

**Internal Audit Report  
Executive Summary**

**To:** Head of Finance  
**Subject:** Leasing  
**Report reference:** GBC31  
**Date:** September 2004

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**1 Introduction**

- 1.1 The attached report sets out the findings and recommendations arising from a recent review of the Authority's leasing arrangements.
- 1.2 The Authority had 43 active leases at the time of the audit.

**2 Objectives and scope of the audit****2.1 Objectives:**

- to document the systems and evaluate the controls in operation to ascertain their adequacy and effectiveness;
- to sample test transactions for compliance with documented procedures and controls.

**2.2 Scope:**

The following control objectives were examined:

- That the process for entering into lease agreements is adequately controlled.
- That current lease agreements are appropriately monitored.
- That assets are correctly dealt with once a leasing agreement has expired.

**3 Main Findings**

The main findings of the audit were:

- 3.1 The responsibility for entering into leasing agreements has been appropriately delegated to the Head of Finance.
- 3.2 The Authority maintains a register of all its leasing arrangements, which contains sufficient data to enable assets to be identified. This is updated on a regular basis.
- 3.3 Departmental inventories do not always contain details of leased assets or the date when the inventory was last verified.

**4     Audit opinion**

- 4.1     In our opinion, most of the arrangements for financial management are satisfactory. Where we have identified control weaknesses, we have made recommendations to bring the financial controls up to the standards required by Financial Regulations.

**Audit conducted by:  
Richard Beckett - Auditor**

**Audit supervised by:  
Rob Disney CPFA -Assistant Audit Manager**

**J K Nash CPFA  
Assistant Treasurer**

**Internal Audit Report**

**To:** Head of Finance  
**Subject:** Leasing  
**Audit report ref:** GBC31  
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<p><b>Control objective 1: That the process for entering into lease agreements is adequately controlled.</b> <b>Risk: Inappropriate leasing arrangements may be entered into.</b></p>			
<p>1.3 Other financing options are considered prior to a leasing arrangement being entered into.</p>	<p>Before an asset is purchased an assessment is made as to how it should be financed, with leasing being one option. A copy of these assessments is not maintained and could not therefore be tested during the course of the audit. The authority is currently giving consideration to extending its arrangement with the leasing agent for a further year, and this will include assessments of a range of financing options for asset acquisition. Failure to retain details of the decision to lease assets may impair the authority's ability to fully and accurately respond to future scrutiny in this area.</p> <p>Once it has been agreed that leasing is the best option, the Authority uses its leasing agent to find leasing companies each time a leased asset is required. The agent invites tenders for the contract and carries out an analysis (largely financial) on all the proposals that it receives. The analysis is then used by the Authority to decide which leasing company to use.</p> <p>The report from the leasing agent in relation to the acquisition of the applied sweeper was inspected.</p>	<p>×</p>	<p><b>The assessments that are used to decide whether or not leasing is the best option are retained for a suitable period.</b> <b>(Low Risk).</b></p> <p><b><u>Response of the Head fo Finance</u></b> <b>Accepted. The Head of Finance has agreed in principle an appraisal model provided by Chrystal Consulting, and either this or an in-house solution is anticipated for 04/05.</b></p> <p><b><u>Officer Responsible for Implementation</u></b> <b>Principal Accountant.</b></p> <p><b>Date for Implementation</b> <b>For 2004/5.</b></p>

**Control objective 2: That current lease agreements are appropriately monitored.**  
**Risk: Incorrect lease payments may be made and the terms of agreements may not be complied with.**

Expected control	Audit findings	Expected control met	Audit recommendation and management response, officer responsible and date for implementation
<p>2.3 Assets are physically checked to the register on an annual basis.</p>	<p>The responsibility for conducting an annual physical check on leased assets rests with the departments that use the assets.</p> <p>To enable them to do this, the Assistant Accountant (who monitors leasing agreements centrally) compiles and circulates a schedule with all of the Authority's leased assets on it to the departments on an annual basis. The 2003/2004 schedule was examined during the course of the audit.</p> <p>Testing was carried out on leased assets in the Finance and Legal and Administrative Services departments as part of control 2.4. The testing indicated that physical checks were not carried out on an annual basis. See control 2.4 further details.</p>	<p>×</p>	<p><b>See control 2.4</b></p>

**Control objective 2: That current lease agreements are appropriately monitored.**  
**Risk: Incorrect lease payments may be made and the terms of agreements may not be complied with.**

Expected control	Audit findings	Expected control met	Audit recommendation and management response, officer responsible and date for implementation
<p>2.4 Assets should be recorded in their Departmental inventory and marked as leased.</p>	<p>A sample of three assets in the Finance and Legal and Administrative Services were checked to verify their existence and to ensure that they were on the departmental inventories.</p> <p>All three assets could be located, although none of the assets had any markings on them to demonstrate that they were leased. This issue has been the subject of audit recommendations in the past.</p> <p>One asset (a franking machine) was listed in the inventory, however there was no indication in the inventory that the asset was leased, nor were there any details about when the asset was last checked.</p> <p>The second asset (a cheque signing machine) was in the inventory, but again was not shown as a leased item. Furthermore the asset had not been ascribed an estimated value (this is done for all other assets in the Authority for insurance purposes).</p> <p>The third asset (a photocopier) was not listed in the inventory at all.</p>	<p>×</p>	<p><b>A reminder should be issued to all departments, to ensure that all leased assets are appropriately recorded in departmental inventories (and marked as a leased asset). The inventory should also show that the asset has been subject to a physical check on an annual basis. (Med Risk).</b></p> <p><b><u>Response of the Head of Finance Accepted. The Manager of Resource Services has been requested to ensure that an appropriate flag is added to the inventories carried out each year, to allow leased assets to be identified. It is anticipated that this need only be as simple as "L" for leased asset.</u></b></p> <p><b><u>Officer Responsible for Implementation</u></b>  <b>Manager of Resource Services.</b></p> <p><b>Date for Implementation</b>  <b>For 04/05.</b></p>



## Internal Audit Service

**Internal Audit Report  
Executive Summary**

**To:** Head of Finance  
**Subject:** Borrowing and Lending  
**Report reference:** GBC30  
**Date:** September 2004

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**1 Introduction**

1.2. The attached report sets out the findings and recommendations arising from a recent review of the Authority's borrowing and lending activities.

