

## TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE 28<sup>th</sup> June 2006

### INTERNAL AUDIT – 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 November 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 2005/06 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 2005/06 and to present an update on the activities of the Internal Audit team for the period November 2005 to June 2006.

#### 2. Summary of Agreed Actions 2005/06 Audits and any outstanding recommendations from previous financial years

There were 20 audit reviews completed during 2005/06 that resulted in 164 recommendations. Follow-up visits have yet to be completed for most of those audit areas. Summary details of progress against the recommendations is attached as Appendix A.

The Internal Audit team have now started to issue audit reports that include individual risk ratings for recommendations (High and Medium), with Low risk items being communicated via a memo only and not followed up. 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 November 2005 to June 2006

Included at appendix B are details of the audits completed from November 2005 June 2006 including any **significant** findings or recommendations.

**4. Recommendation**

The Committee should note the content of this report.

Summary of progress made against 2005/06 recommendations

Appendix A

Audit Area	2005/06 Recommendations	No. actioned	No. outstanding	Comments
Bank Reconciliations	4	4	-	
Payroll	21			No follow up – Managed Audit only
Treasury Management	2	2	-	
Creditors	5			No follow up – Managed Audit only
NNDR	11			No follow up – Managed Audit only
Main Accounting System	6	2	4	Outstanding recommendations: <ul style="list-style-type: none"> <li>• review of financial regulations – in progress</li> <li>• budget requirements – awaiting ISIS</li> <li>• financial awareness training – awaiting close down of accounts</li> <li>• system improvements – awaiting ISIS</li> </ul>
Bank and Cash	3			Follow up in progress
Capital Accounts	4			Follow up in progress
Housing Rents	6			No follow up – Managed Audit only
Housing Benefits	13			No follow up – Managed Audit only
Council Tax	9			No follow up – Managed Audit only
Debtors	7			No follow up – Managed Audit only
System Access and Computer Backups	None			None to follow up
VAT (Draft)	12			Follow up not yet due
Personnel – Recruitment and Selection (Draft)	15			Follow up not yet due
Street Cleansing (Draft)	9			Follow up not yet due
Car Parks	13			Follow up not yet due

Housing Repairs	6			Follow up not yet due
Building Control	4			Follow up not yet due
Compliance with Financial Procedures	7			Follow up not yet due
Wessex Reinvestment Trust	7			Follow up not yet due
<b>Totals</b>	<b>164</b>	<b>8</b>	<b>4</b>	

**NNDR:** 😊

The review concentrated on the testing of the Non-Domestic Rates System examining the overall controls in place. It is our opinion that the NNDR system operates within a satisfactory system of internal control in most key areas. However, the review identified several controls weaknesses that included inadequate separation of duties, delay in reconciliation of the NNDR system with the valuations list and in some cases inadequate action taken to pursue debts.

**Main Accounting System:** 😊

The review concentrated on the testing of the Main Accounting System examining the overall controls in place. The Accountancy Section is one of the services which could be part of the joint venture "ISIS". The current effect of this on the accounting system is that the planned new Financial Information System (FIS) will not be introduced at present. It is our opinion that the Main Accounting system operates within a satisfactory system of internal control in most key areas. However, the review identified issues around the Financial Regulations not reflecting the current management structure, budget monitoring information being insufficient and the need for system improvements which could be addressed when the new FIS is implemented.

**Capital Accounts:** 😞

The review concentrated on the testing of the Capital Accounts system examining the overall controls in place. Capital Accounts are the accounting entries for assets held by the Authority, including their value and the associated capital charges. It is our opinion that the Capital Accounts system operates within a poor system of internal control represented by significant control weakness. The review identified issues around the Asset Register not being kept up to date, the possible inaccuracy of the Asset Register including revaluations and impairments.

### **Housing Rents:** 😊

The review concentrated on the testing of the Housing Rents system examining the overall controls in place. The Housing Rents function is handled by 2 departments. The Rent, Recovery and Void Team deal with the creation, termination and accounting side of rents, including write offs and refunds. The Estate Management Team deals with collection of rent and rental arrears and the day to day management of the properties. It is our opinion that the Housing Rents system operates within a satisfactory system of internal control in most key areas. However, the review identified issues around recovery of arrears not being in accordance with agreed procedures, delays in the issue of rents refunds and the managers not test checking work.

