

TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE 21st FEBRUARY 2005

INTERNAL AUDIT SERVICES – PROGRESS REPORT

REPORT OF THE INTERNAL AUDIT MANAGER (this matter is the responsibility of Councillor Williams, the Leader of the Council)

EXECUTIVE SUMMARY

In order to ensure that members of the Corporate Governance Committee can fulfil their roles and responsibilities as agreed at the last meeting of the Committee on 6th July, 2004 it was agreed that periodically the Internal Audit Manager would present progress reports on work undertaken by the Unit. This report highlights significant findings and recommendations that have occurred since the April 2004. Also included in this report is an update on management responses to Internal Audit Findings and the implementation of recommendations for audits completed during the 2003/04 financial year.

1. Purpose of Report

- 1.1 To provide members with an update on the progress made against agreed audit recommendations from 2003/04 and to present an update on the activities of the Internal Audit Unit for the period April 2004 to December 2004.

2. Summary of Agreed Actions 2003/04 Audits

There were 28 audit reviews completed during 2003/04 that resulted in 139 recommendations. Follow-up visits have been conducted for all the audits and 101 (73%) of the recommendations have been fully implemented. Summary details of progress against these recommendations is attached as Appendix A.

It is reassuring to note that in many cases the recommendations have been implemented and consequently the Council's Internal Control environment strengthened. In future all recommendations included within Internal Audit Reports will be risk rated and assigned a priority; High, Medium or Low and performance will be monitored to ensure that recommendations are implemented.

There are various reasons for some of the recommendations not being implemented these include required system enhancements that are programmed but have yet to be actioned, operational changes or lack of staff resource to address the area of weakness.

In a bid to improve future performance revised reporting arrangements have been agreed with the Heads of Service and are in the process of being implemented, these are included at Appendix C. The introduction of these new arrangements and the risk rating of recommendations should lead to an increase in the response to audit recommendations which will continue to be monitored by management.

3. Work undertaken by the Audit Section since April 2004

Included at appendix B is a detailed list of the audits completed from April 2004 to December 2004 including any **significant** findings or recommendations.

4. Performance against the 2004/05 Plan

The Internal Audit Team is currently operating with a part-time vacancy due to the postholder being seconded for 12 months to the Policy & Performance function.

5. Recommendation

The Committee should note the content of this report.

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Summary of progress made against 2003/04 recommendations

Appendix A

Audit Area	No. of recommendations	No. actioned	No. outstanding	Comments
National Non-Domestic Rates	3	1	2	Staffing issues (separation of duties and procedure guides)
Cash Receipting	12	8	4	Future of cash office
Council Tax	3	3	0	
Bank Reconciliation	8	5	3	Awaiting conclusion of Control Team Review
Capital Charges	4	4	0	New system implemented
Crematorium / Cemeteries	3	3	0	
Main Accounting	4	3	1	Being actioned as part of FMS replacement project
Creditors	5	4	1	Followed up as part of 2004/05 audit
Taunton Deane Debts	14	5	9	System changes required + Control Team Review
Housing Benefits	14	14	0	
Customer Liaison List	7	4	3	System enhancements required
Treasury Management	4	4	0	
Priory Depot Stores	13	9	4	Staffing issues
Housing Rent Arrears	1	1	0	
Nominal Role	1	1	0	
Building Control Income	1	1	0	
Planning Fees Income	3	2	1	System enhancements required
Concessionary Travel	2	2	0	
Periodic Income	5	1	4	Staffing issues + system enhancements
Land Charges	3	3	0	
Postal Remittances	1	1	0	
Officers Allowances, Gifts & Hospitality	4	1	3	Followed up as part of 2004/05 audit

Members Allowances	3	1	2	Followed up as part of 2004/05 audit
Lease Cars	2	2	0	
Housing Renovation Grants	9	9	0	
Housing Repairs	1	1	0	
Car Park Income	6	5	1	Followed up as part of 2004/05 audit
Homelessness	3	3	0	
Totals	139	101	38	

Sheltered Housing : 😊

The review focused on levels of income from meals, guest room and meeting Hall booking, TV licences and payments for cleaning. A number of Sheltered Schemes were visited and Managers were interviewed and testing also undertaken to ensure that amenity funds, log books and the use of controlled stationary could be accounted for. The review did not identify any significant findings with recommendations made concerned administrative issues.