1.3 The Authority made investments totalling £72 million in 2002/2003.

**2 Objectives and scope of the audit****2.1 Objectives:**

- to document the systems and evaluate the controls in operation to ascertain their adequacy and effectiveness;
- to sample test transactions for compliance with documented procedures and controls.

**2.2 Scope:**

The following control objectives were examined:

- That the Authority has a clear policy on the investment of surplus funds and this complies with the Cipfa Code of Practice on Treasury Management.
- To ensure that there is an effective process for determining surplus balances and identifying the most suitable means of investing them.
- That investments are placed in an appropriate manner.
- That the maturity of investments are dealt with promptly and accurately.
- That effective performance reports are prepared and acted upon.

**3. Main Findings**

The main findings of the audit were:

3.1. The Authority has clearly documented procedures in place to manage its borrowing and lending function. The procedures also comply with the Cipfa Code of Practice on Treasury Management.

- 3.2. Investments are made only with approved counterparties and with appropriate separation of duties. Testing confirmed that procedures are sufficient to identify the optimum level of funds to invest.
- 3.3. The Authority has taken reasonable steps within its limited staff resources to separate the duties of bank reconciliation from day-to-day investment duties.
- 3.4. The Authority has not taken out any loans since March 2002.

**4. Audit opinion**

- 4.1. In our opinion, most of the arrangements for financial management are satisfactory. Where we have identified control weaknesses, we have made recommendations to bring the financial controls up to the standards required by Financial Regulations.

**Audit conducted by:  
Richard Beckett - Auditor**

**Audit supervised by:  
Rob Disney CPFA -Assistant Audit Manager**

**J K Nash CPFA  
Assistant**

**Treasurer**

<b>Control objective 2: To ensure that there is an effective process for determining surplus balances and identifying the most suitable means of investing them.</b>			
<b>Expected control</b>	<b>Audit findings</b>	<b>Expected control met</b>	<b>Audit recommendation and management response, officer responsible and date for implementation</b>
2.3 The credit rating of these organisations should be determined by the use of a reputable credit agency.	<p>Approved counterparties must have been accorded a certain credit rating by Fitch, as set out in the “<i>Treasury Management Practices</i>” document, before the Authority can do business with them.</p> <p>The credit ratings of the approved counterparties were compared to the standard set out in the “<i>Treasury Management Practices</i>” document. All of the counterparties had the requisite long and short term credit ratings. However, one of the nine counterparties (Alliance &amp; Leicester) did not meet the support criteria and three of the counterparties (Abbey, Alliance &amp; Leicester, Nationwide) did not meet the individual criteria.</p>	X	<p><b>The guidance on credit ratings in the “<i>Treasury Management Practices</i>” document should be amended if all of the organisations on the approved counterparty list are still acceptable to the Authority (Low Risk).</b></p> <p><b><u>Response of the Head of Finance</u></b>  <b><i>Accepted. The anomalies occurred primarily due to the alterations made to the rating system in August 2003, and these not yet being reflected in the Council’s TMPs. One anomaly however was merely a typographical error. TMPs will be resubmitted for approval after 30 September 2004, in order to allow any further alterations due to the retirement of the Director of Resources to be incorporated along with the items identified at audit.</i></b></p> <p><b><u>Officer Responsible for Implementation</u></b>  <b><i>Head of Finance.</i></b></p> <p><b><u>Date for Implementation</u></b>  <b><i>After 30 September 2004.</i></b></p>



<b>Control objective 3: Investments are placed in an appropriate manner.</b>			
<p>3.10 The names and specified identifications of the employees authorised to perform investment transactions on the Authority's behalf should be notified to the relevant brokers.</p>	<p>Written confirmation from the Authority to its counterparties, regarding who is authorised to deal with them, has not been provided in all cases. To date, only one counterparty has requested this confirmation. We believe it is in the authority's interests to ensure all counterparties are in receipt of up to date confirmations in this regard.</p>	<p>×</p>	<p><b>The names of the officers who are authorised to deal with the Authority's counterparties should be advised in writing to all counterparties and updated as and when required. (Low Risk).</b></p> <p><b><u>Response of the Head of Finance</u></b> <b><i>This has already been implemented.</i></b></p> <p><b><u>Officer Responsible for Implementation</u></b> <b><i>Principal Accountant.</i></b> <b>Date for Implementation</b> <b><i>Already implemented.</i></b></p>
<p>5.5 Interest rates achieved should be monitored against average pool rates.</p>	<p>The Authority's returns on its investments are averaged out and presented in the monitoring information as an average percentage return. These rates are informally compared to average rates of returns provided by SECTOR on a weekly basis, however, these comparisons are not fed into the monitoring information.</p>	<p>×</p>	<p><b>Details of the Authority's returns on investments should be shown on quarterly monitoring reports alongside an independent average rate of return, so that a comparison can be drawn as to how well the Authority is performing (Med Risk).</b></p> <p><b><u>Response of the Head of Finance</u></b> <b><i>This will be further considered prior to the next audit. The information regarding actuals is easily available, and the year end report does indeed record average performance. This could possibly also be incorporated into the quarterly reports, and a suitable benchmark for comparison agreed.</i></b></p> <p><b><u>Officer Responsible for Implementation</u></b> <b><i>Head of Finance.</i></b> <b>Date for Implementation</b> <b><i>Prior to next audit.</i></b></p>

**Internal Audit Report  
Executive Summary**

**To:** Head of Finance  
**Subject:** Bank Accounts  
**Report reference:** GBC 28  
**Date:** September 2004

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**1. Introduction**

- 1.1 The attached report sets out the findings and recommendations arising from a recent review of bank accounts.
- 1.2 Estimated expenditure passing through the accounts for 2003/04 is £175m, which includes some temporary investments.

