the upgrade to CIVICA and run the subsidy routines.</p>	Benefit Manager for Shared Service	March 2010	x	

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			The resulting reports can then be tested by the Performance & Training Senior Officer prior to entering data onto the subsidy claim form.				
5.2.30	Formal notice should be provided to CIVICA at the earliest opportunity to maximise the refund due to the council on the licence fee for 2009/2010.	HIGH	<p>Agreed.</p> <p>Since the fieldwork for this audit was completed a decision has been made to keep a live version of the CIVICA Benefit system until May 2010 to support the subsidy claim process for 2009/2010.</p> <p>CIVICA will however be informed at the appropriate time of the intention to terminate use of the live system and continue with a view only licence.</p>	Benefit Manager for Shared Service	28 February 2010 (i.e. three months prior to the end of May 2010)	x	

Benefit Subsidy Claim 2008/09

Final report issued September 2009

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x/√	Revised deadline
5.1.26	The figures entered onto the final subsidy claim should be cross checked for accuracy by a second officer to the corresponding figures on the source reports from the Benefit system as a basic double check prior to submitting the claim for sign off by the Head of Strategic Finance and subsequent submission to the DWP.	MEDIUM	Agreed.	Benefit Manager under Shared Service + Head of Revenues & Benefits	May 2010 (when the next subsidy claim is prepared) <i>Post audit note – imminent.</i>	x	
5.1.27	A comparative check between the current and previous years' subsidy claims should be integrated with the other data quality measures employed by Revenues & Benefits to provide assurance that variations in cells between the years are not due to errors.	MEDIUM	Agreed.	Benefits Manager under Shared Service	May 2010 (when the next subsidy claim is prepared) <i>As above</i>	x	

5.1.28	Evidence should be maintained of all data quality checks performed on the interim and final subsidy claims.	HIGH	<p>Agreed.</p> <p>The checked reports will be kept from now on.</p> <p>There may be an automated process within the Academy system that will maintain this audit trail following Shared Services implementation.</p>	Performance & Training Manager	Immediately	✘	
5.1.29	Evidence should be kept of the satisfactory conclusion of competence monitoring of new or temporary staff as part of the data quality arrangements within Revenues & Benefits.	MEDIUM	<p>Agreed.</p> <p>A sign off form will be developed for this to ensure there is a consistent approach across the service.</p> <p>The Academy system includes an automated facility for quality checking which can be tailored to ensure that new staff are checked 100%. An audit trail is maintained within the Academy system itself for this checking.</p>	Performance & Training Manager and the Performance & Training Senior Officers	October 2009	✘	

5.2.19	The new processes for reconciling the gross expenditure figures on the subsidy claim (which originate from the Benefits system) to the net figures entered on the council's financial management system (which also originate from the Benefits system) should be developed and agreed between Finance and Revenues & Benefits and then documented prior to the completion of the subsidy claim for 2009/2010.	MEDIUM	Agreed.	Revenues & Benefits + Finance Shared Service Implementati on Teams	February 2010.	✘	
5.2.20	A documented explanation for the differences between the gross expenditure figures reported on the subsidy claim and the net payment figures transferred to the financial management system should be developed in time for the preparation of the subsidy claim for 2009/2010. This explanation should be supported as far as technically possible by reports from the benefits system.	MEDIUM	Agreed.	Revenues & Benefits + Finance Shared Service Implementati on Teams	May 2010 <i>Post audit note – imminent.</i>	✘	

5.2.21	Finance staff should have sufficient input to the implementation of the new benefits system to ensure that adequate reports are produced to support all reconciliations with the financial management system.	HIGH	<p>Agreed.</p> <p>This will include agreeing the responsibility for performing rent allowance bank reconciliations following the implementation of Shared Services.</p>	Revenues & Benefits + Finance Shared Service Implementation Teams	November 2009	✘	
5.2.22	Any remaining amounts of HRA property rent rebate paid over to the Watford Community Housing Trust should be reconciled to the totals on the benefit computer system monthly to demonstrate that all amounts due have either been paid over to the WCHT or offset against existing overpayments.	MEDIUM	<p>Agreed.</p> <p>The Benefits Manager will liaise with the Performance & Training Manager to agree how this can best be achieved.</p>	Benefit Manager and Performance & Training Manager	October 2009	✘	