

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2013/14

COMMITTEE:

Item No. 4

AUDIT COMMITTEE

15th October 2013

REPORT OF:-

Finalised Audit Assignments 2013/14
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GROUP DIRECTOR, CORPORATE SERVICES

Author: Marc Crumbie (Operational Audit Manager)

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1. PURPOSE OF THE REPORT

This report provides Members with a summary of audit assignments completed between 31st August 2013 and 30th September 2013.

2. RECOMMENDATIONS

It is recommended that Members:

- 2.1 Note the contents of this Report.
- 2.2 Consider what comments and recommendations, if any, they wish to make.

3. BACKGROUND

- 3.1 In line with agreed procedures, I attach at **Appendix 1** a summary of audit assignments completed between 31st August 2013 and 30th September 2013.
- 3.2 I have provided Members with the Auditor's stated opinion regarding the system or service examined and have summarised the high priority recommendations made together with the management response and the anticipated implementation date for each agreed recommendation.
- 3.3 Members will note that, of the 3 completed assignments, 2 resulted in at least one high priority recommendation being made.

3.4 The audit assignments summarised at **Appendix 1** are: -

CHIEF EXECUTIVE

- CYNON VALLEY MUSEUM

ENVIRONMENTAL SERVICES

- HOUSING TEAM
- STRATEGIC PROJECTS

4. SUMMARY

4.1 The regular provision of all summarised audit assignments to Audit Committee throughout the year is aimed at assisting Members in evaluating the effectiveness of Internal Audit work across all Council systems and services.

4.2 In doing so, it enables Members to form an opinion on the overall control environment prior to the closure of accounts process for 2013/14.

LOCAL GOVERNMENT ACT, 1972

as amended by

THE ACCESS TO INFORMATION ACT, 1985

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

LIST OF BACKGROUND PAPERS

AUDIT COMMITTEE

15th October 2013

Report of the Group Director for Corporate Services

Author: Marc Crumby (Operational Audit Manager).

Item

File Ref:

4. Finalised Audit Assignments 2013/14

IA / MC

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FINALISED AUDIT ASSIGNMENTS

CHIEF EXECUTIVE
CYNON VALLEY MUSEUM
Date: 27/09/2013
<p>INTRODUCTION</p> <p>The Cynon Valley Museum provides services to the public and income is received from the hire of meeting rooms and conference facilities by the Council and external agencies, the sale of souvenirs from the gift shop and the operation of a cafeteria.</p> <p>The purpose of the audit is to assess the Museum's standards of financial administration.</p> <p>Cynon Valley Museum has not been the subject of an internal audit review previously.</p>
<p>AUDIT OPINION</p> <p>The overall control environment at the Museum relating to financial administration is considered to be poor with weaknesses identified in all nine of the areas examined. Eight of these areas have at least one high priority finding/recommendation in need of immediate improvement.</p> <p>It was found that the systems in place at the Museum for purchasing and invoicing are in need of improvement, with the records not maintained in an organised manner. There are no stock records or inventories maintained for office equipment, cafeteria food stock or for the stock held in the shop, it is therefore not possible to provide assurance to Management in relation to the purchasing and invoicing activities at the Museum.</p> <p>The systems in place for income collection and bankings are also poor, and whilst it appears that all income received has been banked, it is not possible to provide complete assurance due to the poor organisation of the income records and no stock records maintained to monitor expected and actual income.</p> <p>Controls surrounding Annual Leave, Time Management and Sickness are poor. There is limited evidence available to support the actual number of Annual Leave days taken by each member of staff. Staff are not always signing in/out when they are in work and formal sickness procedures are not always being adhered to. Internal Audit cannot provide assurance that all staff have worked their contracted hours or taken their contracted allocation of Annual Leave days.</p> <p>Visitor numbers are updated in the Ffynnon computer system each quarter. No evidence to support visitor numbers was available apart from a two week sample taken in July 2010, with 326 visitors recorded on the manual record. However, it was reported on the Ffynnon system that there were 3875 visitors for this month, a difference of 3549 visitors. No explanation could be provided for this variation.</p> <p>The implementation of the recommendations included within this report will help improve the administration at the Museum.</p> <p>Internal Audit will undertake an 'unannounced' follow-up visit.</p>

