

**WYRE FOREST DISTRICT COUNCIL****AUDIT COMMITTEE**  
**14<sup>TH</sup> MARCH 2011****Internal Audit Monitoring Report**  
**Quarter Ended 31<sup>st</sup> December 2010**

<b>OPEN</b>	
<b>SUSTAINABLE COMMUNITY STRATEGY THEME</b>	Internal Organisational Theme
<b>CORPORATE PLAN AIM:</b>	A well-run and responsive Council
<b>CABINET MEMBER:</b>	Councillor Nathan Desmond
<b>RESPONSIBLE OFFICER:</b>	S151 Officer
<b>CONTACT OFFICER:</b>	David Buckland Extension No. 2100 <a href="mailto:david.buckland@wyreforestdc.gov.uk">david.buckland@wyreforestdc.gov.uk</a>
<b>APPENDIX 1</b>	Internal Audit Report for the Quarter ended 31 <sup>st</sup> December 2010

**1. PURPOSE OF REPORT**

- 1.1 To inform members of the Internal Audit Monitoring Report for the Quarter ended 31<sup>st</sup> December 2010, attached as Appendix 1.

**2. RECOMMENDATIONS**

**The Audit Committee is asked to NOTE:**

- 2.1 **The Internal Audit Monitoring Report for the Quarter ended 31<sup>st</sup> December 2010 as detailed in the Appendix to the report.**

**3. BACKGROUND**

- 3.1 The management of the authority are obliged to safeguard public funds and use them in a way which provides value for money and thereby best value. An effective internal audit service is vital in helping management to meet these important duties as it is an independent appraisal function for the review of the entire internal control system.
- 3.2 The Audit Committee approved the operational Annual Audit plan 2010 – 2011 in March 2010. This plan takes into account changes in priorities or risk in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.
- 3.3 The Internal Audit Strategic Plan 2009 – 2012 approved in March 2009 provides the overall direction for the Internal Audit service working in partnership with the External Auditors to minimise the overall audit cost to the authority.
- 3.4 Performance of the Internal audit service is monitored against plan each quarter during the year by way of this quarterly audit report to the Audit Committee, to the Corporate Management Team and to the External Auditors.

3.5 The Report attached as an Appendix contains 4 sections which are:

- Section 1 **Final** internal audit reports issued in the quarter
- Section 2 **Follow up** Reviews undertaken in the quarter
- Section 3 **Draft** internal audit reports issued in the quarter
- Section 4 **Performance Statistics**

3.6 The audit reports referred to in the Appendix are those where testing has been undertaken on an element of the internal control environment. It should be noted that the findings are on an **exception basis** i.e. reported if an internal control was found not to be operating satisfactorily, so giving rise to a control weakness and therefore an area for improvement. The findings of audit reviews in the report do not list those internal controls which were found to be operating satisfactorily. This approach has been adopted to enable the output of the review to focus on those areas considered by internal audit to require management's attention.

3.7 The Internal audit review process is published on the Council's Intranet. This details the process whereby **Draft** internal audit reports arising from audits are forwarded to Chief Officers and nominated lead managers for agreement to recommendations and timescales for implementation prior to the preparation of **Final** internal audit reports.

3.8 The approved Terms of Reference for Internal Audit require that the Section 151 Officer prepares an annual opinion on the Council's internal control environment. This is a personal opinion, which takes into account the findings of the audit reviews that have been undertaken relating to the financial year in question. These findings are taken together and considered in order to give an overall view of the Council's Internal Control environment, which is reported to the June meeting of the Audit Committee.

3.9 The terminology within the reports presented to members is in line with that used by many other Internal Audit sections of public authorities, private and public companies and external auditors.

3.10 Every organisation operates in the real world and errors/omissions/system weaknesses (manual or computerised) are inevitable. Management have to manage these known risks through the use of internal controls.

3.11 It may be that an operational decision has been taken by management to accept the risk of the non operation of an internal control. Where the area is being reviewed by internal audit in such an instance the weakness and any associated recommendation would be reported. Management would record within the service's risk register the processes in place to mitigate the risk.

