

**Agenda Item No:**

**Report to:** Audit Committee

**Date of Meeting:** 12 January 2010

**Report Title:** Chief Auditor's Summary Audit and Risk Report

**Report By:** Tom Davies  
Chief Auditor

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### **Purpose of Report**

To inform the Audit Committee of recent audit findings of Main Accounting Systems, Treasury Management audits and follow up on implementation of Museum Shop, Non-Domestic Rate and Debtors recommendations.

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### **Recommendation(s)**

**1. That the Audit Committee note the report**

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### **Reasons for Recommendations**

To monitor levels of control in the organisation.

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**Summary Reports**  
**Report to Audit Committee**  
**Audit of the Main Accounting Systems**

**Background Information**

This review was undertaken as part of the agreed audit plan for 2009/10. The audit approach has been to confirm compliance with statutory requirements and identification of Best Practice and operational efficiency.

A full audit of the general ledger was last carried out in 2008 and more recently reviews of Agresso Creditors and Debtors have been completed.

**Overall Audit Assessment: A – Good**

Controls are in place and are working effectively. Some minor improvements are possible to ensure compliance with Best Practice and efficiency.

**Key Findings**

The Accounts for the year ended 31st March 2009 had an unqualified audit opinion and were completed and presented to the Audit Committee on the 28th September 2009. The external auditors PKF concluded that the key financial systems were generally adequate and showed no significant weaknesses stating that financial statements produced by the Council were of a high standard and agreed to the underlying records.

This audit has confirmed these comments and it is considered that controls over Main Accounting are satisfactory and accounts staff are fully aware of their responsibilities.

It is noted that the Chief Accountant is retiring in 2010.

**Management Response**

We agree the recommendations and action plans have been put in place to discharge them.

**Summary Reports**  
**Report to Audit Committee**  
**Audit of the Main Accounting Systems**

**Summary of Recommendations**

Rec No	Recommendation	Priority	Target Date	Implementation Officer
1	The Financial Operating Procedures (FOPs) are reviewed and updated to show current areas of responsibility.	Low	Apr-10	Head of Financial Services Agreed.
2	Periodic reports are obtained from the system of journal activity carried out by the AGRESSO consultant.	Medium	Jan-10	Chief Accountant Agreed – Will implement a procedure for checking such reports.
3	Procedures for determining the last day of employment required for access to HBC's systems should be reviewed.	Medium	Apr-10	Chief Auditor This is a cross-cutting recommendation.

Priority Classifications:

High = Fundamental System Weakness – Action is Essential

Medium = Potential Control Weakness – Action Required

Low = Advised as Good Practice

**Summary Reports**  
**Report to Audit Committee**  
**Audit of Treasury Management**

**Background Information**

Treasury Management is undertaken to manage HBC's cash flow, borrowing and cash investments to support the Council's finances for the benefit of local tax payers and the services that the Council provides.

Treasury Management is strictly regulated and must comply fully with legal statute guidance, codes of practice and the regulations of the council. These are set out in The Treasury Management Practices – Schedules 2008/09.

An appropriately qualified accountant within a small team closely managed by the Chief Accountant undertakes Treasury Management.

**Overall Audit Assessment: A Good**

Controls are in place and work effectively.

**Key Findings**

Treasury Management decisions are fully documented and subject to a robust level of control.

Accounts personnel are appropriately qualified and fully aware of their responsibilities.

Investments are only made in accordance with the approved investment list.

**Management Response**

The recommendations are agreed and action plans started to address them.

**Summary Reports**  
**Report to Audit Committee**  
**Audit of Treasury Management**

**Summary of Recommendations**

Rec No	Recommendation	Priority	Target Date	Implementation Officer
1	Senior Management provide assurance that suitable contingency is in place in the event of loss of key personnel.	Medium	Apr-10	Head of Financial Services  Steps are being taken to recruit suitably qualified personnel.
2	The necessity of complying with the reporting standard set out in the Treasury Management Practice Schedule should be established and remedial action taken if appropriate.	Low	Apr-10	Chief Accountant  There are already comprehensive reporting arrangements; to Cabinet, to Audit Committee and Quarterly Panel Review.  However, we anticipate that the new Code of Practice will be even more rigorous and we expect to comply with it.

