

**AUDIT SERVICES MONITORING REPORT: SECOND QUARTER 2008/09**

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**1.0 AUDIT WORK IN THE SECOND QUARTER 2008/09**

**1.1 Final reports issued**

- Renovation Grants 2008/09 [2007/08 Grant completions]
- The Beacon Museum Collection 2008/09
- IT Arrangements for Business Continuity 2008/09

**1.2 Issues arising**

The key recommendations are given in Appendix A.

The main issues related to:

**RENOVATION GRANTS 2008/09**

- Clear written guidance was provided to all applicants and that, for all the grants in our sample, approvals were made in accordance with the Policy. The condition requiring 5 years' occupancy following the certified completion of works was subsequently monitored.
- The section experienced difficulties in recruiting in 2007/08 and several key posts were vacant. This resulted in part of the grant process being outsourced on a temporary basis to Anchor Housing Association. This resulted in a deterioration of the audit trail on the grant files. For example, although means testing was carried out, there was not always a copy of the results on file. Neither was there a detailed record of inspections of the work carried out.
- From the customer's point of view, there was no performance monitoring of the speed in which applications were processed.
- Reconciliations between the Renovation Grant records of payments to the financial ledger had not been carried out during the year, again because of the pressure on very limited staff resources.

**THE BEACON MUSEUM COLLECTION 2008/09**

- The Collection Management Policy & Procedures document was in line with Audit Commission guidelines and had been reviewed and updated in 2007.

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- There were good controls in place for the maintenance and control of all items in the Beacon Museum Collection. All items within our sample could be located and they were accurately recorded. There was an effective security system in place.
- The valuation report of the most desirable items was found to be in order.
- However, the insurance cover on the 'All Risks' Policy stated that no single item should be valued at over £125,000. We found that two items in the collection were valued at £150,000. The Senior Accountancy Officer was notified of this and the policy has now been amended to ensure that these items are adequately insured.

## **IT ARRANGEMENTS FOR BUSINESS CONTINUITY 2008/09**

The main areas for improvement related to:

- Establishing overall responsibility for the IT Disaster Recovery Plan project and committing a member of staff or external consultant to complete the plan.
- Expanding the scope of the existing IT Disaster Recovery Plan from core IT servers and systems to a complete recovery plan, with provision of a step-by-step guide for the orderly and timely recovery of an IT disaster.
- Reviewing and strengthening the security controls at the Moresby Parks site, and in particular the chiller unit facilities.
- Preparing disaster recovery arrangements for Academy and Northgate systems [Benefits, Council Tax and Non Domestic Rates systems].
- The documenting of manual procedures for system users while the IT application is unavailable.
- The scheduling of tests for system restores, the IT Disaster Recovery Plan and the local Business Continuity Plans;

### **1.3 Follow-up audits**

A running progress report is kept of all Priority 1 and 2 recommendations outstanding. All outstanding audit recommendations, including all recommendations made in reports issued in this quarter, are now input on to the Covalent System performance software. This will streamline the monitoring process. All those key recommendations still outstanding, with a target date up to 30 September 2008, are detailed at Appendix B.

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**1.4 Issues arising from outstanding recommendations**

- Managers are now completing 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.
- A number of long-standing recommendations have been implemented since we reported last quarter. However, there has been little progress on the Finance department recommendations, as priority has been given to work on closure of the Accounts and the 2 Accountants posts are still vacant.

**2.0 EXTERNAL AUDIT**

- 2.1 There have been no external audit reports issued in this quarter.

**3.0 INTERNAL AUDIT PERFORMANCE AGAINST AUDIT PLAN**

- 3.1 We achieved 45% of planned audit work as at 30 September 2008, compared to the target of 90%. A summary of the audit performance measures for the first quarter is attached at Appendix C. The significant slippage against plan has been caused by the Audit Manager acting up as Head of Finance for the whole of the 2<sup>nd</sup> quarter and by the remaining audit staff carrying out detailed testing relating to the closure of the 2007/08 Accounts. The Audit Manager will ensure that any transactions she has authorized as acting Head of Finance will be audited by another auditor. The work of the other auditors will not compromise audit independence, as their work on the final accounts related to 2007/08 transactions. Future systems work will be on the 2008/09 transactions.

**4.0 STAFFING ISSUES**

- 4.1 The Audit Manager is back in post as from 13 October and all other audit posts are filled. However, assistance will continue to be given to the Accountancy section until the final accounts work for 2006/07 and 2007/08 is completed. This is expected to be until the beginning of November.

**5.0 OTHER AUDIT WORK**

- 5.1 Work has also been undertaken on:
- Beacon – Cash & Banking
  - Training Expenses
  - Cash Receipting

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**6.0 CONCLUSION AND RECOMMENDATION**

6.1 There has been significant slippage against the audit plan due to problems with closing the 2006/07 and 2007/08 Accounts and the Accountancy staff vacancies. Once the Accounts are submitted to the external auditor, audit work detailed at 5.1 above will be completed and work will then be concentrated on the main financial systems for the rest of the financial year.

6.2 It is recommended that Members note this report.

**List of Appendices:**      Appendix A – Key Findings  
                                     Appendix B – Outstanding Key Recommendations  
                                     Appendix C – Performance Indicators

**Background papers:**      None

**Consultees:**                Corporate Team  
                                     Management Group [on Appendix B]