

AUDIT SERVICES MONITORING REPORT: FIRST QUARTER 2007/08

LEAD OFFICER: Sue Bamforth

AUTHOR: Marilyn Robinson

1.0 AUDIT WORK IN THE FIRST QUARTER 2007/08

1.1 Final reports issued

- Creditors 2006/07
- Main Accounting System 2006/07
- Sundry Debtors 2006/07
- Corporate Governance 2006/07
- Budget Process 2006/07
- NNDR 3 Grant 2007/08 [National Non Domestic Rates return for 2006/07]

1.2 Issues arising

The key recommendations are given in Appendix A.

The main issues related to:

SUNDRY DEBTORS 2006/07

- There was still little reduction in the amount of Sundry Debtors raised, despite instructions that payment should be made in advance where possible;
- There was a backlog of back office processing of transactions made direct to the Council's bank account. This could have resulted in reminders being sent to customers who had already paid.

BUDGET PROCESS 2006/07

- There is a potential understatement of the allowance for inflation, the pay award and contingencies. However, we note that reserves are above the prudent level and any overspend in these areas could be funded from reserves;
- Errors had been made in reconciling the draft budget to the base budget of the previous year. The level of staffing resources, whilst implementing the new financial management system, prevented a detailed independent check of this reconciliation before the budget was approved. The error was only detected when the Revenue Estimate return, to be submitted to central government, was completed by an independent officer. The Head of Finance and Business Development notified the External Audit Manager of this and a report, detailing the corrections needed, was submitted to the Executive on 30 May 2007. These revised budget details are within the budget requirement approved by Council in March 2007. The Head of Finance and Business Development has stated that, in future, the intention is for an independent officer to complete the Revenue Estimate return as a

AUDIT SERVICES MONITORING REPORT: FIRST QUARTER 2007/08

cross check, before the budget is submitted for approval. She has also proposed an additional column on the reconciliation spreadsheet, to detail the Bid reference number where there is a change to the base budget from the previous year. This would provide a full audit trail.

1.3 **Follow-up audits**

- Public Conveniences Repairs [Requested by OSC PR]
- Cash Receipting 2006/07
- Value for Money Procurement 2005
- Disabled Facilities Grants 2006/07
- IT Network Controls 2006/07
- Licensing 2006/07
- Council Tax 2006/07
- Travel & Subsistence 2005/06
- Freedom of Information Act 2006/07
- Payroll 2006/07
- Benefits 2006/07
- NNDR 3 2006/07 [National Non Domestic Rates return for 2005/06]
- Bereavement Services 2006/07

1.3.1 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. All outstanding audit recommendations, including all recommendations made in reports issued in this first quarter, have now been input on to the Covalent performance software. This will streamline the monitoring process. All those recommendations still outstanding, with a target date up to 30 June 2007, are detailed at Appendix B.

1.4 **Issues arising from outstanding recommendations**

- The number of outstanding recommendations will have significantly increased due to the “catch up” with follow ups undertaken by audit in this first quarter. In future, managers will complete their own progress on the Covalent system, with audit carrying out “reality checks”, particularly on the main systems which are audited on an annual basis.
- The implementation of recommendations is still being slowed down by competing priorities and the failure to recruit some posts. However, progress on implementation of some long-standing recommendations has been made.

2.0 **EXTERNAL AUDIT**

2.1 External audit issued their Annual Audit and Inspection Plan. This was reported separately to the Audit Committee on 6 June 2007.

AUDIT SERVICES MONITORING REPORT: FIRST QUARTER 2007/08

3.0 INTERNAL AUDIT PERFORMANCE AGAINST AUDIT PLAN

3.1 We achieved 83% of planned audit work as at 30 June 2007, compared to the target of 90%. A summary of the audit performance measures for the first quarter is attached at Appendix C. Some delays were caused by the availability of the relevant officers in the department being audited e.g. the lack of staffing resources to meet the deadline for the closure of the Final Accounts. Other audits and follow ups overran the estimated time (see Appendix C). There were also 2.75 “non-audit” days, assisting with administrative work in the Accountancy section and 1.5 days carrying out financial checks / appraisals relating to tenders [normally carried out by Accountancy staff]. This will not compromise audit independence, as these auditors will not be allocated testing on these areas when they are audited later this financial year.

4.0 STAFFING ISSUES

4.1 As at 30 June, all staff were in post [Manager, Senior Auditor and 2 Audit Technical Officers].

4.2 The Senior Auditor sat her 2 final exams for the Certified Accountancy qualification [ACCA]. The 2 Audit Technical Officers sat the Intermediate level exams for the Accounting Technician qualification [AAT]. Staff also undertook corporate training on Data Protection and Equality and Diversity.

5.0 OTHER AUDIT WORK

5.1 The audit section also undertook work in the first quarter on:-

- Checking statutory Performance Indicators (BVPI's)
- Economic Development Projects / Grant Administration
- Brief pre- and post-Go Live checks on the new Enforcement computer system (Chipside)
- Public Buildings Contract Management
- The Financial Management of the Information & Communications Technology section [Part of the ICT audit strategy]
- System audit of the new Enforcement computer system (Chipside)

6.0 CONCLUSION AND RECOMMENDATION

6.1 The backlog of systems work for 2006/07, which arose due to staff vacancies and long term sickness, has now been completed. Audit work is progressing in line with the plan but there is some slippage. This is due to the combination of factors detailed at 3.1 and 4.2 above. Work on the main financial systems will start in the second quarter.

AUDIT SERVICES MONITORING REPORT: FIRST QUARTER 2007/08

6.2 It is recommended that Members note this report.

List of Appendices: [Appendix A – Key Findings Quarter 1 2007/08](#)
[Appendix B – Outstanding Key Recommendations](#)
[Appendix C – Performance Indicators for 1st Quarter](#)

Background papers: Audit Plan file 2007/08; Audit systems files

Officers Consulted: Corporate Team
Management Group [on Appendix B]

ref: S:\2007\Committees\Audit 01 08 07\ Audit Services Monitoring Report 1st Quarter