3.12 The Corporate Management Team have confirmed that action would be taken immediately should an internal audit review report a significant weakness which could lead to a potential serious issue.

**4. KEY ISSUES**

- 4.1 Internal audit make recommendations to management on potential improvements to the internal control environment of the system under review. It is management's responsibility to take the necessary action to implement recommendations as agreed in the final internal audit report.
- 4.2 The Quarterly audit report contains details of internal audit reports issued in the quarter together with follow up reviews. The format of internal audit reports has been adopted to enable management and members to focus on those areas that internal audit wishes to draw to its attention. The success or otherwise of a service is reported via other dimensions of the Council's performance management framework including for example the monitoring of the Performance Indicators, Performance Review Clinics and the progress of the Council against its agreed implementation plan arising from its Comprehensive Performance Assessment review.
- 4.3 The internal audit section operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. Procedures are monitored to ensure that the internal audit section procedures remain compliant.
- 4.4 The approved Terms of Reference for Internal Audit require that the Section 151 Officer prepares an annual opinion on the Council's internal control environment. This is a personal opinion, which takes into account the findings of the audit reviews that have been undertaken relating to the financial year in question. These findings are taken together and considered in order to give an overall view of the Council's Internal Control environment.

**5. FINANCIAL IMPLICATIONS**

- 5.1 There are no financial implications arising from this report. There may however be financial implications if the audit recommendations made within audit reports are not implemented on a timely basis.

**6. LEGAL AND POLICY IMPLICATIONS**

- 6.1 The Accounts and Audit Regulations 2003 and the Accounts and Audit (Amendment)(England) Regulations 2006 section 6(1) require that:

"A relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control."

**7. RISK MANAGEMENT**

- 7.1 In order to manage risks internal controls are used to mitigate and manage the identified risks to an acceptable level. Any weakness in the operation of internal controls therefore impacts directly on the management of risk.
- 7.2 Risk management issues could arise when weaknesses in internal controls are identified during the audit review process and management delay or defer implementation of the recommendations made.

- 7.3 The Internal Audit service is one element of the Council's assurance/internal control framework.

**8. EQUALITY IMPACT NEEDS ASSESSMENT**

- 8.1 An Equality Impact Assessment screening has been undertaken and it is considered that there are no discernable impacts on the six equality strands.

**9. CONCLUSION**

- 9.1 The work undertaken by internal audit in the quarter ended 31<sup>st</sup> December 2010 is reported within Appendix 1. This information is presented to members in accordance with the Terms of Reference for the Internal Audit Section.
- 9.2 The work undertaken by the Internal Audit Section has complied with the requirements of the CIPFA Code of Practice for Internal Audit in Local government.

**10. CONSULTEES**

- 10.1 Corporate Management Team

**11. BACKGROUND PAPERS**

- 11.1 16<sup>th</sup> March 2010 ~ Audit Committee ~ Annual Audit Plan 2010~2011  
16<sup>th</sup> March 2009 ~ Audit Committee ~ Strategic Audit Plan 2009~2012  
16<sup>th</sup> March 2009 ~ Audit Committee ~ Internal Audit Terms of Reference ~ Update



# **INTERNAL AUDIT SECTION**

## **INTERNAL AUDIT MONITORING REPORT**

**QUARTER ENDED  
31<sup>st</sup> December 2010**

**INTERNAL AUDIT SECTION**  
**QUARTERLY AUDIT REPORT**  
**QUARTER ENDED 31<sup>st</sup> DECEMBER 2010**

<b>INDEX</b>	<b>PAGE</b>
<b>SECTION 1</b> Final Audit Reports issued in the Quarter	<b>103</b>
<b>SECTION 2</b> Follow up Reviews undertaken in the Quarter	<b>109</b>
<b>SECTION 3</b> Draft Audit Reports issued in the Quarter	<b>110</b>
<b>SECTION 4</b> Performance against Annual Plan for the Financial Year 2010/11 For the Quarter	<b>111</b>

