TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE 13th JULY 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

This report highlights significant findings and recommendations that have occurred since the Committee last met in Feb 2005. 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 2004/05 financial year and any outstanding recommendations from previous financial years.

1. Purpose of Report

To provide members with an update on the progress made against agreed audit recommendations from 2004/05 and to present an update on the activities of the Internal Audit team for the period Jan 2005 to June 2005.

2. Summary of Agreed Actions 2004/05 Audits and any outstanding recommendations from previous financial years

There were 31 audit reviews completed during 2004/05 that resulted in 269 recommendations. Follow-up visits have yet to be completed for all of those audit areas. Summary details of progress against the recommendations is attached as Appendix A.

123 (88%) out of the 139 recommendations made during 2003/04 have now been implemented. Of the remaining 16, 7 have been re-reported during the 2004/05 audits and the remaining 9 will be revisited during 2005/06.

The Internal Audit team have now started to issue audit reports that include individual risk ratings for recommendations (High, Medium, Low), future reports will include a breakdown for each audit undertaken and performance will be monitored to ensure that recommendations are implemented.

3. Work undertaken by Internal Audit since Jan 2005 to June 2005

Included at appendix B is a detailed list of the audits completed from Jan 2005 to June 2005 including any **significant** findings or recommendations.

4. Performance against the 2005/06 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. The secondment is due to end shortly and the team will be strengthened by the employment of temporary support over the summer. The team is on track to meet the 2005/06 Audit Plan.

5. Recommendation

The Committee should note the content of this report.

Summary of progress made against 2004/05 recommendations

Appendix A

Audit Area	2004/05	No.	No.	
	Recommendations	actioned	outstanding	Comments
Sheltered Scheme Managers	8	-	-	Not followed-up as due to changes in the
				arrangements for Sheltered Scheme Managers
National Non-Domestic Rates	3	1	2	Two 03/04 recommendations on staffing issues
				(separation of duties and procedure guides) both
				carried forward to 04-05, still to be implemented.
Cash Receipting	9	6	3	Two 03/04 recommendations on cashing
				cheques still outstanding both carried forward to
				04-05 still be implemented.
Council Tax	13	7	6	Staffing issues, review of work, user profiles
Bank Reconciliation	8	7	1	Cancelled cheques narrative
Review of Control Team	1	1	0	
Sale of Council Houses	0	-	-	
Wellington Sports Centre	16			Will not be followed-up responsibility of Trust
Taunton Pool	12			Will not be followed-up responsibility of Trust
St James St Pool	10			Will not be followed-up responsibility of Trust
Vivary	17			Will not be followed-up responsibility of Trust
Wellsprings	17			Will not be followed-up responsibility of Trust
Blackbrook	21			Will not be followed-up responsibility of Trust
Capital Charges	1			04-05 Audit not yet followed-up
Main Accounting	3			04-05 Audit not yet followed-up
Creditors	9			04-05 Audit not yet followed-up
Taunton Deane Debts	10			Three 03/04 recommendations on system
				changes required + staffing issues, 04-05 Audit

				not yet followed-up
Housing Benefits	19			04-05 Audit not yet followed-up
Treasury Management	1	1	0	
Payroll	7			04-05 Audit not yet followed-up
Housing Benefits Post Room	22	17	5	
Priory Depot Stores 2003/04	-			Two 03/04 recommendations on staffing issues
				still to be implemented.
Housing Rents	6			04-05 Audit not yet followed-up
Planning Fee Income 2003/04	-			One 03/04 recommendation system
				enhancements required
Concessionary Travel	3			04-05 Audit not yet followed-up
Periodic Income 2003/04	-			Four 03/04 recommendations staffing issues +
				system enhancements still to be implemented.
Officers Allowances, Gifts &	9			04-05 Audit not yet followed-up
Hospitality				
Members Allowances &	-			Two 03-04 recommendations (records and
Hospitality 2003/04				monitoring) still to be implemented
Car Loans	6			04-05 Audit not yet followed-up
Piper	5			04-05 Audit not yet followed-up
Licensing	1			04-05 Audit not yet followed-up
DLO/DSO accounts	1			04-05 Audit not yet followed-up
Housing Rent Arrears	0	-	-	
CCTV	20			04-05 Audit not yet followed-up
Mobile Phones	11			04-05 Audit not yet followed-up
Totals	269	40	17	

Detailed Summary of Audits Jan 2005 to June 2005

Appendix B

Housing Rents : 😐

The review concentrated on the testing of the Housing Rents 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 recalculation of the Rent formula. The review identified issues around separation of duties which has been traditionally difficult to achieve given the small size of the section. However, the situation should improve as result of the appointment of a new Rent and Income Officer and transfer of staff from the Control Team within the Accountancy Section.

