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**AUDIT SERVICES ANNUAL AUDIT PLAN 2004/05 – PROGRESS REPORT**

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**Responsible Cabinet Member(s) - Councillor Don Bristow,  
Resource Management Portfolio**

**Responsible Director(s) - Paul Wildsmith, Director of Corporate Services**

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**Purpose of Report**

1. To provide Cabinet with a progress report against the 2004/05 Annual Audit Plan in accordance with Audit Services' role and terms of reference (Minute C15/Jun/02).

**Information and Analysis**

2. The Annual Audit Plan for 2004/05 was approved by Cabinet in March 2004 (Minute C228/Mar/04) and this report covers progress made during the first seven months of the year i.e. to 31st October, 2004.
3. The report should be considered in the context of fulfilling the function to monitor the adequacy and effectiveness of the Council's internal control environment and the Internal Audit service provided.
4. In order to portray progress three Appendices are attached :-
  - (a) **Appendix A** – states Audit Services' Key Performance Indicators and gives year end projections.
  - (b) **Appendix B** – summarises Audit Assignments undertaken.
  - (c) **Appendix C** – outlines some of the more significant outputs from consultancy work carried out.
5. The position is positive upon Key Performance Indicators (Appendix A). The Section again obtained the maximum score of 4 from External Audit using the Audit Commission's methodology set out in 'Comprehensive Performance Assessment Indicators : Auditors' Judgements' and the score for risk identification and management, measured under the same system, increased from 2 to 3. All other targets are likely to be achieved, or, in the case of customer satisfaction ratings, exceeded.
6. The results of audit assignments carried out (Appendix B) indicate that the Council's internal control environment is generally sound and no major issues were identified with the core financial systems examined. There were instances where control was considered to be

less than satisfactory but in each case management has responded positively to audit findings with acceptance of recommendations for improvement and implementation within agreed timescales.

7. In line with good practice, at an appropriate time, Audit Services follow up with Managers progress on implementation of recommendation agreed in audit reports. As part of this follow up, any significant recommendations which remain outstanding are reported quarterly to Corporate Management Team. It is pleasing to report no matters of concern on this point.
8. The Section has worked on a number of consultancy projects identified in the original Audit Plan and with recognised flexibility some have been replaced by others at the request of individual Directors. Some of the more significant outputs from consultancy work carried out are identified in Appendix C. Particular noteworthy outputs include the positive and improved results obtained from the Comprehensive Performance Assessment – Auditor Judgements and acknowledgement through various external inspection processes that risk management is well embedded within the Council, integrated with service planning and considered a strength.
9. The Unit has also responded to requests from Departments for financial appraisals of potential contractors for various schemes/projects and responded to routine requests for advice and guidance upon operational matters with a general focus upon the requirements of Contract and Financial Procedure Rules.

### **Outcome of Consultation**

10. No formal consultation was undertaken in production of this report.

### **Legal Implications**

11. This report has been considered by the Borough Solicitor for legal implications in accordance with the Council's approved procedures. There are no issues which the Borough Solicitor considers need to be brought to the specific attention of Members, other than those highlighted in the report.

### **Section 17 of the Crime and Disorder Act 1998**

12. The contents of this report have been considered in the context of the requirements placed on the Council by Section 17 of the Crime and Disorder Act 1998, namely, the duty on the Council to exercise its functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area. It is not considered that the contents of this report have any such effect.

### **Council Policy Framework**

13. The issues contained within this report do not represent change to Council policy or the Council's policy framework.

**Decision Deadline**

14. For the purpose of the 'call-in' procedure this does not represent an urgent matter.

**Conclusion**

15. The Council continues to operate within a control environment that is generally sound.

**Recommendation**

16. It is recommended that the progress report against the 2004/05 Annual Audit Plan be noted.

**Reasons**

17. The recommendations are supported as they comprise part of the Council's corporate governance arrangements.

**Paul Wildsmith**  
**Director of Corporate Services**

**Background Papers**

- (i) Audit Services' Role and Terms of Reference
- (ii) Audit Assignment Synopsis Sheets

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## AUDIT SERVICES – KEY PERFORMANCE INDICATORS 2004/05

Indicator	Target for Year	Year End Projection
1. An adequate Internal Audit function is maintained as evaluated through CPA auditor scored judgements.	4/4	Achieved
2. Days per auditor as per CIPFA Benchmarking Statistics for Unitary Authorities.	183 Top quartile	On target to achieve
3. Cost per audit day as per CIPFA Benchmarking Statistics for Unitary Authorities	£248 Second bottom quartile	On target to achieve
4. Customer satisfaction rating received from client surveys following the completion of each audit assignment (where 1 = Very Poor to 5 = Very Good)	Average 4	Target likely to be exceeded
5. Maintain ISO 9001 : 2000 Quality Accreditation	Achieve	On target to achieve
6. Risk Identification and Management as evaluated through CPA auditor scored judgements	3/4	Achieved