Report Reference Number	High Priority Audit Recommendations made & Agreed by Management	Agreed Implementation Date
7.1.1	<p>AGREED RECOMMENDATION A Financial Procedures document should be developed which clearly details the duties and responsibilities of staff. Following its completion the document should be issued to all appropriate members of staff.</p> <p>MANAGEMENT RESPONSE A document has been completed based on a template provided by another service - this is in the final stages of review.</p>	October 2013
7.1.2	<p>AGREED RECOMMENDATION Management should ensure an order (confirmation if made by telephone) is raised as soon as a commitment to expenditure is known, with full details of the goods ordered updated which can be used to check the subsequent delivery of goods and invoice. All orders should be signed for by a senior member of staff who has the authority to commit the Museum to expenditure and is in a position to determine whether the goods/services are required and in line with the budget available. Management should also ensure an organised filing system is in place with the relevant delivery notes and invoices retained with the appropriate copy order, thus allowing any queries to be easily rectified.</p> <p>MANAGEMENT RESPONSE The Council e-Procurement system has been installed and staff allocated responsibilities around, ordering, authorisation and receipting allied to paper records being maintained in the format recommended by Audit.</p>	Ongoing
7.2.1	<p>AGREED RECOMMENDATION Management should contact Accountancy to seek training and clarification in their banking processes. Following this training, the agreed processes should be implemented and all records retained in an appropriate order to allow reconciliations to be easily undertaken.</p> <p>MANAGEMENT RESPONSE Accountancy have gone through processes with staff and are satisfied with what is in place.</p>	Implemented
7.2.2	<p>AGREED RECOMMENDATION The income spreadsheet maintained by the Museum Officer should be updated with the actual income received each day on a timely basis e.g. weekly. These amounts should then be checked to Civica Financials (the Council's official financial system) to ensure all income has been attributed to the Museum's Cost Centre.</p> <p>MANAGEMENT RESPONSE</p>	Implemented

	Spreadsheet updates are now done daily and we will seek training on use of Civica Financials to allow for double-checking.	
7.2.3	<p>AGREED RECOMMENDATION All Daily Income Records should be signed by both the till operators and the Duty Officers to confirm the amounts received/recorded. Any discrepancies / variations between the actual till takings and cash present should be clearly identified and investigated.</p> <p>MANAGEMENT RESPONSE Process already in place.</p>	Implemented
7.2.4	<p>AGREED RECOMMENDATION Management should ensure no food or drink is provided to staff unless paid for.</p> <p>MANAGEMENT RESPONSE Staff have been informed of this.</p>	Implemented
7.3.1	<p>AGREED RECOMMENDATION Management should ensure that all staff are issued with Annual Leave/TOIL Cards at the start of each year. All staff should formally record their Annual Leave and TOIL on the cards and the Head of Museums & Heritage should physically authorise it. All Annual Leave and TOIL on the cards should be promptly updated to Vision. All Annual Leave and TOIL should also be updated to the staff signing in/out records.</p> <p>MANAGEMENT RESPONSE Noted and acted on.</p>	Implemented
7.3.2	<p>AGREED RECOMMENDATION The Head of Museums & Heritage should ensure the Sickness Absence Policy (June 2011) is being adhered to on all occasions, ensuring that all forms are completed where necessary and appropriately updated to Vision.</p> <p>MANAGEMENT RESPONSE Noted and acted on.</p>	Implemented
7.3.3	<p>AGREED RECOMMENDATION Formal records of hours worked by staff should be introduced by Management. These records should be completed everyday when staff are in work (both on and off site) and completed prior/ retrospectively if they are not.</p>	Implemented