DAVID BUCKLAND  
SECTION 151 OFFICER

25<sup>TH</sup> JANUARY 2011

SECTION 1 FINAL AUDIT REPORTS ISSUED IN THE QUARTER ENDED 31 <sup>ST</sup> DECEMBER 2010		
	ASSURANCE	PAGE
<b>CORPORATE &amp; LEGAL SERVICES</b>		
Review of Contractual Arrangements for Maintenance of Equipment ~ at Town and Civic Halls	N/A	-
<b>PLANNING &amp; REGULATORY SERVICES</b>		
<b>Key Systems</b>		
Development Control 2010/11	F	-
Innogistic Computer Application 2009/10	S	8
MVM Computer Application 2009/10	S	9
<b>RESOURCES</b>		
<b>Key Systems</b>		
Benefits Compliance 2010/11	S	10
Council Tax Compliance 2010/11	S	11
NNDR Compliance 2010/11	S	12

KEY		
Assurance Level	Description of Assurance Level	What is reported in the Quarterly Audit Report
U = Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations ~ provides little or no assurance.  A significant internal control is one which is key to the overall framework of controls.	Summary page of Audit Report and significant findings and associated recommendations.
L = Limited	Significant lapses/breakdown in individual controls ~ at least on significant weakness ~ provides partial assurance.	Summary page of Audit Report and significant findings and associated recommendations.
S = Some	Sufficient framework of controls but some weaknesses identified ~ provides adequate assurance.	Summary page of Audit Report together with any significant findings and associated recommendations where appropriate.
F = Full	Robust framework of controls, any recommendations are advisory ~ provides substantial assurance.	The title of the review undertaken is reported.

<b>AUDIT REPORT TITLE:</b> INNOGISTIC ~ APPLICATION AUDIT	<b>DRAFT REPORT DATE ISSUED:</b> Action Plan Issued 14 <sup>th</sup> September 2010	<b>SERVICE: Planning &amp; Regulatory Services</b>
<b>BUDGET: N/A</b>	<b>FINAL REPORT DATE ISSUED:</b> 16 <sup>th</sup> December 2010	<b>RESPONSE RECEIVED: 5<sup>th</sup> October 2010</b>
<b>REF: N/A</b>		

Assurance Levels	Definition	Recommendation Rankings	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration
<b>Some</b>	<b>Sufficient framework of controls but some weakness identified – provides adequate assurance.</b>	Other	Medium risk - action required but not urgent
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.	Significant	High risk – urgent action needed
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.		

#### Overview

The Audit examined the arrangements in place relating to the Innogistic Planning Application used in Planning and Regulatory Services. The application provides a comprehensive tool which can be used by Officers to manage the process of planning and application requirements.

#### Conclusion:

The Audit found that the FastPLANNING module is provided by Innogistic and is a system offering a software solution which addresses the comprehensive requirements of the Planning and Development process. It has been in use for almost four years with regular software updates received. The last software release (Version 4) introduced a number of errors into the system. The errors were rectified at the time of the audit. A further software release (Version 5) is ready for installation however this has been purposely delayed. Version 4 gave the potential to interface and use the corporate document imaging system, Anite, with Innogistic and provide better web publications. The application has an audit trail which has several levels of functionality depending on the level of reporting required. The audit trail currently in use is the 'light touch' level but there is functionality which will allow a full version to be reported. However, it has been identified that the full version is resource heavy and can impact on the service provision. There are controls on data input to assist data cleansing and uniformity of input data. System back ups are sufficient. Users are provided with appropriate access to the system using groups and rights and permission status in order to view, create or update documents. Security pertaining to the rights and permissions, which has the effect of limiting the functionality available to them within the system, is in place and is administered by the System Administrator (Senior Admin. Officer) and ICT.

Documentation pertaining to cases is displayed using the application. Information is also published to the web but is sanitised by system parameters. A maintenance agreement with the software supplier is in place to assist ICT with the maintenance of the software. The Cartology system is interfaced with Innogistic. There is also an uploading of documents on a daily basis during the overnight operational work. The Audit has identified several points which Management should consider to enhance overall security, reduce risk and strengthen control. The control environment evidenced during the audit indicated a satisfactory level of security and integrity of information storage. The application appears to be operating as intended notwithstanding the issues encountered with the last software release.

