

TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE 9th NOVEMBER 2005

INTERNAL AUDIT SERVICES – PROGRESS REPORT

REPORT OF THE GROUP AUDITOR (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 July 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 July 2005 to November 2005.

2. Summary of agreed actions in respect of 2004/05 Audits

There were 31 audit reviews completed during 2004/05 that resulted in 269 recommendations. 101 of these recommendations will not be followed-up as most relate to the Council's last leisure centre audits. Summary details of progress against the recommendations is attached as Appendix A.

70 (80%) out of the 88 recommendations made during 2004/05 that have been retested so far have been implemented. The remaining 18 are either no longer appropriate or have been re-reported during the 2005-06 audits.

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 July 2005 to November 2005

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

4. Performance against the 2005/06 Plan

The Internal Audit team is currently operating with a full-time vacancy due to the postholder being successfully promoted to the post of Senior Auditor. The team has been strengthened by the return from secondment of the part-time member of staff who is now employed full-time within the Audit Partnership as a Computer Auditor / Audit Assistant. The team is currently behind schedule in the achievement of the 2005/06 Audit Plan. It is hoped that once the full-time vacancy has been filled that the team will be back on track to meet the 2005/06 Audit Plan.

5. Recommendation

The Committee should note the content of this report.

Background Papers

There are no background papers.

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Summary of progress made against 2004/05 recommendations

Appendix A

Audit Area	2004/05 Recommendations	No. actioned	No. 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	2	1	One 03/04 recommendation on separation of duties not implemented, carried forward to 04-05, still to be implemented when checked 05/06.
Cash Receipting	9	9	0	
Council Tax	13	10	3	Staffing issues backlogs, division of duties, review of work
Bank Reconciliation	8	7	1	Cancelled cheques narrative Payroll
Review of Control Team	1	1	0	
Sale of Council Houses	0	0	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	1	0	
Main Accounting	3	2	1	Awaiting FIS Implementation
Creditors	9	8	1	Record keeping for special cheques
Taunton Deane Debts	10	6	4	Two 03/04 recommendations on system changes required + division of duties, others delays in raising accounts and contingency plan
Housing Benefits	19			04-05 Audit not yet followed-up

Treasury Management	1	1	0	
Payroll	7	3	4	Statement of particulars, procedural guide, supervision, management info
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	3		Procedural guides, delays in refunds
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 & Hospitality	9			04-05 Audit not yet followed-up
Members Allowances & Hospitality 2003/04	-			Two 03-04 recommendations (records and 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	168	70	18	80%

Bank Reconciliation : 😐

The reconciliation of the Council's various bank accounts is a fundamental control measure. Problems highlighted in previous audit reviews including delays in the posting and issue of cheques to the Bank Reconciliation system and the high level of special cheques produced have been addressed. Special cheques are now only issued when there is no other option. The 2005/06 review identified delays in the completion of bank reconciliations and problems with the authorisation of Payroll BACS runs.

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. The 2005/06 review identified 1 transaction where an investment was made with a Building Society which is not within the Council's approved risk rating category.

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 need to be addressed by management including the creation of budgets against individual codes, the processing of periodic payments for telephone accounts and the raising of official orders in respect of invoices.

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. It is hoped that the new revenues system will help mitigate the problem by automating more functions. The 2005/06 review identified delays in the updating of the Valuation List and identified that the IT contingency plan was out of date.

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.

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 identified was that the combination code for the main safe within the cash office at Wellington required changing. This has now been completed.

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 during the 2005/06 audit it was identified that the Council's Asset Register has not been kept up to date, acquisitions and disposals although changed in the Asset Register are not always communicated to Accountancy staff and there is a risk that impaired assets are not always correctly valued.