**2. Objectives and scope of the audit**

- 2.1 The objectives of the audit were the following:
- To document the systems and evaluate the controls in operation to ascertain their adequacy and effectiveness; and
  - To test transactions for compliance with documented procedures and controls.
- 2.2 The following control objective was examined within the scope of the audit:
- Bank accounts are effectively managed and controlled.

**3. Main Findings**

The main finding of the audit was that bank accounts are effectively managed and we have made only a low risk recommendation for improvement to the verification of reconciliations.

**4. Audit Opinion**

- 4.1 In our opinion, the arrangements for financial management are sound and the recommendation we have made refers only to a minor weakness.

**Audit conducted by:  
Angela Wendels, MAAT  
Auditor**

**Audit supervised by:  
Rob Disney CPFA  
Assistant Audit Manager**

**J K Nash CPFA  
Assistant Treasurer**

**Control objective 1: Bank accounts are effectively managed and controlled.**  
**Risk: Accounts may become overdrawn or used for unauthorised purposes.**

Expected control	Audit findings	Expected control met	Audit recommendation and management response, officer responsible and date for implementation
<p>1.1 Reconciliation:</p> <p>a) Is the responsibility of a named post who is independent from the preparation and despatch of cheques/BACS, cash handling and debtors records</p> <p>b) Accounts are reconciled on at least a monthly basis</p> <p>c) There is a written procedure for the reconciliation of bank accounts</p>	<p>We confirmed that there is a separation of duties between officers authorising payments and those reconciling FMS to the bank accounts.</p> <p>We confirmed that accounts are reconciled on a monthly basis, usually by the 20th of the month following. Testing confirmed that reconciliations were up-to-date. This function is performed by the Assistant Accountant and independently verified by the Principal Accountant, although we noted that, at the time of audit (March 2004), reconciliations had only been verified for April and May 2003. This poses some degree of risk that errors may go undetected.</p> <p>Detailed bank reconciliation procedure notes were implemented in July 2003. These provide comprehensive details outlining the steps in carrying out the reconciliation.</p>	<p><b>X</b></p>	<p><b>Outstanding verifications should be brought up to date as soon as possible and future reconciliations should be independently verified on a monthly basis.</b></p> <p><b>(Low Risk)</b></p> <p><b><u>Response of the Head of Finance Accepted. The Principal Accountant will aim to clear the backlog during 2004/5, and to move towards an ongoing verification within one month of the relevant period as soon as possible thereafter.</u></b></p> <p><b><u>Officer Responsible for Implementation</u></b></p> <p>Principal Accountant.</p> <p><b><u>Date for Implementation</u></b>  <b><u>During 2004/5.</u></b></p>

**Internal Audit Report  
Executive Summary**

**To:** Head of Finance  
**Subject:** Cash Receipting  
**Report reference:** GBC 29  
**Date:** October 2004

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**1. Introduction**

- 1.1. The attached report sets out the findings and recommendations arising from a recent review of the cash receipting system.
- 1.2. Income processed on the cash receipting system is approximately £19 million for the year 2003/04.

**2. Objectives and scope of the audit****2.1 Objectives:**

The objectives of the audit were the following:

- to document the systems and evaluate the controls in operation to ascertain their adequacy and effectiveness; and
- to test transactions for compliance with documented procedures and controls.

**2.2 Scope:**

The following control objectives were examined:

- secure arrangements exist for the collection and recording of income collected by departments;
- secure arrangements exist for the collection and recording of income collected by the Civic Centre cashiers;
- cash collected is banked promptly and intact;
- secure arrangements exist for income collected via the telephone and internet;
- all income is accurately recorded within the accounts of the authority; and
- physical and IT security arrangements are effective.

Arrangements in respect of income collected by departments covered:

- Leisure Services
  - (a) Community Centres; and
  - (b) Gedling Show and Carnival;

- Direct Services
  - (a) Compost Bins;
  - (b) Drain Blocks; and
  - (c) Bulk Household Waste.

2.3 Recommendations made at the previous audit (November 2002) were followed up.

2.4 The co-operation and assistance provided by staff is acknowledged and appreciated.

### 3. **Main Findings**

3.1 The level of control in each of the departments visited was generally sufficient to guard against serious error or fraud, although a number of recommendations are made to build on the current procedures. For the most part, the recommendations are aimed at complementing the core controls already in place, but there were three areas in which we consider key controls are lacking:

- Remittance registers are not in place in either of the departments visited, meaning that income in all its forms is not always recorded at the first opportunity. Furthermore, not all remittances received in the Finance Department are recorded on the register sheets;
- Income transferred from departments to the Civic Centre is not adequately documented. Records need to be maintained which identify the income transferred to the Civic Centre and the officer responsible for taking the income; and
- A regular reconciliation of income records to FMS should be undertaken for Direct Services' income generating areas.