Creditors : 🙂

The review concentrated on the testing of the Creditors System examining the overall controls in place and focusing on the findings of the risk analysis undertaken prior to the start of the review. A new cheque signing machine has been installed and control issues have been discussed with staff as part of the audit. It is our opinion that the Creditors System operates within a satisfactory system of internal control in most key areas. There were, however, some areas that needed to be addressed by management including prompt payment of invoices and a lack of a business contingency plan.

Debtors : 😐

The review concentrated on the testing of the Debtors System examining the overall controls in place and focusing on the findings of the risk analysis undertaken prior to the start of the review. The review identified issues around separation of duties which has been traditionally difficult to achieve given the small size of the section. It is our opinion that the Debtors System operates within a satisfactory system of internal control in most key areas. There were, however, some areas that needed to be addressed by management including the lack of division of duties, delays in raising and writing off accounts.

Housing Benefits : 🙂

The review concentrated on the testing of the Housing Benefits System examining the overall controls in place and focusing on the findings of the risk analysis undertaken prior to the start of the review. The Benefits Service was reviewed by the Benefits Fraud Inspectorate during 2004 and a detailed action plan of weaknesses has been drawn up by management and submitted to the Resources Review Panel 23 September 2004. It is our opinion that the Housing Benefits System operates within a satisfactory system of internal control in most key areas. There were, however, some areas that needed to be addressed by management including the scanning of all claims documentation to the DIP system, the use of temporary staff on key tasks and the coding of HB overpayments for subsidy purposes.

Payroll : 😐

The review concentrated on the testing of the Payroll System examining the overall controls in place and focusing on the findings of the risk analysis undertaken prior to the start of the review. The Payroll System was replaced in April 2004 and the service now works more closely with HR as a result of the merging of the two services. It is our opinion that the Payroll System operates within a satisfactory system of internal control in most key areas. There were, however, some areas that needed to be addressed by management including the production of an accurate establishment list, completion of procedural guides and improvements in the quality of management information from the new system.

Housing Benefits Post Opening : 😊

The review concentrated on the Council's arrangements concerning the receipt and processing of prime documents sent in support of Housing Benefits claims. Testing focussed on adherence with the Council's HB and CTB post opening procedures and various areas for improvement were identified as well as areas of non-compliance with the Council's procedures. Areas of non-compliance included safe security, security checking of staff employed within the Post Room and management supervision of work.



The audit review focused on the process of installing, removing and charging for Piper units. It is our opinion that the Piper System operates within a satisfactory system of internal control in most key areas. However, the review identified several service improvements including the speed at which rent accounts are updated and the backdating of these charges.

Car loans: 😊

This review concentrated on the adherence to the terms and conditions of the car loan scheme, only eligible employees receive a loan and that those who do are repaying appropriately. The review identified several control weakness which included the lack of a procedure guide, car loan checklist and non conformance with some of the terms and conditions of the scheme.

Officer's Allowances and Overtime



The review of officer's allowances and overtime concentrated on compliance with the Council's Financial Regulations which are held up as being key to achieving sound accounting and management practices. It is our opinion that officer's allowances and overtime payments operate within a satisfactory system of internal control in most key areas. There are, however, some areas that need to be addressed by management including the reimbursement of expenses without receipts, the authorisation of claims and the use of the Council's flexi-time system.

Concessionary Travel

Since April 2004 the scheme has been run by Somerset County Council who also administer the scheme on behalf of the other Somerset Districts. It is our opinion that the Concessionary Travel Scheme operates within a satisfactory system of internal control in most key areas, however, one area of weakness was identified in that there is no formal Service Level Agreement in place between TDBC and SCC.

Licensing:

The Licensing audit was carried out to establish whether the arrangements in place are effective in protecting the Council against fraud, theft or misappropriation. The review found that the licensing system operates within a satisfactory system of internal control with only one area that needed to be addressed in relation to the storage of licence application information.

Housing Rent Arrears: ©

The Housing Rent Arrears audit was carried out to establish whether the arrangements in place are effective in protecting the Council against fraud, theft or misappropriation as well as ensuring that it efficiently collects any arrears due. The review found that the Housing Rent Arrears system operates within a satisfactory system of internal control with no recommendations made during the audit.

DLO Accounts: ©

The review concentrated on the testing of the accuracy of the information contained within the DLO Statement of Accounts and the overall system of internal control in place. It is our opinion that the systems the DLO have in place for controlling income and expenditure operate within a satisfactory system of internal control. However, the review identified that there was no target in place for the creation of invoices and the review evidenced delays in the raising of invoices for works completed.

ссту:

The review concentrated on the Council's arrangements concerning the process of monitoring, recording and storing images captured as part of the Council's Town Centre CCTV operations. Testing focussed on adherence with the Council's CCTV Code of Practice and significant areas for improvement were identified as well as areas of non-compliance with the Council's Code. Overall internal control was weak and only limited assurance could be given as part of the audit. Significant weaknesses included access arrangements to the monitoring room, no formal annual review of the scheme's effectiveness and inadequate signage.