Priority Classifications:

High = Fundamental System Weakness – Action is Essential

Medium = Potential Control Weakness – Action Required

Low = Advised as Good Practice

## Follow-up Audit / Museum Shop

### Background

A team consisting of HIC staff carried out a review of the Museum Shop and its Working Policies and Procedures during March 2008. Internal Audit has followed up the recommendations. 8 recommendations were made for improvement and agreed by management. Of these, 5 recommendations have been implemented, 1 partially implemented and 2 not implemented.

### Overall Audit Assessment

Adequate: Whilst 2 recommendations had not been implemented and 1 recommendation had been partially implemented, they are all interconnected with each other and apply to the need for documented procedures – particularly in relation to stock checks.

### Key Findings

Improvements have been made to entrance and signage, displays and marketing.

Wastage primarily from the purchase of comestibles has been significantly reduced.

There are no procedures for carrying out stock checks and whilst some stock checks have been carried out, there is no assurance that they have been accurately and effectively performed.

Procedures as described in the recommendations of the main report need to be implemented including standardised forms for processes such as stock recording, safe key inventory etc.

A Cybertill system as used in the HIC that would enable computerised and therefore the most accurate stock control and inventory management has been considered but is currently cost prohibitive.

A handheld PDQ machine for processing card payments is now being used.

### Acknowledgement

The Audit and Investigations Division thanks the staff and management of the Museum Shop for their co-operation and assistance throughout the audit.

### Management Response

We agree the findings.

## Follow-up Audit / Museum Shop

### Summary of Recommendations

Recommendation per original report	Current Status	Responsibility	Target Date
That stock checks are carried out accurately and effectively.	<p>Status: Not implemented</p> <p>Whilst these have sometimes been carried out, there is still the need for a systematic documented approach. The lack of reliable stock checks can distort the profitability of the shop and means abnormal losses could go undetected.</p>	Acting Museum Curator	Mar-10
That procedures are put in place to ensure better security and all aspects of handling of monies.	<p>Status: Partially implemented</p> <p>It is acknowledged that coaching and training has been carried out following the original audit and improvement made. However, documenting procedures over security and cash handling will drive out redundant processes, ensure tasks are carried out more effectively and enable better training and business continuity.</p>	Acting Museum Curator	Mar-10
That forms are provided to assist all standard shop processes.	<p>Status: Not implemented</p> <p>The original report identified 6 types of form that would more readily assist key processes but these have not been designed or provided yet.</p>	Acting Museum Curator	Mar-10

## Follow-up of Non-Domestic Rate (NDR) and Debtors Audits

### Background

In accordance with the 2009-10 published audit plan a follow-up audit was carried out of the Non Domestic Rate (NDR) and Debtors audits. 2 medium importance recommendations were made in the NDR audit that were followed up and 1 high together with 2 important recommendations were made in the Debtors audit. Audit performs substantive testing over any high importance recommendations made and may rely on management representations for medium or low level ones.

### Overall Audit Assessment

Good: All 5 recommendations have been implemented.

### Key Findings

A review of Agresso security was conducted earlier in the year and report issued in May 2009. This fully addressed confidentiality, integrity and availability of the system.

### Acknowledgement

The Audit and Investigations Division thanks the staff and management in Revenues and Benefits for their co-operation and assistance throughout the audit.

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#### Wards Affected

None

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#### Area(s) Affected

None

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#### Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues	No
Economic/Financial Implications	Yes



Human Rights Act	No
Organisational Consequences	No

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**Background Information**

The detailed audit and follow up audit reports

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**Officer to Contact**

Tom Davies  
tdavies@hastings.gov.uk  
Telephone: 01424 451524

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