3.2 Key controls are in place and are being consistently complied with in the main cash office to ensure that income is securely received and recorded. This was also found to be the case with income collected via the internet and over the telephone. As with the review of departments, the recommendations in respect of the main cash office are made with a view to further enhancing the overall level of internal control. Included within these recommendations are two of a more pressing nature to address the following issues:

- The signature of the security company's representative is not always checked to the approved signature list;
- The night safe key is removed from the cash office safe by a cashier and taken to the member of staff responsible for emptying the night safe. The key is kept loose in the safe.

3.3 Of the 18 recommendation made at the previous audit, 16 were accepted. Of the sixteen, 9 have been implemented, 3 have been partially implemented and 4 have not been implemented.

#### **4. Audit opinion**

- 4.1. In our opinion, most of the arrangements for financial management are satisfactory. Where we have identified control weaknesses, we have made recommendations to bring the financial controls up to the standards required by Financial Regulations.

**Audit conducted by:  
Deborah Whitaker MAAT  
Auditor**

**Audit supervised by:  
Rob Disney CPFA  
Assistant Audit Manager**

**J K Nash CPFA  
Assistant Treasurer**

**Internal Audit Report**

**To:** *Head of Finance*  
**Subject:** *Cash Receipting*  
**Audit report reference:** *GBC 29*  
**Date:** *October 2004*

<b>Control objective 1a: Secure arrangements exist for the collection and recording of income collected by LEISURE SERVICES.</b>			
<b>Risk: Income may not be correctly accounted for.</b>			
<b>Expected control</b>	<b>Audit findings</b>	<b>Expected control met</b>	<b>Audit recommendation and management response, officer responsible and date for implementation</b>
1.2a Official receipts are issued for all income collected. Receipt details include the following: date, payer, description, account reference, FMS code, amount / VAT details and receipt number.	<p>A large proportion of the income is received through the post. Post is collected from the Civic Centre by a member of the Leisure admin team and opened in the admin office. One member of staff opens the mail although there are other staff present in the room. A remittance register is not maintained and income is not receipted as a matter of course. This could result in income being lost and/or withheld from banking.</p> <p>Receipts are issued for the Gedling Show and Carnival income. For the receipts issued in respect of the 2003 Show and Carnival, these were found to contain the required details. Receipts were traced to each stall application for both the show and the Carnival.</p> <p>Income for hire of Community Centres is supported by booking forms. One copy of the form is retained and one copy is sent to the hirer with the payment detail recorded. Fourteen booking forms held at Leisure HQ were</p>	X	<p>a) <b>A remittances register should be introduced for recording details of income received in the mail. (Medium Risk)</b></p> <p>b) <b>Two members of staff should be involved in the post opening. (Medium Risk)</b></p> <p><b><u>Response of the Head of Leisure Services</u></b>  <b>Register and two staff members to open post to be implemented.</b></p> <p><b><u>Officer Responsible</u></b>  <b>Finance and Administration Officer</b></p> <p><b><u>Date for Implementation</u></b>  <b>October 2004</b></p>

<b>Control objective 1a: Secure arrangements exist for the collection and recording of income collected by LEISURE SERVICES.</b>			
<b>Risk: Income may not be correctly accounted for.</b>			
<b>Expected control</b>	<b>Audit findings</b>	<b>Expected control met</b>	<b>Audit recommendation and management response, officer responsible and date for implementation</b>
1.2a (continued)	<p>examined and all had payment details recorded. Income from telephone call boxes within the community centres is not receipted (see Section 1.10).</p> <p>Swing-into-shape and indoor bowls money is not receipted, although ticket books are recorded when issued to the customer.</p>		
1.4a Separation of duties exists between collection and reconciliation.	<p>Income is collected by staff within the Admin Office, either through the morning post or from service users visiting Arnot Hill House. Admin assistants are responsible for a specific area however any one of the admin assistants can open the post or attend to the public visitors. The officer responsible for the specific area will be given the income and paperwork once it has been collected. Internal records, which include spreadsheets detailing income received, are then completed. The admin assistants compare these to FMS.</p> <p>The current arrangements pose a slight risk that admin staff can both receive and reconcile income relating to their own particular area. The majority of income is by cheque, however at the start of the bowls season large amounts of cash can be received. Generally when large amounts of cash are received these are counted by two members of staff and taken to the cash office by two members of staff.</p> <p>The Finance and Admin Officer and the Community Centre manager also reconcile the data maintained by the admin assistant to FMS reports.</p>	X	<p><b>Consideration needs to be given to establishing a clear separation of duty between the staff, to ensure the risk of staff collecting and reconciling income relating to their own areas is kept to a minimum.</b> <b>(Low Risk)</b></p> <p><u><b>Response of the Head of Leisure Services</b></u> <b><i>This is not always possible and as this is low risk no changes are proposed.</i></b></p> <p><u><b>Officer Responsible</b></u> <b><i>Finance and Administration Officer</i></b></p> <p><u><b>Date for Implementation</b></u> <b><i>N/A</i></b></p>