The overall conclusion therefore, is that **SOME** assurance can be given that the internal controls are in place within the key system for control of Innogistic. Implementation of the following recommendations will ensure that the controls are strengthened.



<b>AUDIT REPORT TITLE: MVM M3 ~ APPLICATION AUDIT</b>  <b>BUDGET: N/A</b>  <b>REF: N/A</b>		<b>DRAFT REPORT DATE ISSUED:</b> <b>Action Plan Issued 14<sup>th</sup> September 2010</b>  <b>FINAL REPORT DATE ISSUED:</b> <b>16<sup>th</sup> December 2010</b>	<b>SERVICE: Planning &amp; Regulatory Services</b>  <b>RESPONSE RECEIVED: 5<sup>th</sup> October 2010</b>	
<b>Assurance Levels</b>	<b>Definition</b>	<b>Recommendation Rankings</b>	<b>Definition</b>	
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration	
<b>Some</b>	<b>Sufficient framework of controls but some weaknesses identified – provides adequate assurance.</b>	Other	Medium risk - action required but not urgent	
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation- provides partial assurance.	Significant	High risk – urgent action needed	
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.			

### Overview

The Audit was to examine the arrangements in place relating to the MVM M3 Environmental Health Application used in the Environmental Services and Street Scene Section. The application provides a tool which can be used by appropriate Officers in the Authority to record, produce and report on various Environmental matters.

### Conclusion:

The Audit found that the MVM M3 Application is provided by Northgate and is a system offering a software solution which addresses Government National initiatives as well as management of statutory functions e.g. Environmental Health.

It has been in use at WFDC in excess of ten years and is a stable system. The application has an audit trail which has several levels of functionality depending on the level of reporting required. The audit trail is currently set at a basic level but there is functionality which will allow a full version to be reported. There are controls on data input to assist data cleansing and uniformity of input data. System back ups appear to be sufficient. Users are provided with access to the system using groups and rights and permission status in order to view, create or update documents. Security pertaining to the rights and permissions, which has the effect of limiting the functionality available to them within the system, is in place and is administered by the System Administrator (Senior Admin. Officer). Documentation pertaining to cases is displayed using the Anite application. There is an Escrow Agreement which would allow the ICT Section to obtain the core code if there was an issue with the Software House. A maintenance agreement with the software supplier is in place to assist ICT with the maintenance of the software. Documents are held in Anite which is intrinsically linked to the M3 system. There is also an uploading of documents on a daily basis during the overnight operational work. The Audit has identified several points which Management should consider to enhance overall security, reduce risk and strengthen control. Overall, the control environment evidenced during the audit indicated a satisfactory level of security and integrity of information storage. Overall the application appears to be operating as intended.

The overall conclusion therefore, is that **SOME** assurance can be given that the internal controls are in place within the key system for control of MVM M3. Implementation of the following recommendations will ensure that the controls are strengthened.

<b>AUDIT REPORT TITLE: Benefits Compliance Testing 2010/11</b>	<b>DRAFT REPORT DATE ISSUED:</b> <b>Action Plans Issued: 27.09.10/07.10.10</b>	<b>SERVICE: Director of Resources (Revenues)</b>
<b>BUDGET: : £37,780,070 10/11 Estimated Benefit Payments</b>	<b>FINAL REPORT DATE ISSUED:</b> <b>16<sup>th</sup> December 2010</b>	<b>RESPONSE DATE: N/A</b>
<b>REF: A280 BENEFIT PAYMENTS</b>		

<b>Assurance Levels</b>	<b>Definition</b>	<b>Recommendation Rankings</b>	<b>Definition</b>
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration
<b>Some</b>	<b>Sufficient framework of controls but some weakness identified – provides adequate assurance.</b>	Other	Medium risk - action required but not urgent
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.	Significant	High risk – urgent action needed
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.		

