

**HERTFORDSHIRE COUNTY COUNCIL
AUDIT COMMITTEE**

THURSDAY 12 DECEMBER AT 10 A.M.

Agenda Item No.

3

INTERNAL AUDIT REPORT 2001/2- UPDATE

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 2001/02 Annual Report.

2. Background

The Chief Internal Auditor presented his Annual Report to the Committee on 20 June 2002. The Report summarised the issues raised by Internal Audit in the course of their 2001/02 work, and, where possible, outlined management's responses and actions taken to address the key recommendations.

The Committee asked that, with respect to three of these issues, a further report be made to them at their next meeting, setting out the progress made in resolving these. This report provides that information.

3.1 Commissioning for daycare

The audit of Adult Care Services' arrangements for the commissioning of daycare had found that there needed to be formal contracts with the private and voluntary (P & V) sector, and not just partnership agreements.

Contract Regulations have now been amended to provide for formal contracts with P & V bodies. A Voluntary Sector Contracts Officer has been appointed, and all voluntary organisations receiving more than £1,500 from the ACS General Fund have received monitoring visits.

Subsequent appraisal will decide which funding streams are to continue. All the major organisations now have contracts, or will have contracts in place by April 2003. The remaining smaller organisations will have contracts when their existing agreements come to an end.

3.2 Music service

The audit had found satisfactory budgetary control at the level of the overall service, but there had been a number of shortcomings in day-to-day procedures. These included accounting processes, reconciliations to ensure that income due was received, asset controls, and compliance with VAT and PAYE regulations.

A follow-up audit has subsequently been completed, which found that satisfactory measures have now been taken to address most of the original recommendations. However, further action is still required in some areas, such as the procedures for ensuring that all income due is received. A follow-up report is being issued detailing these remaining issues.

3.3 Payroll

Employee expenses paid through the payroll were being claimed using a form which was generally disliked and costly to administer, and the process was due for modernisation.

Progress has been made towards a simplified method of claiming expenses, which will probably be trialled within Corporate Services from January 2003. The current intention is to adopt ITnet's own in-house system.

The 2001/02 audit of the payroll system also found that a significant number of employees continued to be paid weekly or fortnightly, despite the additional cost to the Council and the "single status" conversion to monthly pay.

There has since continued to be a reduction in the numbers not paid monthly, and this now numbers under 400 individuals, which is just over half those found last year. Corporate Personnel are checking whether, where possible, local agreements are being renegotiated to provide an incentive to move to monthly processing.