<b>Control objective 1a: Secure arrangements exist for the collection and recording of income collected by LEISURE SERVICES.</b>			
<b>Risk: Income may not be correctly accounted for.</b>			
<b>Expected control</b>	<b>Audit findings</b>	<b>Expected control met</b>	<b>Audit recommendation and management response, officer responsible and date for implementation</b>
1.4 (a) continued	<p>A reconciliation of Swing into Shape money recorded on the ticket issue list with the miscellaneous income receipts was undertaken, and then the income receipts of a specific centre offering swing into shape in the current financial year were reconciled to a report from FMS. Two coding errors were identified, these were notified to the responsible officer for correction.</p> <p>A reconciliation of the Gedling Show and Carnival income is undertaken. This is carried out by the admin officer who collects and prepares the income for banking. Income and expenditure budgets for the show are monitored by the Events Officer.</p>		
1.5a Reconciliations are carried out regularly of income due to income collected to FMS records.	<p>Income is mainly received ad hoc based on applications or usage.</p> <p>Management monitors income budgets and the Finance and Administrative Officer undertakes regular reconciliations between the budget records, transaction records and FMS.</p> <p>Serially numbered tickets are issued for Swing into Shape and indoor bowls at Community Centres. Monitoring of these issues has recently commenced, however the ticket numbers are not always recorded on the miscellaneous income receipts. Issues to other centres are recorded on the monitoring form, but no acknowledgement is obtained from the receiving department. With these monitoring forms in place it will be possible, from the start of the new financial year, to reconcile ticket issues to amounts banked and detailed on FMS.</p>	×	<p><b>a) Ticket numbers be recorded on the miscellaneous income receipts. (Low Risk)</b></p> <p><b>b) Issues to other centres be recorded on the issue sheet and acknowledged by signature by the receiver. (Medium Risk)</b></p> <p><b>c) Reconciliation of the ticket issues to the banking and FMS be undertaken on a regular basis. (Medium Risk)</b></p> <p><b><u>Response of the Head of Leisure Services</u></b> <b>a) This has now been implemented</b></p>

<b>Control objective 1a: Secure arrangements exist for the collection and recording of income collected by LEISURE SERVICES.</b>			
<b>Risk: Income may not be correctly accounted for.</b>			
<b>Expected control</b>	<b>Audit findings</b>	<b>Expected control met</b>	<b>Audit recommendation and management response, officer responsible and date for implementation</b>
1.5 (a) Continued	If ticket numbers and issues are not recorded and monitored there is a risk that incorrect amounts of income could be banked and that tickets taken may not be allocated to the correct location.		<p><b>b) Issue sheet to be amended to allow implementation</b></p> <p><b>c) Procedure to allow reconciliation being examined.</b></p> <p><b><u>Officer Responsible</u></b> <b>Finance and Administration Officer.</b></p> <p><b><u>Date for Implementation</u></b> <b>December 2004</b></p>
1.7a All income is locked away securely pending pay-in to safeguard against theft.	<p>Income is generally banked on a daily basis, usually at the end of the day. Until banking takes place, income (usually cheques) is held in a desk tray. There is a risk that cheques could be misplaced and delays in banking would then occur. Large amounts of cash are usually taken over to the cash office once all the paperwork has been completed. Income is placed in the safe if it has to be held over night, and all Community Centre deposits are held in the safe. No record is maintained of the unbanked income contained within the safe, therefore there is no evidence of what income has been placed in the safe and what income is removed from the safe for banking.</p> <p>Deposit cheques for Community Centre hire are kept in the safe, a list is maintained of these cheques which is used to verify no cheques are missing and details when the cheques need to be returned.</p>	×	<p><b>a) Income awaiting banking should be held in the safe, rather than in desk trays, until such time that staff are ready to take the income to the cash office. (Medium Risk)</b></p> <p><b>b) Additionally a record be maintained of all income ready for banking that is placed in the safe. This record to be a bound book, be completed when items are placed in the safe ready for banking and be signed by the person taking the income to the Civic Centre. (Medium Risk)</b></p> <p><b><u>Response of the Head of Leisure Services</u></b></p> <p><b>a) Implemented</b></p> <p><b>b) Agreed</b></p> <p><b><u>Officer Responsible</u></b> <b>Finance and Administrative Officer</b></p> <p><b><u>Date for Implementation</u></b> <b>October 2004</b></p>

<b>Control objective 1a: Secure arrangements exist for the collection and recording of income collected by LEISURE SERVICES.</b>			
<b>Risk: Income may not be correctly accounted for.</b>			
<b>Expected control</b>	<b>Audit findings</b>	<b>Expected control met</b>	<b>Audit recommendation and management response, officer responsible and date for implementation</b>
1.9a Income is not used to cash personal cheques or other payments.	<p>Management confirmed that personal cheques are not cashed and payments are not made from income. However, it was not possible to verify the statement that personal cheques are not cashed due to the Miscellaneous Income Receipt not having a facility to record the make-up of the income.</p> <p>If personal cheques are being cashed in the Authority's income the practice will not be identified and stopped.</p>	×	<p><b>Consideration be given to introducing a facility on the Miscellaneous Income Receipt to record the cash/cheque breakdown.</b> <b>(Low Risk)</b></p> <p><b><u>Response of the Head of Finance</u></b> <b><i>This will be recorded in the Remittance register.</i></b></p> <p><b><u>Officer Responsible</u></b> <b><i>Finance and Administration Officer.</i></b> <b><i>(Leisure Services)</i></b></p> <p><b><u>Date for Implementation</u></b> <b><i>October 2004</i></b></p>
1.10a An adequate audit trail exists to record the transfer of income between officers and departments.	<p>The Community Centre admin officer visits the community centres to collect private telephone money. Two people are present when the machine is emptied and the money counted, although there is no evidence to support this. Telephone income is not documented until paid in.</p> <p>Income ready for banking is generally taken over to the cash office late afternoon by a different admin assistant. There is no acknowledgement for the transfer of income from one admin assistant to another.</p> <p>If a large volume of income receipts is to be taken over to the cash office, these are left for the cashier to process. The processed receipts are then collected when all other deliveries have been completed. The receipts are then returned</p>	×	<p>a) <b>A collection sheet to record income collected from pay phones be introduced and signed by the two people present when collecting the income.</b> <b>(Low Risk)</b></p> <p>b) <b>A record be introduced to record income ready for banking, enabling a continuous trail between items taken to the cash office and items receipted by the cash office.</b> <b>(Medium Risk)</b></p> <p><b><u>Response of the Head of Leisure Services</u></b> <b><i>a) Implemented</i></b> <b><i>b) This will be recorded in the Remittance register.</i></b></p>

