

ITEM 6

**AUDIT SERVICES MONITORING REPORT: FIRST QUARTER 2005/06**

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**1.0 AUDIT WORK IN THE FIRST QUARTER 2005/06**

**1.1 Final reports issued**

- The Beacon Museum Collection 2004/05
- VFM Procurement 2004/05
- Corporate Governance 2004/05
- Telephones & Mobiles 2004/05
- Members Allowances 2004/05
- Stores 2004/05
- Best Value Management System 2004/05
- Development Control 2004/05
- PFI Payments 2005/06

**1.2 Issues arising**

The key recommendations are given in Appendix A.

The main issues related to:

**The Beacon Museum Collection**

A full stock check has not been carried out in the past 2 years. Adequate checks need to be carried out to ensure that all items are accounted for.

The "all risks" insurance cover was for items up to £125,000 in value. However, there is 1 item worth £150,000, therefore, the insurance policy is to be amended.

**VFM Procurement**

Lack of dedicated staff resources for procurement has hindered the improvement of procurement. However, this will be addressed in the new structure.

There has been no coordinated effort to consistently review the delivery of services against the approved procurement model and this is the largest element of potential procurement activity.

## **Corporate Governance**

There were a number of outstanding items to be progressed. The main issues related to: -

- The adoption of Customer Service Standards
- Linking performance to budgets within Service Plans and Performance Monitoring reports
- The adoption of the Protocol re working arrangements between Members and officers [approved as part of amendments to the Constitution in April 2005]
- Undertaking a programme of service reviews
- Updating the Employee Code of Conduct
- Adopting protocols and codes of conduct to ensure that the implications for supporting community political leadership for the whole Council are acknowledged and resolved
- Reviewing and updating the strategic risk register quarterly and including details of action taken and progress being made to address risks
- Formalizing the manner in which the Council considers external risks arising at other bodies that could be applicable to this Council
- Reviewing Financial Regulations
- Carrying out independent spot checks to validate performance data submitted in bi-monthly performance reports

There was also a new requirement to revise the existing Code of Corporate Governance in line with the new Good Governance Standard for Public Services.

## **Telephones & Mobiles**

There are no procedures available for ordering new phones, for how to deal with obsolete phones and what to do with leaver's phones.

Mobile telephones are not security tagged as being property of CBC.

The majority of invoices in our sample were not reviewed for personal calls and not signed to say that they had been reviewed. Of those that were reviewed, all had deductions from salaries for personal calls.

The password for the 'Online' Vodafone Account was still set up for an employee that was no longer employed in the I.T. section. The management reports that can be generated from the online account were not utilised for monitoring purposes.

The Senior I.T. Support Officer is not notified of leavers in order to cancel a mobile telephone for change the account details if a new starter takes on the phone.

There is an issue as to whether fixed line telephone allowances should be given to staff who also have a Council provided mobile telephone.

### **Members Allowances**

There is an established system and employees are aware of procedures to be followed. Controls were effective and, from the sample tested, only 1 minor error was found. All files are readily accessible and easy to follow.

### **Stores**

There are no effective controls over the issuing of stores for parks and open spaces or for pest control. Despite this, we note that discrepancies are of low value.

Due to the low value of the stores, all recommendations for controls do not need to be implemented for all stores, only for the Small Plant Store.

### **Best Value Management System**

Due to staff changes arising from the organisational restructure, completion of the Economic Regeneration Review was delayed. This is to be completed in 2005/06.

Whilst every effort has been made by the Policy Officer (Best Value) to give guidance and coordinate the collection of Performance Indicators, source departments need to give greater priority to the collection of Performance Indicators if statutory deadlines are to be met.

### **Development Control**

There was scope for administrative improvements particularly in respect of receipt and banking of income, recording incomplete applications and reconciliation of income banked with applications received.

### **PFI Payments**

One invoice for additional Electrical Testing had not been recharged to the Department of Works and Pensions. This was down to human error and will be included in the next invoice raised

There were still some problems in receiving income from the sub-tenants of the building outside the 10 working days stipulated in the contract. Letters have been sent by the Head of Finance and Business Development and the Business Development Manager, warning that if payments are not received within the contracted time period that interest charges will be payable in the future.

## **1.3 Follow-up audits**

- Creditors 2004/05
- Acquisition of Hardware & Software 2004/05
- PFI Payment Arrangements
- Council Tax 2004/05
- Grant Claims NNDR Returns

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- Benefits 2004/05
- NNDR 2004/05

A running progress report is kept of all Priority 1 and 2 recommendations outstanding, since the first formal follow-ups were carried out in January 1997. Details of these are given at Appendix B.

### 1.4 **Issues arising from outstanding recommendations**

- Recommendation still outstanding from Renovation Grants Audit 2002/03, re. Inspecting 10% of all grant claims as a random independent check. Now no target date as there is still no suitable trained member of staff within the section to do the quality checks. This was not addressed by the restructure.
- The delay in implementing the new structure has meant that staff resources are still stretched, preventing the implementation of many of the audit recommendations. There are several key posts still vacant as at 1 July 2005.

## 2.0 **EXTERNAL AUDIT**

2.1 There have been no external audit reports issued in the first quarter.

## 3.0 **INTERNAL AUDIT PERFORMANCE AGAINST AUDIT PLAN 2005/06**

3.1 The 2005/06 Audit Plan was based on an establishment of 3.5 full time posts plus an additional 0.5 FTE from 1 June 2005. However, the additional 0.5 FTE did not commence employment until 1 August 2005. We achieved 66% of planned audit work as at 30 June 2005 compared to the target of 90%. A summary of the audit performance measures for the first quarter is attached at Appendix C.

## 4.0 **STAFFING ISSUES**

4.1 As mentioned at 3.1 above, the audit plan assumed that the new 0.5 FTE Audit Technical Officer would be in post from 1 June 2005. However, due to a delay with the recruitment process, the post will not be filled until 1 August 2005. This has reduced the number of contingency days available.

## 5.0 **CURRENT AUDIT WORK**

5.1 The audit section is currently undertaking audits on Whitehaven Civic Hall Cash & Banking 05/06 [separate report to the Executive re breach of Financial Regulations], Markets 05/06 and Loans & Investments 05/06. We are also undertaking a Value for Money study of Creditors. Final reports for these audits will be issued in the second quarter.

**6.0 CONCLUSION AND RECOMMENDATION**

- 6.1 Audit work is progressing in line with the plan but slippage is largely due to the extent of responsive work and additional management time needed in implementation of the new structure, recruitment and staff development.
- 6.2 It is recommended that Members note this report.

**List of Appendices:**           **Appendix A – Key Findings Quarter 1 2005/06**  
  **Appendix B – Outstanding Key Recommendations**  
  **Appendix C – Performance Indicators for 1<sup>st</sup> Quarter**

**Background papers:**        Audit Plan file 2005/06: Audit systems files 2005/06

**Out to Consultation with:** Corporate Team  
  Managers re. Outstanding Audit Recommendations