### **Overview**

This Audit forms part of the annual reviews undertaken to assist the Council's External Auditors in their annual audit. The review was undertaken to ensure that Benefits payments for both rent allowance claims and council tax benefit claims and any overpayments that occur are assessed appropriately and calculated accurately.

A random sample of accounts with Housing Benefit and Council Tax Benefit entitlement was selected and examined in detail to ensure there is adequate proof of income and / or valid Department of Works and Pensions notification; adequate proof of capital and any income from capital is correctly calculated; that the level of disregards against income, non-dependant income and allowances and premiums have been assessed and applied correctly. There is a signed benefit application form and evidence of proof of identity. Additional testing for Housing benefit included verifying the benefit is based on the correct eligible rent. Additional testing for Council Tax Benefit included confirming that the Civica Council Tax records were appropriately updated, that the property is not void and the claimants are the liable people to pay Council Tax. A random sample of accounts with a Housing Benefit overpayment and Council Tax Benefit overpayment was selected and examined in detail to ensure that the overpayment was appropriately assessed. The detailed testing included verifying that the original benefit assessment was calculated accurately, the revised assessment was calculated accurately and the overpayment was correctly stated in the subsidy and overpayment reports produced by the Civica (Benefits) computer system, and being recovered in accordance with legislation.

The detailed compliance testing has been undertaken in two parts. An initial sample was selected from the first quarter of 2010/11 to cover the period to June 2010 after which Action Plans were issued directly to Managers. The aim of the action plans being to advise Managers of any matters arising during the period of testing in order that they can be addressed promptly and remedial action taken. Of the observations arising from the initial testing, it was found that for two claims with Housing Benefit entitlement, figures had been incorrectly input when assessing a claim which in turn had led to small overpayments being recovered. In respect of those claims for Council Tax Benefit, input errors had resulted in one underpayment and one overpayment for which the council tax accounts were amended accordingly. In addition, for one account within the sample, clarification was sought in respect of legal ownership of a property. For all matters arising, prompt remedial action was taken by the Revenue and Benefit Manager with assessors being asked to ensure accurate data input. The second part of testing was carried out on a sample of claims taken over the second and third quarters to cover the period July – November 2010 when it was noted that there was an increase of level of accuracy and as a result no further matters arose requiring prompt remedial action.

### **Conclusion**

On the basis of the work undertaken, the review has concluded that within the procedures in operation for assessing entitlement to and payment of both Housing and Council Tax Benefits along with the recovery of overpayments there are opportunities for improvement. During this financial year, there has been a change in working practices in recent months with Assessors opting to home-work under the Council's corporate Mobile and Flexible Home Working Policy. In view of this, the matters arising from this audit review highlight a need for ensuring that the Senior Benefit Assessors do undertake regular management checks on claims processed within their respective teams for both office based and home working team members to reduce the risk of over/underpayment of benefit to claimants. However the matters arising, detailed below for completeness, are for a small element of the overall Benefits assessment process and therefore reasonable assurance can be given that other elements of the system are well managed. In view of the Action Plans issued and in recognition of the prompt action taken by the Revenues and Benefits Manager, the overall conclusion has been raised from **SOME** to **FULL** assurance in that the internal controls in place within the system for the assessment of Housing and Council Tax Benefits are operating effectively in this key system.

<b>AUDIT REPORT TITLE: Council Tax Compliance Testing 2010/11</b>	<b>DRAFT REPORT DATE ISSUED:</b> 16 <sup>th</sup> December 2010	<b>SERVICE: Resources Directorate (Revenues)</b>
<b>BUDGET: £59,715,651 Gross Debit 10/11</b>	<b>FINAL REPORT DATE ISSUED:</b> 30 <sup>th</sup> December 2010	<b>RESPONSE DATE:</b> 30 <sup>th</sup> December 2010
<b>REF:</b>		

Assurance Levels	Definition	Recommendation Rankings	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration
Some	<b>Sufficient framework of controls but some weakness identified – provides adequate assurance.</b>	Other	<b>Medium risk - action required but not urgent</b>
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.	Significant	High risk – urgent action needed
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.		