<b>Control objective 1a: Secure arrangements exist for the collection and recording of income collected by LEISURE SERVICES.</b>			
<b>Risk: Income may not be correctly accounted for.</b>			
<b>Expected control</b>	<b>Audit findings</b>	<b>Expected control met</b>	<b>Audit recommendation and management response, officer responsible and date for implementation</b>
	to the staff concerned. There is no reconciliation of receipts taken to the cash office with receipts returned from the cash office.		<b><u>Officer Responsible</u></b> <b><i>Finance and Administration Officer</i></b>  <b><u>Date for Implementation</u></b> <b><i>October 2004</i></b>

<b>Control objective 1b: Secure arrangements exist for the collection and recording of income collected by DIRECT SERVICES.</b>			
<b>Risk: Income may not be correctly accounted for.</b>			
<b>Expected control</b>	<b>Audit findings</b>	<b>Expected control met</b>	<b>Audit recommendation and management response, officer responsible and date for implementation</b>
1.2b Official receipts are issued for all income collected. Receipt details include the following: date, payer, description, account reference, FMS code, amount / VAT details and receipt number.	<p>Income received through the post is collected by staff from the Civic Centre and opened at Jubilee House. Post is generally opened by one member of staff, usually in the presence of other staff. A remittance register is not maintained and income is not receipted as a matter of course. This could result in income not being processed promptly or income being lost. Income received through the post usually relates to household bulk waste removals and compost bin requests.</p> <p>Visitors to Jubilee House who request receipts are generally issued with an official council receipt. Occasionally, however, compliment slips are used as receipts mainly due to staff being unable to locate the receipt book. There is no audit trail when compliment slips are used as receipts, therefore income may not be accounted for correctly.</p>	×	<p><b>a) A remittances register should be introduced for recording details of income received in the mail. (Medium Risk)</b></p> <p><b>b) Two members of staff should be involved in the post opening. (Medium Risk)</b></p> <p><b>c) Receipt books be available in the reception area for staff to issue to visitors if requested. (Medium Risk)</b></p> <p><b><u>Response of the Head of Direct Services</u></b>  <b>a) Agreed</b>  <b>b) Not Agreed</b>  <b>c) Agreed</b></p> <p><b><u>Officer Responsible</u></b>  <b>Finance and Administration Officer</b></p> <p><b><u>Date for Implementation</u></b>  <b>a) October 2004</b>  <b>c) Immediately</b></p>

**Control objective 1b: Secure arrangements exist for the collection and recording of income collected by DIRECT SERVICES.**

**Risk:** Income may not be correctly accounted for.

Expected control	Audit findings	Expected control met	Audit recommendation <i>and management response, officer responsible and date for implementation</i>
<p>1.3b Income collected relates directly to the approved charges of the Authority.</p>	<p>Charges relating to drain blocks have been set by the council; this service has only been provided for the past three years. Charges were set at the outset of the service and increased by the cost of living. The report detailing the original charge and subsequent increases by the cost of living was not to hand during the audit.</p> <p>Park charges were as laid down in the Leisure Services price list.</p> <p>Charges for compost bins and bulk waste collections are detailed on documents, however council reports setting these prices were not to hand.</p> <p>Copies of the latest reports setting out charges for services should be available to the staff within the department. There is a risk that incorrect charges could be applied.</p>	<p>×</p>	<p><i>Council reports setting out charges be obtained on a yearly basis and retained within the Department.</i> <i>(Low Risk)</i></p> <p><b><u>Response of the Head of Direct Services</u></b> <b><i>These are available but not on hand with the staff who deal with the requests.</i></b></p> <p><b><u>Officer Responsible</u></b> -</p> <p>Date for Implementation</p>

**Control objective 1b: Secure arrangements exist for the collection and recording of income collected by DIRECT SERVICES.**

**Risk:** Income may not be correctly accounted for.

Expected control	Audit findings	Expected control met	Audit recommendation <i>and management response, officer responsible and date for implementation</i>
<p>1.5b Reconciliations are carried out regularly of income due to income collected to FMS records.</p>	<p>In relation to drain blocks, no reconciliation of income details is carried out to FMS by the Highways admin officer. It is understood that the Highways functions currently provided by Gedling will be transferring to the County Council in April 2005.</p> <p>With regard to parks income, the FMS record is examined on a regular basis to ensure that income passed for banking appears on the report.</p> <p>In the case of other Income, budget reports for bulk waste are checked and discussions held with staff to establish the number of requests being made. The income budget is adjusted on an ongoing basis. Compost bin, drink machine and public utilities income is recorded but not reconciled to FMS.</p> <p>Without reconciling the spreadsheets and collection records to FMS, there is a risk that mis-codings and banking differences will not be identified.</p>	<p>×</p>	<p><i>On a regular basis the spreadsheets and collection records recording income be reconciled to FMS. This should be completed by a member of staff who is not involved with the completion of the spreadsheet/collection records. (Medium Risk)</i></p> <p><b><u>Response of the Head of Direct Services</u></b> <b>Not Agreed</b></p> <p><b><u>Officer Responsible</u></b></p> <p>Date for Implementation</p>