	<p>These records should be signed by each Officer on a weekly basis and monitored, signed and dated by the Manager (along with Annual Leave Cards) to ensure staff are working their contracted hours and all Annual Leave/TOIL/Sickness is being controlled appropriately.</p> <p>MANAGEMENT RESPONSE</p> <p>A template provided by audit for manual recording of hours is in place and in use.</p>	
7.4.1	<p>AGREED RECOMMENDATION</p> <p>Management should ensure that the Museum only incurs expenditure for which they are responsible.</p> <p>Management should recode any expenditure attributed to the Museum that was not actually incurred by the Museum, to ensure the budget shows the correct amounts.</p> <p>MANAGEMENT RESPONSE</p> <p>Budget heads will be restricted to spend against the individual venue against which they were allocated and the required new budget heads are being set up following agreement with Finance and the appropriate virements made.</p>	Implemented
7.5.1	<p>AGREED RECOMMENDATION</p> <p>Management should ensure that all hire of rooms and functions are invoiced and paid for prior to the event that is in line with the Council's Financial Procedure Rules.</p> <p>MANAGEMENT RESPONSE</p> <p>This is now in place.</p>	Implemented
7.5.2	<p>AGREED RECOMMENDATION</p> <p>Management should review and update the content of their Application Forms for room hire.</p> <p>Terms and Conditions for room hire should be developed and issued to hirers as part of the application process.</p> <p>MANAGEMENT RESPONSE</p> <p>This work has been undertaken and new forms produced and all staff informed of the changes.</p>	Implemented
7.6.1	<p>AGREED RECOMMENDATION</p> <p>Management should ensure the systems in place for monitoring and reporting visitor numbers at the Museum are robust and accurate.</p> <p>Evidence to support the visitor numbers should be retained on file/made available for inspection.</p> <p>MANAGEMENT RESPONSE</p> <p>System in place with greater emphasis on record retention.</p>	Implemented
7.7.1	<p>AGREED RECOMMENDATION</p> <p>A full Inventory review should be undertaken and details of all equipment at the Museum recorded, together with the serial numbers for all electrical equipment. This should be kept up to date with additions and disposals recorded as</p>	Implemented

	<p>and when they occur. A complete Inventory review should be undertaken annually. MANAGEMENT RESPONSE An inventory of equipment has been undertaken.</p>	
7.8.1	<p>AGREED RECOMMENDATION Management should ensure stock records for the shop/gallery are introduced and maintained on a day-to-day basis. Stock checks should then be carried out on a more regular basis, for example, each quarter. If Management determine that the computerised stock system is their preferred method of maintaining stock records, the Head of Museums & Heritage should liaise with ICT to discuss its implementation. Until its implementation, manual stock records should be maintained. MANAGEMENT RESPONSE With the assistance of audit a more robust manual system has been put in place. We are currently looking at options around a new EPOS / stock system with bar code provision.</p>	30 November 2013

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ENVIRONMENTAL SERVICES
HOUSING TEAM
Date: 25/09/2013
<p>INTRODUCTION</p> <p>The Council has a wide range of enforcement powers to require owners of property to carry out work to remedy the defective conditions of their buildings and land. A number of legal statutes give the Council the power to carry out works in default of the owner and to recover the debt incurred. In a number of cases, derelict or abandoned sites necessitate action by the Council on a recurring basis. Where a local land charge is registered against a property following action under certain statutes, the Council also has the legal power to enforce its sale, dispose of the property and recover money owed.</p> <p>In determining the properties most suitable for the use of enforced sales powers, several criteria should be met:</p> <ul style="list-style-type: none"> • The property or land will have a debt of £300 or more • The property will be vacant • The property will not be in a compulsory purchase order area. • Action will assist area regeneration <p>Since an executive decision was agreed in August 2005, the Housing Strategy and Standards Team within the Public Health and Protection division have overseen the sale of seven properties with a further property sold subject to contract. There are a further two properties where the power of sale process is in progress.</p>
<p>AUDIT OPINION</p> <p>Audit testing included the sale of all seven properties since the executive decision in 2005 and three further ongoing cases. Given the time period over which the sales spanned, it was evident from the files that the process has evolved and therefore is not wholly reflected in the documented procedures.</p> <p>The report contains several recommendations in relation to 'housekeeping' and the need to consistently retain the same information for each of the properties sold to ensure the process is captured in its entirety.</p> <p>Enhancing the procedures should be a priority for the Environmental Protection Manager, to ensure they are relevant and fit for purpose, and to promote consistency in the recording and retention of information for all future properties identified for enforced powers of sale.</p> <p>The review has also highlighted a need to ensure decision making in respect of utilising auctions and accepting lower than market value offers is made explicit, to aid transparency. Seeking clarity regarding how sale proceeds should be retained is also recommended.</p>