#### **Overview**

This Audit forms part of the annual reviews undertaken to assist the Council's External Auditors in their annual audit. The review concentrated on ensuring that there are procedures in place for recording and processing of changes in circumstance, that appropriate recovery action is taken for arrears and correct authorisation is obtained prior to write-off of unrecoverable council tax debts.

A sample of 10 council tax accounts with a change of circumstance was selected and examined in detail to ensure the effective date was recorded, there was a signed discount/exemption application where applicable, correct discount/exemption was awarded as appropriate, the revised account and instalments are calculated correctly and an adjustment bill raised.

A further sample of 10 accounts was selected at different stages of the recovery process and examined to ensure that correct recovery action is being taken in accordance with legislation. The detailed testing included verifying that arrears were promptly identified, recovery action had been taken in accordance with procedures and each stage of recovery recorded, accounts were debited with costs where applicable, arrangements to pay were in place and payments monitored, where applicable attachment of earnings orders were actioned and arrears were effectively pursued.

The write-off report submitted to Cabinet 16<sup>th</sup> November 2010 was examined to confirm that approval for write-off was given in accordance with Financial Regulation 9.7. One account from the report was selected for detailed scrutiny and a copy of the supporting documentation obtained to confirm compliance, eligibility and correct authorisation.

A Write-Off report produced by the Council Tax system was examined to ensure approval for write-off was given in accordance with the Scheme of Delegation to Officers and Financial Regulation 9.7. One account from the report was selected to ensure the correct recovery action had been taken and there was adequate documentation to support the write-off by the Director of Resources.

#### **Conclusion**

On the basis of the work undertaken, the review has concluded that the procedures in operation for the processing of change of circumstance, recovery action and write-offs within Council Tax systems are working as intended and are well managed with the exception of one instance where the cost of summonses had not been increased in line with the Income Service Options approved at Cabinet in February 2010. The overall conclusion therefore, is that **SOME** assurance can be given that the internal controls in place are operating effectively in the Council Tax system.

<b>AUDIT REPORT TITLE: NNDR Compliance Testing 2010/11</b>  <b>BUDGET: £30,479,029 Gross Debit (10/11)</b> <b>REF: P100</b>	<b>DRAFT REPORT DATE ISSUED:</b> <b>16<sup>th</sup> December 2010</b> <b>FINAL REPORT DATE ISSUED:</b> <b>30<sup>th</sup> December 2010</b>	<b>SERVICE: Resources Directorate (Revenues)</b>  <b>RESPONSE DATE:</b> <b>30<sup>th</sup> December 2010</b>
--	--	---

Assurance Levels	Definition	Recommendation Rankings	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration
<b>Some</b>	<b>Sufficient framework of controls but some weakness identified – provides adequate assurance.</b>	<b>Other</b>	<b>Medium risk - action required but not urgent</b>
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.	Significant	High risk – urgent action needed
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.		

#### **Overview**

This Audit forms part of the annual reviews undertaken to assist the Council's External Auditors in their annual audit. The review concentrated on ensuring that there are procedures in place for recording and processing a change in circumstance, that appropriate recovery action is taken and correct authorisation is obtained prior to write-off of National Non-Domestic Rates (NNDR) debts.

A sample of NNDR accounts with a change of circumstance was selected and examined in detail to ensure the effective date was recorded, charges were calculated using the correct NNDR Multiplier, small business rate relief / supplement and the period charge were calculated correctly and the rateable value was checked for accuracy to the Valuation Office's Rateable Value Listings.

A sample of NNDR accounts was selected at different stages of the recovery process and examined to ensure that correct recovery action is being taken in accordance with legislation. The detailed testing included verifying that arrears were promptly identified, recovery action had been taken in accordance with procedures and each stage of recovery recorded, accounts were debited with costs where applicable, arrangements to pay were in place and payments monitored and further action taken as required.