## AUDIT SERVICES SECTION

## SUMMARY OF AUDIT ASSIGNMENTS UNDERTAKEN DURING FIRST SEVEN MONTHS OF 2004/05

Department	Audit Assignment	Audit Opinion	Where Audit Opinion Less Than Satisfactory	
			Audit Comment	Management Response
Corporate Services	Construction Industry Scheme Sundry Debtors	Satisfactory Satisfactory		
Community Services	Horticultural Services Payroll Sponsorship Dolphin Centre Catering	Good Good Satisfactory Falls short of satisfactory	Action required to strengthen the controls surrounding the bar evaluations process to enable management to gain greater confidence in results obtained. Also action needed to strengthen reconciliation controls around van/trolley services and cash floats and to improve arrangements for access to the safe.	Management have responded positively to strengthen bar evaluation controls with the introduction of new electronic cash registers. Other audit recommendations are to be implemented within agreed timescales.
Development and Environment	Cemeteries and Crematorium Tourism/Heritage/Town Centre Trading Standards Waste Disposal and Recycling	Good Satisfactory Satisfactory Satisfactory		



Department	Audit Assignment	Audit Opinion	Where Audit Opinion Less Than Satisfactory	
			Audit Comment	Management Response
Social Services	Payroll	Satisfactory		
	Leaving Care	Falls short of satisfactory	Documentation required on operational procedures, to include relationship with other parts of the Department and other relevant parties, and payment processes need to be strengthened – LCT is a new service which has only been fully operational since November 2003. It was brought in-house from an external provider who failed to deliver a satisfactory service.	Management have responded positively to the audit findings and appropriate actions have been implemented within agreed timescales.
Corporate Core	Performance Indicators	N/A	Opinion not given as work not standard appraisal. Effort focussed upon verifying robustness of BVPI information for CPA purposes. Positive position found.	

NOTE - Outline of Audit Opinion Framework

Very Good	Systems well controlled; degree of 'self audit' in place; minimal recommendations, if any.
Good	Minimal weaknesses identified; minor recommendations only
Satisfactory	Overall systems are sound; some weaknesses identified; controls could be strengthened.
Falls Short of Satisfactory	Unacceptable weaknesses identified; potential control breakdown; improvements required
Unsatisfactory	Major weaknesses identified; control breakdown; fundamental improvements required

Summary of the More Significant Outputs From Consultancy Work Undertaken During First Seven Months of 2004/05

Department	Description	Output
Corporate Services	<p>Comprehensive Performance Assessment (CPA) – Auditor Judgements</p> <p>Banking</p>	<p>Information supplied in support of the Council’s current position on relevant aspects of the CPA as regards matters covered by the External Auditors Code of Audit Practice. This contributed to the positive and improved results obtained.</p> <p>Advice and support with regard to development and management of all aspects of corporate banking including the girobank service and credit/debit card processing.</p>
Community Services	Theatre/Arts and Leisure Booking Systems	Continued support in the development of the systems including the control aspects of the proposed implementation of on-line internet booking.
Development and Environment	<p>Consultancy Support</p> <p>Landfill Allowances</p>	<p>Assistance provided to implement the initiative to rationalise consultancy support into a framework partnership agreement in order to facilitate delivery of the Council’s works programmes.</p> <p>At the request of the Environment and Sustainability Manager, audit carried out work to confirm an additional landfill tonnage figure notified to the Department for Environment Food and Rural Affairs (DEFRA) for inclusion in their calculation of the Council’s final allocation of landfill allowances.</p>
Education	<p>Revised Schools Audit Approach</p> <p>Banking Arrangements - Schools</p>	<p>Review of the audit approach to schools in conjunction with colleagues in the Corporate Services and Education Departments. Scope to be widened to include a broader coverage of generic risks. It is envisaged that the new approach will be piloted in schools during 2005/06.</p> <p>A pilot trial of schools having their income collected by cash-in transit companies, as opposed to physically banking themselves, was successfully concluded. As a result, this facility is to be offered to all schools to provide increased security/convenience.</p>



Department	Description	Output
	Private Schools Funds	Assistance provided to the appointed Investigating Officer, initially in the investigation of potential financial irregularities in the operation of a school's fund and subsequently with the preparation of a statement of case for a disciplinary hearing.
Social Services	Administration of client Finances  Learning Disability Service  Care First	Review of systems and procedures for the control over administration of client finances. This led to consultation upon the possible implementation of new software to strengthen/streamline the process which is to be progressed.  Assistance provided with the establishment of systems and procedures for client based work projects at Mayflower Court and the Railway Museum.  Advice and guidance provided upon data migration, security and training issues.
Corporate Care	Risk Management  National Fraud Initiative (NFI) 2004  Delegated Powers  CRM System  Mayor's Charity Fund	The Chief Internal Auditor is the Council's designated risk management co-ordinator and he worked with departments as they evaluated the risks identified. This role was vital to ensure that a consistent approach was followed. Through the commitment and effort of all concerned risk management, within the Council, is now well embedded and integrated with service planning which was recognised as a strength in the CPA inspection process.  Consultation carried out with data subjects in accordance with the Code of Data Matching Practice. Datasets submitted to the Audit Commission within required timescales with the support of Corporate and Departmental IT staff.  Electronic system developed and implemented on the intranet to record and report the relevant delegated decisions as indicated in the constitution.  Represented upon the project team involved in the procurement process of a suitable system.  Annual audit of accounts completed.