

INTERNAL AUDIT UPDATE REPORT

Report of the Chief Internal Auditor

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1. Purpose of Report

To update the Committee on management action taken to address issues raised in Internal Audit's 2000/01 Annual Report.

2. Background

The Chief Internal Auditor presented his Annual Report to the Committee on 26 June 2001, summarising the issues raised by Internal Audit in the course of their 2000/01 work, and, where possible, outlining management's responses and actions taken to address the key recommendations.

The Committee asked in respect to a number of these issues, that a further report be made to them after six months, setting out the progress made in resolving these. The attached Table provides that information.

3. Conclusion

Satisfactory progress has been made to address the issues raised by Internal Audit. There is not yet evidence of improvement in the timeliness with which ITnet are reconciling payroll control accounts, but they have introduced new procedures to improve the position, and Corporate Finance is actively monitoring this. The Chief Internal Auditor will provide the Committee with a further update on this in his 2001/02 Annual Report.

Table – progress on issues raised in Internal Audit’s Annual Report 2000/2001

<u>Annual Report page no.</u>	<u>Audit issue</u>	<u>Progress made</u>
13	<p><u>School meals income</u> <i>In two primary schools, records were insufficient to confirm parents’ claims that meals money had been paid in by their children; improvements made in these schools to rectify this needed to be shared more widely.</i></p>	<p>Internal Audit have issued, via CSF (Children, Schools and Families Department), a bulletin item to all primary schools, setting out our view of the risks, and of best practice to avoid these. We also continue to make appropriate recommendations to individual schools following audits.</p>
22	<p><u>Payroll</u> <i>Method of payment: 13 employees were still being paid in cash, 343 by uncrossed cheque, 1336 by crossed cheque (bank transfer is more cost-effective), and 30 salary cheques were un-presented and out-of-date.</i></p> <p><i>High working hours: 11 employees (mostly in Education) were paid for in excess of 48 hours per week.</i></p> <p><i>Payroll control accounts: delays in the reconciliation of these by ITnet, and some accounts not routinely being reconciled.</i></p>	<p>No employees now paid in cash; numbers paid by uncrossed cheque much reduced and falling; numbers of crossed cheques expected to reduce after seasonal variations (e.g. new teachers at start of school year); un-presented and out-of-date cheques now mainly small or for final payments after resignations.</p> <p>Corporate Personnel have issued guidance to managers of staff with more than one contract and likely to exceed 48 hours a week, to ensure health and safety issues are properly managed.</p> <p>There are still significant delays in reconciliation of some of these, partly attributable to ITnet’s introducing new procedures in April 2001, which should help future reconciliations; net value of these balances is stable, ITnet are investigating, and Corporate Finance continue to monitor and raise queries.</p>

24	<p><u>Debtors</u> <i>Accounting difference: debtor balances on the Accounts Receivable (AR) and General Ledger (GL) systems differed by over £500k, which needed explaining.</i></p> <p><i>Debt Policy: compliance with the new Policy was patchy.</i></p> <p><i>Debtors (Care for the Elderly): there was no formally agreed procedure for the collection of debts accrued by clients following the transfer of four homes to Runwood; 17 debtors owed £105k at the transfer.</i></p>	<p>Following the re-allocation of invoice and cash entries originally posted to incorrect general ledger control accounts, the difference between the AR and GL systems has now been reduced to £68k. The Corporate Information Systems Group are actively working to complete this work.</p> <p>Use of the write-off procedures has improved, and the Policy is now generally being complied with; all Departments now have debt monitoring procedures; the level of old (9 months +) debts has continued to fall, from £3.6m to £2.6m (October 2001) and is monitored monthly by Finance Board.</p> <p>A debt recovery procedure has now been agreed between HCC and Runwood, and is being followed; a recent HCC staff appointment will be responsible for the pursuit of old debts.</p>
26	<p><u>Payments to Foster Parents</u> <i>The system for paying foster parents was old, inefficient and poor at providing management information.</i></p>	<p>Children, Schools and Families intend to replace the present system with a module of phase 3 of the CSF-A Oracle project, the earlier phases of which are currently being implemented.</p>
31	<p><u>Cross-boundary bus routes</u> <i>County Transport Services were working on improvements in fare, passenger and operational information, which would help ensure the correct allocation of financial support for cross-border routes.</i></p>	<p>The necessary software (Ticket Inspector) has been acquired, and two dedicated members of staff are in place to enable its full implementation. There are good working relationships with neighbouring authorities, and all operators have been invited to participate in the development of TI.</p>