<b>Control objective 1b: Secure arrangements exist for the collection and recording of income collected by DIRECT SERVICES.</b>			
<b>Risk: Income may not be correctly accounted for.</b>			
<b>Expected control</b>	<b>Audit findings</b>	<b>Expected control met</b>	<b>Audit recommendation and management response, officer responsible and date for implementation</b>
1.7b All income is locked away securely pending pay-in to safeguard against theft.	Income ready to be transferred to the Civic Centre is usually placed in the mail out tray. There is no record of what items have been placed in the mail out tray, therefore income due to banked into the Authority's account could be delayed or omitted. Income received after the post has been taken to the Civic Centre is placed in the safe.	×	<p><b>a) Income awaiting banking should be held in the safe until such time that staff are ready to take the income to the cash office. (Medium Risk)</b></p> <p><b>b) Additionally a record be maintained of all income ready for banking that is placed in the safe. This record to be a bound book, be completed when items are placed in the safe ready for banking and be signed by the person taking the income to the Civic Centre. (Medium Risk)</b></p> <p><b><u>Response of the Head of Direct Services</u></b>  <b>a) Not Agreed</b>  <b>b) Not Agreed</b></p> <p><b><u>Officer Responsible</u></b></p> <p><b><u>Date for Implementation</u></b></p>



<b>Control objective 1b: Secure arrangements exist for the collection and recording of income collected by DIRECT SERVICES.</b>			
<b>Risk: Income may not be correctly accounted for.</b>			
<b>Expected control</b>	<b>Audit findings</b>	<b>Expected control met</b>	<b>Audit recommendation and management response, officer responsible and date for implementation</b>
1.9b Income is not used to cash personal cheques or other payments.	The majority of income is received in the form of cheques. Where cash is received, this is usually from the drinks machine and the public utilities. The paying-in slips do not have a cash/cheque breakdown, however from discussions with staff it was established that the cashing of personal cheques and the use of income to fund expenditure is not allowed and does not happen. If personal cheques are being cashed in the Authority's income the practice will not be identified and stopped.	×	<p><b>Consideration be given to introducing a facility on the Miscellaneous Income Receipt to record the cash/cheque breakdown.</b> <b>(Low Risk)</b></p> <p><b><u>Response of the Head of Finance</u></b> <b>Agreed</b></p> <p><b><u>Officer Responsible</u></b> <b>Revenue Manager</b></p> <p><b><u>Date for Implementation</u></b> <b>December 2004</b></p>
1.10b An adequate audit trail exists to record the transfer of income between officers and departments.	See section 1.7b relating to the transfer of money from officers to the Civic Centre. Income received and processed by the cashier at the Civic Centre is supported by a computerised entry on the paying-in slip. These slips are returned to the originator.	×	<b>See Recommendation at 1.7b.</b>

<b>Control objective 2: Secure arrangements exist for the collection and recording of income collected by the Civic Centre cashiers.</b>			
<b>Risk: Income may not be correctly accounted for.</b>			
<b>Expected control</b>	<b>Audit findings</b>	<b>Expected control met</b>	<b>Audit recommendation and management response, officer responsible and date for implementation</b>
2.3 Official temporary receipts and written procedures exist should the tills fail.	<p>Details of monies received are recorded on separate records for rents, council tax etc. and clients' record cards are stamped or temporary receipts are provided.</p> <p>Although agreed at the previous audit, cashiers do not yet have access to written notes if till failures occur (e.g. power failures).</p>	×	<p><b>Written procedures should be issued to staff to follow in the event of till failure. (Low Risk)</b></p> <p><b><u>Response of the Head of Finance</u></b> <b>Agreed</b></p> <p><b><u>Officer Responsible</u></b> <b>Incomes Officer</b></p> <p><b><u>Date for Implementation</u></b> <b>December 2004</b></p>
2.4 Receipts include the following information:  Date, payer, description, account reference, FMS code, amount/VAT details and till generated receipt number.	<p>Miscellaneous income receipts used by departmental staff for paying income in at the cash office provide for the recording of the required details. The miscellaneous income receipts are referenced by the cash receipting facility and FMS is subsequently updated.</p> <p>Payments of car park penalty fees are usually supported by the actual penalty notice, although the required details are not usually printed on the penalty notice.</p> <p>There is a risk that penalty notices could be submitted as paid when in fact the income has not been received.</p>	×	<p><b>Details entered onto the cash receipting system be printed on the relevant car park penalty notice. (Medium Risk)</b></p> <p><b><u>Response of the Head of Finance</u></b> <b>Agreed</b></p> <p><b><u>Officer Responsible</u></b> <b>Revenues Manager</b></p> <p><b><u>Date for Implementation</u></b> <b>Immediate</b></p>

<b>Control objective 2: Secure arrangements exist for the collection and recording of income collected by the Civic Centre cashiers.</b>			
<b>Risk: Income may not be correctly accounted for.</b>			
<b>Expected control</b>	<b>Audit findings</b>	<b>Expected control met</b>	<b>Audit recommendation and management response, officer responsible and date for implementation</b>
2.11 The value of collections recorded for each cashier is independently reconciled to bankings.	<p>A daily cash analysis sheet is completed for each day within the cash office. Amounts collected by each cashier are recorded as well as the total of debit card transactions. Details are agreed within Financial Services to printouts produced from the cash receipting system and the main bank account. An overall reconciliation is undertaken within Accounting Services.</p> <p>Daily cash summary details were satisfactorily agreed with till screen prints on file. However, where tills are normally assigned to one cashier each day, on occasions prints are taken from screen 1, which does not specify the till user. The screen print should specify the till user, as each cashier is responsible for reconciling their assigned till.</p>	×	<p><b>Cashiers be reminded of the need to obtain the appropriate screen prints for reconciliation purposes within the Cash Office.</b> <b>(Low Risk)</b></p> <p><b><u>Response of the Head of Finance</u></b> <b><i>The occasions identified are as a result of clerical error. Staff will be reminded to be vigilant.</i></b></p> <p><b><u>Officer Responsible</u></b> <b><i>Revenues Manager</i></b></p> <p><b><u>Date for Implementation</u></b> <b><i>Immediate</i></b></p>