### **Housing Benefits:** 😊

The review concentrated on the testing of the Housing Benefits system examining the overall controls in place. It is our opinion that the Housing Benefits system operates within a satisfactory system of internal control in most key areas. However, the review identified errors surrounding administrative procedures on receipt of applications, images taken by camera are not electronically date stamped, the correct administration of overpayments and posting imbalances between Housing Benefits and other financial systems.

### **Compliance with Financial Procedures:** 😊

The review concentrated on the testing of compliance with the Council Financial Procedures and Standing Orders. It is our opinion that generally staff at the Council comply with Financial Regulations. However the review identified issues around authorisation of virements, incorrect use of income which exceeds budget and inadequacy of financial information for budget monitoring.

**Debtors:** 😊

The review concentrated on the testing of the Debtors system examining the overall controls in place. It is our opinion that the Debtors system operates within a satisfactory system of internal control in most key areas. However the review identified issues around inadequate separation of duties, delays in creation of accounts, there was a backlog of write offs and no contingency plans in place.

**System Access and Computer Backups:** 😊

The review concentrated on the testing of the Council's computer system access and backup arrangements. The review did not identify and errors.

**Wessex Reinvestment Trust:** 😊

The review concentrated on the testing of the controls in place in the Wessex Reinvestment Trust. Launched in September 2002 WRT is a not-for profit Community Development Financial Institution (CDFI). It is our opinion that the Wessex re0investment Trust system operates within a satisfactory system of internal control in most key areas. However the review identified issues around the accuracy of contact database spreadsheet, advertising of the service on individual Council websites and home loan advisors not following standard practices.

**VAT:** 😞

The review concentrated on the testing of the VAT system examining the overall controls in place. It is our opinion that the VAT system has some control weaknesses, however, these have not yet been discussed with the relevant Service Manager in detail.

### **Personnel – Recruitment and Selection:** ☹️

The review concentrated on testing the controls in place in Personnel Department for Recruitment and Selection. It is our opinion that there are some control weaknesses in this section, however, this has not yet been discussed with the relevant Service Manager in detail.

### **Street Cleansing:** 😊

The review concentrated on testing the controls in place in Street Cleansing. It is our opinion that the Street Cleansing system operates within a satisfactory system of internal control in most key areas, although this has not yet been discussed with the relevant Service Manager in detail.

### **Car Parks:** ☹️

The review concentrated on testing the controls in place in Car Parks. It is our opinion that the Car Parks system has some control weaknesses which include the following; wheelchair access to disabled spaces, regulations not being displayed on on-street parking machines, “cash removed daily” signs not being displayed on all car park or on-street machines, delays in the banking of income and there is no procedure guide of consistence of treatment for appeals.

### **Housing Repairs:** 😊

The review concentrated on testing the controls in place in the performance of Housing Repairs. It is our opinion that the Housing Repairs system operates within a satisfactory system of internal control in most key areas, although there are some areas which require management attention. These include the following; repair work outstanding at the time of re-let, customer satisfaction surveys are not signed by the customer and cosmetic work had been carried out to properties where the rent account was in arrears.



**Building Control:** 😊

The review concentrated on testing the controls in place in the Building Control section. It is our opinion that the Building Control system operates within a satisfactory system of internal control in most key areas, although there are some areas which require management attention. These include the following; members of the public are left alone in the filing room when reviewing microfilmed files which compromises the security of data, budget monitoring is not effective as some budgets were overspent while others were under spent and it was found that in some cases tendering procedures had not been followed.

**Abandoned Vehicles (2006/07):** 😊

The review concentrated on testing the controls in place in the management of Abandoned Vehicles. It is our opinion that the Abandoned Vehicles system operates within a satisfactory system of internal control in most key areas, although there are some areas which require management attention. These include the following; there is no formal contract in place with the external firm used, fees are charges are not regularly reviewed and have not been formally approved and the contractor does not issue copies of receipts to the Council.