Report Reference Number	High Priority Audit Recommendations made & Agreed by Management	Agreed Implementation Date
7.1.1	<p>AGREED RECOMMENDATION</p> <p>Management should review the current set of in-house procedures to ensure they adequately document the enforced sales process, with particular regard to those issues highlighted elsewhere in this report.</p> <p>The salient points from the Manchester City Council good practice guide should also be incorporated to create a single, detailed procedure document that is specific to the Environmental Protection Manager and those officers responsible for administering enforced sales.</p> <p>A suite of pro-formas and standard letters should form part of this document, and a file checklist devised to set out all relevant documentation to be retained for each property.</p> <p>A frequency of review should be agreed and documented.</p> <p>MANAGEMENT RESPONSE</p> <p>Agreed.</p> <p>A procedure that reflects the practice in RCT will be developed and a review schedule implemented.</p>	31 March 2014
7.1.8	<p>AGREED RECOMMENDATION</p> <p>The decision to proceed to market and/or the executive decision to pursue enforced powers of sale should be enhanced with the caveat that sales at auction will be pursued in the event of poor local interest. It should also be evident that discussions to that effect have been held once apparent that the property will not be sold via the preferred option.</p> <p>Management should ensure that where lower than market value offers are to be accepted, that the decision and rationale for doing so is documented.</p> <p>This requirement should be documented in the procedures as per 7.1.1.</p> <p>MANAGEMENT RESPONSE</p> <p>Agreed.</p> <p>A procedure that reflects the practice in RCT will be developed and a review schedule implemented.</p>	31 March 2014

ENVIRONMENTAL SERVICES
STRATEGIC PROJECTS
DATE : 24/09/2013
<p>INTRODUCTION</p> <p>Officers within the governance of the Strategic Projects Manager - i.e. Land Reclamation & Engineering Team, Traffic Management Team and Construction Unit; work on a range of projects / schemes, and in most instances will subsequently recover the costs of officer time from the client who commissioned the work.</p> <p>The time-based charge is estimated at the beginning of the project and recovered via invoice / journal transfer as the scheme progresses. If the client's requirements / instructions alter during the delivery of the scheme, the variation(s) may / will have a corresponding impact on the time taken, and may / will thereafter affect the charge.</p> <p>For externally funded schemes, the funding body may have specific requirements for the format of time-based charges.</p> <p>It is therefore important to have robust controls in place that ensure that Officers' time is accurately recorded and appropriately costed, in order to provide a clear and well supported management trail.</p> <p>The service areas noted above use the Eureka system which is able to store / report management information to create invoices, together with supporting documentation.</p>
<p>AUDIT OPINION</p> <p>A high level of assurance can be reported that the current staff time recording arrangements within the Land Reclamation, Traffic Management and Construction Units are operating effectively.</p> <p>All timesheets were submitted promptly; recorded time was accurately reconciled against time claimed by officers; the Eureka system provides a reliable database for time recording / analysis.</p> <p>Operationally, the Strategic Projects Manager has tasked officers within each Section with data input / extraction, which ensures that the knowledge of the Eureka system has been 'rolled out' across the teams.</p> <p>Consequently there are no 'High Priority' recommendations arising from this review. However we consider that a 'working group' approach towards sharing / developing best practice across the 3 Sections will help ensure that any efficiencies in the way the Eureka system can be used can be jointly implemented by all areas.</p>

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