

**AUDIT SERVICES MONITORING REPORT: FOURTH QUARTER 2004/05**

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**1.0 AUDIT WORK IN THE FOURTH QUARTER 2004/05**

**1.1 Final reports issued**

- PFI Payment Arrangements
- Budgetary Process and Control 2004/05
- Main Accounting System 2004/05

**1.2 Issues arising**

The key recommendations are given in Appendix A.

The main issues related to:

**PFI Payment Arrangements**

Detailed procedure notes needed to be written, so that the invoices could be checked and processed in the absence of the current officers responsible, avoiding any penalties for late payment.

Staff were to be reminded to report any items which could give rise to reductions to the charge payable by the Council. As at December, no deductions had been made. This was being progressed to ensure appropriate deductions were made.

**Main Accounting System**

Due to staff vacancies, and increased work prior to, and following the Housing Stock transfer, control account reconciliations had been delayed. Progress had been made by February and all reconciliations were scheduled to be on target by the end of March.

To prevent fraud or error arising in significant accounting manual entries, all journals over £30,000 were to be countersigned by a second officer. This control had not operated in the previous year.

**1.3 Other work undertaken**

- The Value for Money Study on Procurement was completed and issued as a draft report. The final report was issued in April.
- Progress on implementing the new Revenues and Benefits software was monitored and audit checks were carried out before the system went live.

Due to delays in the implementation of the new Revenues and Benefits software, some audit work was brought forward from the 2005/06 Plan. This included:-

- The Beacon Collection [arrangements for maintaining the museum exhibits / stored collection items]
- Landscape Management & Pest Control stores
- Members Allowances
- Telephones
- Development Control

Final reports on the above will be issued in the first quarter of 2005/06.

#### 1.4 **Follow-up audits**

- Cash Receipting 2004/05
- Wages Priority 1 Recommendations 2004/05
- Corporate Governance 2003/04

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.

#### 1.5 **Issues arising from outstanding recommendations**

##### **Cash Receipting**

Our insurers had recommended various alterations to the cash office area. These have to be implemented by June 2005. The former Head of Contracts & Projects instructed Caxton's of the work to be undertaken and progress is being monitored.

##### **Wages**

Personnel have now reviewed the issue of holiday pay for casual workers. Holiday pay was given at the year end to those who were not already in receipt of an enhanced hourly rate. All casual staff were put on an enhanced hourly rate, to include an element of holiday pay, from 1 April 2005.

##### **Corporate Governance**

Due to the organizational restructure, there are a number of outstanding recommendations in this area. These have been detailed in the separate Audit Services Annual Report on Internal Control.

## 2.0 **EXTERNAL AUDIT**

- 2.1 There were no External Audit reports issued in the fourth quarter, apart from those already reported in March to the Overview and Scrutiny Committee Performance and Resources.

### 3.0 INTERNAL AUDIT PERFORMANCE AGAINST AUDIT PLAN 2004/05

- 3.1 The 2004/05 Audit Plan was based on an establishment of 3.5 full time posts plus a Fixed Term Full Time Audit Assistant employed until 30 September 2004. The part time Auditor was on maternity leave from the start of the year until 17 February 2005. Problems with staff resources in other sections meant that a significant number of days were spent on non-audit work – 34.5 days (Accountancy), 3.5 days (Exchequer) and 17.75 days (Procurement Strategy). Apart from a 30 days secondment to Accountancy and 15 days for Procurement Strategy work, the remaining non-audit work had not been allowed for in the Audit Plan, so inevitably there was some slippage. We achieved 88% of planned audit work as at 31 March 2005 compared to the target of 90%. A summary of the audit performance measures for the year 2004/05 is attached at Appendix C.

#### 3.2 Overview of Outturn

- 3.2.1 The table below summarises the broad categories of audit work originally planned and actually carried out:

	Planned		Actual	
	Days	%	Days	%
Systems	368.00	47.0	328.00	42.0
Regularity	21.00	3.0	11.00	1.0
Contract	10.00	1.0	4.50	0.5
Value for Money (VFM)	30.00	4.0	13.75	2.0
Contingency / Responsive	145.00	18.0	178.25	23.0
Admin/Mgt/Training/advice	147.00	19.0	188.25	24.0
Non-Audit Work	45.00	5.0	53.25	7.0
Best Value: System/ meetings	21.00	3.0	3.25	0.5
	<b>787.00</b>	<b>100.0</b>	<b>780.25</b>	<b>100.0</b>

- 3.2.2 Contingency days were used for:

	Days	%
Systems audit	10.25	6.0
Regularity audit	15.50	9.0
Misc. advice/meetings	37.75	21.0
Non-audit work	80.75	45.0
Office Move	34.00	19.0
	<b>178.25</b>	<b>100.0</b>

The main areas of contingency work have been reported in previous quarters. In the fourth quarter, it has included 7 days non-audit work for accountancy and 2.25 days co-ordinating operational risk registers across the Council.

- 3.2.3 Actual Days carried out, compared to planned days, are shown on the Strategic Audit Plan as a separate item on this agenda. The systems covered have been reported quarterly and are also summarized at Appendix A of the separate report – Audit Services Annual Report on Internal Control.

## **4.0 STAFFING ISSUES**

- 4.1 In addition to the staffing issues mentioned at 3.1, there were 3 instances of long term sick leave during 2004/05, totalling 65 days.
- 4.2 Approval was given to extend the fixed term contract from 1 October to 31 December 2005, to help cover maternity leave. However, this Audit Assistant was then seconded to cover an Accountancy vacancy from 21 October. This reduced the number of contingency days available for audit work.

## **5.0 CONCLUSION AND RECOMMENDATION**

- 5.1 Despite staffing problems and the unusual level of non-audit work, slippage against the planned work was minimized due to the delay in implementing the new Revenues and Benefits software, which meant that we did not have to carry out audits on both the old systems and the new for 2004/05. Nor was it worth reporting on progress against the Benefits Best Practice Standards until the Change Programme was complete. This will now be done in 2005/06. One delayed audit (Capital Accounting) was subsequently carried out by the external auditor. 88% of the audit plan was delivered and there were no audits to be carried forward to 2005/06.
- 5.2 It is recommended that Members note this report.

**List of Appendices:**      **Appendix A – Key Findings Quarter 4 2004/05**  
                                 **Appendix B – Outstanding Key Recommendations**  
                                 **Appendix C – Performance Indicators for 2004/05**

**Background papers:**      Audit Plan file 2004/05: Audit systems files 2004/05

**Officers Consulted:**      Corporate Team  
                                 Managers re. Outstanding Audit Recommendations