Council Tax : 😐

The review concentrated on the testing of the Council Tax System examining the overall controls in place and focusing on the findings of the risk analysis undertaken prior to the start of the review. Additional system testing was undertaken this year concentrating on the work of staff within the Customer Services Team. The review identified issues around separation of duties, which are being worked on. In addition, a backlog in the processing of Council Tax post has lead to delays in the application of discounts on Council Tax accounts. The Collection Manager has introduced new software and procedures, which should enable then to process post more quickly in future.

National Non-Domestic Rates : 😐

The review concentrated on the testing of the Non-Domestic Rating System examining the overall controls in place and focusing on the findings of the risk analysis undertaken prior to the start of the review. Due to the small size of the section division of duties between officers responsible for administering collection, debt creation and reconciliation of the property database is not possible to achieve. There is also a lack of procedural guides in place covering many aspects of the NNDR processes, guides are in the process of being produced by the Senior NNDR Officer.

Bank Reconciliation : 😐

The reconciliation of the Council's various bank accounts is a fundamental control measure. Previous audits have identified delays in the posting and issue of cheques to the Bank Rec system and the high level of special cheques which are costly to produce and quite often not necessary. Managers have once again been reminded that every effort should be made to reduce their reliance on special cheques in future.

Review of Control Function : 😊

A review was completed of the control functions undertaken by staff within the Head of Resources area of responsibility with a view to formalising control arrangements. The review examined roles and responsibilities, looked at the adequacy of the Council's current financial controls and sought to streamline the process and suggest improvements. The outcome of the review has allowed the Head of Resources to restructure elements of her services to work more efficiently and effectively.

Sale of Council Houses : 😊

The Internal Audit Unit completes a 6 monthly review of the sale of council houses to ensure that all the proceeds from the sale of properties sold under the 'Right to buy' scheme are correctly processed, housing benefit suppressed where paid, and the housing rent debit stopped. There were no material weaknesses identified during the audit.

Treasury Management : 😊

The area of Treasury Management (due to the nature and value of the transactions) is one of the greatest financial risks to the Council. The robustness and integrity of the procedures and controls in place is of paramount importance. The review focussed on the testing of individual transactions and on the controls in place. No material weaknesses were identified during the audit.

Sports Centres : 😊

Prior to the commencement of the Leisure Trust arrangements a brief review was undertaken of the control environments operating within all of the leisure facilities operated by Taunton Deane. The review identified numerous operational and procedural matters that have been reported to Tone Leisure. These will be considered and the recommendations implemented where possible.

Cash Receipting : 😊

The review concentrated on the testing of the Council's cash receipting arrangements within the Deane House and at the Wellington Community Office. The controls in place were examined with the review focussing in the physical security arrangements in place safeguarding monies paid to the Council. The only significant weakness was identified in that the combination code for the main safe within the cash office had not been changed recently.

Capital Charges : 😊

The Capital Charges System provides the accounting entries for the Council's fixed assets, this system is recognised as high risk due to the value of the transactions that pass through and if calculated incorrectly the material misstatement that could occur in the Council's accounts. From testing undertaken it is our opinion that the Capital Charges System operates within a satisfactory system of internal controls and no material weaknesses were identified.

Main Accounting : 😊

In undertaking this review the Council's General Ledger and Budgetary Control system was tested to validate the creation, monitoring and reporting of the Council's budget and related spend. The Council's current FIS (Financial information System) does not easily provide management information, the information that is produced needs careful interpretation and it is questionable whether the information is sufficient to support budget monitoring or management decision-making processes. The use of control accounts although improving needs progressing to ensure more regular reconciliation of control accounts with the Council's FIS.

ISSUE AND DISTRIBUTION OF AUDIT REPORTS