The write-off report submitted to Cabinet 16<sup>th</sup> November 2010 was examined to confirm that write-offs were noted in accordance with Financial Regulation 9.7 and a schedule of write-offs authorised by the Director of Resources was examined to confirm that approval was given in accordance with the Scheme of Delegation of Officers. One account from both the report and the write-off schedule was selected to confirm there is necessary documentary evidence to support the write-offs.

#### **Conclusion**

On the basis of the work undertaken, the review has concluded that the procedures in operation for the processing of change of circumstance, recovery action and write-offs within the NNDR system are working as intended and are well managed with the exception of one instance where the cost of summonses had not been increased in line with the Income Service Options approved at Cabinet in February 2010. The overall conclusion therefore, is that **SOME** assurance can be given that the internal controls in place are operating effectively in the NNDR system.

Quarter Report to the 31<sup>st</sup> December 2010

## SECTION 2

## Summaries of Follow up Reviews undertaken in the Quarter

KEY							
Assurance Levels	Definition						
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.						
Some	Sufficient framework of controls but some weakness identified – provides adequate assurance.						
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.						
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.						

  

TITLE	SYSTEM TYPE <small>K=Key S=Subsidiary</small>	ASSURANCE LEVEL OF FINAL REPORT	IMPLEMENTATION STAGE PER CHIEF OFFICER AND/OR RESPONSIBLE MANAGER AT TIME OF FOLLOW UP REVIEW				Page No.
			No of Recommendations	No of Recommendations Implemented	No of Significant Recommendations	No of Recommendations Implemented	
<b>Corporate</b>							
Creditors (Community & Partnership Services) 2009/10	K	S	1	1	-	-	-
Creditors (Resources ) 2009/10	K	S	2	1	-	-	-
Debtors 2009/10	K	S	3	1	-	-	-
<b>Resources</b>							
Housing Benefits Compliance 2009/10	K	S	3	3	-	-	-
Housing Benefits Reconciliation 2009/10	K	S	3	3	-	-	-
Payroll Reconciliation 2009/10	K	S	1	1	-	-	-

SECTION 3		
<b><u>DRAFT AUDIT REPORTS ISSUED IN THE QUARTER ENDED 31<sup>st</sup> DECEMBER 2010</u></b>		
TITLE	DATE OF ISSUE	CURRENT STATUS OF REPORT
-	-	-

Please note that there are no Internal Audit Reports at Draft Stage for the quarter ended 31<sup>st</sup> December 2010. During the third quarter the Audit Team have been completing and bringing to report stage the detailed testing required by our External Auditors as part of the 2010/11 Annual Audit Plan. As a result this work will be completed in January 2011 for review by the Audit Commission as part of their annual review and progress reported to the June Audit Committee.

## SECTION 4

INTERNAL AUDIT SECTIONPERFORMANCE AGAINST ANNUAL PLAN FOR THE FINANCIAL YEAR 2010/11Quarter Ended 30<sup>th</sup> December 2010Year to 31<sup>st</sup> March 2011

	<u>Quarter Actual</u>	<u>Quarter Plan</u>	<u>Quarter Actual as a % of Plan</u>			<u>Year Actual</u>	<u>Annual Plan</u>	<u>Year to Date Actual as a % of Plan</u>
	<u>Days</u>	<u>Days</u>	<u>%</u>			<u>Days</u>	<u>Days</u>	<u>%</u>
System and Probity	117.25	98.75	118.73%		System and Probity	354.25	395	89.68%
Computer Audit	4.75	10.0	47.50%		Computer Audit	9.25	40	23.13%
Computer Audit Contract	20.00	25.0	80.00%		Computer Audit Contract	45.00	50	90.00%
Contract Audit	13.25	10.0	132.50%		Contract Audit	13.50	40	33.75%
Consultancy and Advice	6.25	10.0	62.50%		Consultancy and Advice	29.75	40	74.38%
Irregularity	1.50	10.0	15.00%		Irregularity	11.50	40	28.75%
Specific Service Duties	4.00	3.75	106.67%		Specific Service Duties	12.00	15	80.00%
<b>Sub Total</b>	167.00	167.50	99.70%		<b>Sub Total</b>	475.25	620	76.65%

**TARGET****90.00%**