

ITEM 8, Appendix 2

AUDIT SERVICES MONITORING REPORT: SECOND QUARTER 2005/06

LEAD OFFICER: Tim Capper

AUTHOR: Marilyn Robinson

1.0 AUDIT WORK IN THE SECOND QUARTER 2005/06

1.1 Final reports issued

Whitehaven Civic Hall Cash & Banking
Markets
Final Accounts Process 2004/05
VFM Payment of Creditors Invoices
Capital Accounting 2004/05

1.2 Issues arising

The key recommendations are given in Appendix A.

The main issues related to:

Whitehaven Civic Hall Cash & Banking

There had been a breach of Financial Regulations – this was reported to the previous Audit Sub Group.

Markets

There needed to be more supervisory checks of cash collection, particularly to ensure that arrears were being collected. We recommended the promotion of direct debits for regular market traders and that casual traders pay at the cash office. This would be more efficient and would reduce the risk of employees carrying around large sums of cash.

VFM Payment of Creditors Invoices

This review was undertaken as the Council consistently fails to improve against the 100% target for payment of invoices on time. We found that most Councils in the top quartile for this performance indicator use exactly the same authorization process as we have at Copeland. Any of the options to improve monitoring and tracking of invoices have an associated cost – either for staff time or for computerized systems. The computerized systems could be considered in the longer term, when the main Financial Management System is replaced. In the meantime, we have recommended that the process be streamlined so that, if the invoice exactly matches the authorized order and the goods/services received, then the administrator can immediately pass the invoice for payment. Only where the invoice differed would authorization be needed from the Service Manager. This should speed up the process.

1.3 **Follow-up audits**

- Budgetary Process 2004/05
- IT Organisational /Admin Controls 2003/04
- Salaries 2004/05
- Whitehaven Civic Hall Cash & Banking

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**

- A key recommendation is still outstanding from the Renovation Grants Audit 2002/03, relating to random independent checks of 10% of all grant claims. These payments can total up to £20,000 per claim. The Head of Service is unable to agree a target date, as there is no suitably trained member of staff and this has not been addressed by the restructure.
- There were still some key posts vacant in the new organisational structure throughout the second quarter, together with long term sickness absence in some areas. This has meant further delay in implementing audit recommendations.

2.0 **EXTERNAL AUDIT**

- 2.1 External audit issued an interim audit report on the Council's financial management. This has been reported separately to the OSC Performance and Resources.

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

- 3.1 We achieved 67.5% of planned audit work as at 30 September 2005, compared to the target of 90%. A summary of the audit performance measures for the first quarter is attached at Appendix C. The level of responsive work and implementing the restructure delayed progress in the first quarter. Staffing vacancies (see 4.1 below) had an impact in the second quarter.

4.0 **STAFFING ISSUES**

- 4.1 The audit plan assumed that the new 0.5 FTE Audit Technical Officer would be in post from 1 June 2005. However, due to the delay in implementing the restructure and the time needed for the recruitment process, the post was not filled until 1 August 2005. This has reduced the number of contingency days available.
- 4.2 The Senior Auditor was promoted to Accountant with effect from 15 August. The Audit Technical Officer was then recruited to the Senior Auditor post,

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leaving a full time Audit Technical Officer post vacant. This post could not be filled until 17 October because of the time needed to recruit and to work the notice period.

- 4.3 The vacancies meant that, as at 30 September, we had 55.25 less audit days available than were included in the audit plan.
- 4.4 Neither of the new recruits have previous audit experience, so they will require a high level of supervision and on-the-job training. This reduces the time available for audits by the experienced staff.

5.0 CURRENT AUDIT WORK

- 5.1 The audit section is currently undertaking the annual audits on Creditors, Council Tax, Sundry Debtors and Cash Receipting. Final reports for these audits will be issued in the third 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, additional management time needed in implementation of the new structure, staff vacancies, recruitment and training.
- 6.2 It is intended that audit resources will now be focused on carrying out the main financial systems audits. Minor audits will be left until the main systems are completed and rolled forward to 2006/07 if necessary.
- 6.2 It is recommended that Members note this report.

List of Appendices: **Appendix A – [Key Findings Quarter 2 2005/06](#)**
 Appendix B – [Outstanding Key Recommendations](#)
 Appendix C – [Performance Indicators for 2nd Quarter](#)

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

Officers Consulted: Corporate Team
 Managers re. Outstanding Audit Recommendations