

**INTERNAL AUDIT PROGRESS REPORT**

*Report of the Chief Internal Auditor*

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**1. Purpose of Report**

At the final meeting of the Scrutiny and Audit Panel on 13 June 2000, the Chief Internal Auditor presented his Annual Report 1999/2000. The Report raised a number of matters on which members asked for an update in December 2000. This report therefore provides the Committee with information on the steps which management are taking to address those concerns.

**2. Update on developments**

**2.1 Unbanked cheques**

*Issue:*

An audit identified that a number of cheques, payable to the County Council and totalling £49,000, were being held unbanked in a locked drawer, one for more than five months. Internal Audit were concerned that cheques should be banked promptly, unless special circumstances, to be certified by a senior solicitor, justified their being held securely.

*Action taken:*

The daily banking of all cheques is now working well. ITnet and not Corporate Services now chase for valid account codes, so that banking is not delayed. Very few cheques are now held on to for legal reasons, and these are all logged and held in a locked drawer. As all the retained cheques are crossed and are therefore not negotiable, there is minimal risk of them being lost and fraudulently presented. We are continuing to monitor the situation, in order to ensure that these cheques are dealt with as promptly as possible, and that they are securely held prior to banking.

## 2.2 Payroll control accounts

### *Issue:*

There were problems with the reconciliation of rolled over balances in payroll control accounts, and only limited efforts were being made by ITnet to clear these at the time of our audit. It was important that these balances be cleared, and that the accounts be reconciled on a regular and up-to-date basis.

### *Action taken:*

Work has been done to clear the outstanding balances on a number of payroll control accounts. However, we have recently issued a draft audit report which still identifies some confusion around the responsibility for reconciling a few payroll control accounts, and little progress in clearing unreconciled 1997/98 items. We also remain concerned about the lengthening delays in reconciling one of the 1999/2000 key control accounts. We intend to follow through our recommendations in order to ensure that the complex reconciliation problems, as experienced in the past, are avoided.

## 2.3 Pensions overpayments

### *Issue:*

An audit found that several recipients of children's pensions were no longer entitled to them. Several others were being investigated, as ITnet had not received certificates of continuing entitlement (due to the recipients being in full-time education). A robust system was needed to ensure that payments ceased once recipients were no longer entitled, and any overpayments needed to be recovered.

### *Action taken:*

Children's 17th birthdays are now flagged on the CPX pension system, and children over this age are now contacted annually to check their continuing entitlement to a pension whilst in full time education. The educational establishment is also contacted for confirmation of the child's attendance, and annual life certificates continue to be sent to all children and overseas pensioners. A number of suspended child pensioners are still being investigated, and we will continue to monitor the investigation of all suspended pensioners as part of our annual pensions audit. Debtors accounts are routinely raised for overpayments of more than £25, but overpayments of less than £25 are written off in accordance with the Authority's Debt Policies and Procedures.

#### 2.4 Head teachers authorising payments to themselves

*Issue:*

Some schools audits found that Heads were the sole signatories on cheque payments to themselves for expenses or similar relatively small payments. A Governor should always approve such expenditure.

*Action taken:*

Our ongoing programme of school audits continues to reveal this practice in a significant number of schools audited. The Head is invariably the prime cheque signatory, and is the highest authority in a school for the authorisation of most types of transaction. However, we explain that payments to the Head must always be approved by a member of the Governing Body, and that the actual cheque must be countersigned by a member of staff able to confirm that this approval has been given. We reiterate this point in our report to the Governors that follows each audit; it will be reinforced in the next update of the regulations within the Financial Handbook for Schools, and in a bulletin item to all schools.

#### 2.5 Highways agreements

*Issue:*

One partnership agreement which we audited (with Hertsmere) was not yet signed or fully implemented. Efforts needed to continue to put such agreements on a formal footing, to the extent that this could be achieved by the County Council.

*Action taken:*

The Chief Internal Auditor wrote to the Director of Environment informing him of the Panel's concern. The Director confirmed that, on the County Council's part, efforts would continue to achieve satisfactory terms and formal signing of the agreements. Internal Audit is aware that active negotiations are continuing, and are nearing completion in a number of cases, while other Districts continue to operate under the existing Highways Agency agreements.

### **3. Conclusion**

In the view of the Chief Internal Auditor, the following up of these concerns has generally shown that managers have taken, or are taking, satisfactory steps to resolve them. More progress is needed with the reconciliation of payroll control accounts, on which Internal Audit is preparing to report separately. We will continue to track all these issues, and the other key points raised in reports on 1999/2000 audits; further progress will be reported in the Annual Report 2000/01 next summer.