<b>Control objective 2: Secure arrangements exist for the collection and recording of income collected by the Civic Centre cashiers.</b>			
<b>Risk: Income may not be correctly accounted for.</b>			
<b>Expected control</b>	<b>Audit findings</b>	<b>Expected control met</b>	<b>Audit recommendation and management response, officer responsible and date for implementation</b>
2.13 The number of cancelled till entries is monitored and the reasons checked.	<p>Incorrect entries, once entered, are rectified by cancelling and re-entering details on the system. Cancellation reports are produced and an audit trail is provided as regards terminal and operator.</p> <p>A sample of cancellation reports was examined for the two months, November 2003 and January 2004. Thirty-four cancellation reports were generated, and of these five (15%) were not evidenced by the signatures of management. Evidence that monitoring of cancelled entries is being undertaken is required to ensure that the correcting entry is a genuine entry on the accounts. Without this entries may be inappropriately cancelled or deleted and income lost.</p>	×	<p><b>Cancellation reports should be countersigned by management following review. (Low Risk)</b></p> <p><b><u>Response of the Head of Finance</u> Agreed</b></p> <p><b><u>Officer Responsible</u> Incomes Officer</b></p> <p><b><u>Date for Implementation</u> December 2004</b></p>
2.16 The facility to amend cash received records is strictly controlled.	<p>Incorrect entries, once input, are rectified by cancelling and re-entering details on the system. Cancellation reports are produced and an audit trail is provided as regards terminal and operator.</p> <p>See Section 2.13.</p>	×	<b>See Section 2.13</b>

**Control objective 2: Secure arrangements exist for the collection and recording of income collected by the Civic Centre cashiers.**

**Risk: Income may not be correctly accounted for.**

Expected control	Audit findings	Expected control met	Audit recommendation <i>and management response, officer responsible and date for implementation</i>
<p>2.17 Postal remittances are properly recorded and signed for by two members of staff.</p>	<p>Generally, cheques received through the post are not recorded in a remittance register. This introduces a risk that cheques could be lost or withheld from banking, although from discussions with the office supervisor it was established that very few queries are received from customers relating to cheques not being cashed. The recommendation was made at the previous audit for this control to be implemented, but this was not accepted. As such there is still a risk with cheques received through the post, however the Revenues Manager is prepared to accept this.</p> <p>Items received from the night safe are recorded on a remittance sheet. The night safe is emptied by two members of staff after the main post opening process has been completed. The remittance sheets are signed by the two members of staff involved and the office supervisor. They are then passed to the cashiers who countersign the remittance sheets and process the transactions concerned.</p> <p>Cheques requiring further action are not handed over to the cashiers, but the details are recorded in a book identifying the problem, the action taken, and staff signatures (including those of any departmental staff to whom the cheques were subsequently passed). Remittance sheets for one month were checked for the following:</p> <ul style="list-style-type: none"> <li>• Signatures of two staff members and a cashier on handover; and</li> <li>• daily completion and numbering.</li> </ul> <p>All were completed satisfactory.</p> <p>Five cheque items listed on the remittance sheets were traced through the cash receipting system to the end of day reports. All were successfully located.</p> <p>The "Special Action cheque" file was examined for the previous six months and was satisfactory.</p>	<p>×</p>	<p><b>Cheque remittances are not recorded on register sheets, but this recommendation was not accepted for implementation previously.</b></p>

<b>Control objective 2: Secure arrangements exist for the collection and recording of income collected by the Civic Centre cashiers.</b>			
<b>Risk: Income may not be correctly accounted for.</b>			
<b>Expected control</b>	<b>Audit findings</b>	<b>Expected control met</b>	<b>Audit recommendation and management response, officer responsible and date for implementation</b>
2.18 Specific written procedures exist for cash received through the post.	<p>At present there are no written procedures to guide staff responsible for dealing with cash received through the post, although a start has been made on compiling these procedures.</p> <p>There is a risk that if a change of staff occurs the current procedures will no longer be applied.</p>	X	<p><b>Written procedures regarding cash received through the post should be completed and issued.</b> <b>(Low Risk)</b></p> <p><b><u>Response of the Head of Finance</u></b> <b>Agreed</b></p> <p><b><u>Officer Responsible</u></b> <b>Senior Clerical Assistant Admin Support</b></p> <p><b><u>Date for Implementation</u></b> <b>November 2004</b></p>
<p>2.23 Where a receptacle has been provided for cheque paying customers who do not want a receipt, this should be:</p> <ul style="list-style-type: none"> <li>• Locked and secure</li> <li>• Emptied by two members of staff.</li> </ul>	<p>A night safe facility exists at the Civic Centre. The night safe key is held in the cash office safe. The cashier transfers the safe key to the Administration Section. Two members of the Administration Section staff empty the night safe and enter details of the safe's contents on remittance sheets. Once complete the key is returned to the cash office.</p> <p>There is a risk that items could be removed from the night safe by staff other than the Administration Section staff, due to the involvement of the cashiers transferring the night safe key. At present any one of the three cashiers could undertake the transfer of the night safe key to the staff within the Administration Section.</p>	X	<p>a) <b>The two members of the Administration Section responsible for opening and collecting the night safe contents should collect the night safe key from the cash office.</b> <b>(Low Risk)</b></p> <p>b) <b>The key should be kept in a sealed envelope within the cash office safe.</b> <b>(Low Risk)</b></p> <p><b><u>Response of the Head of Finance</u></b> <b>Agreed. In addition one of the Admin team will sign the envelope over the seal.</b></p> <p><b><u>Officer Responsible</u></b> <b>Revenues Manager</b></p> <p><b><u>Date for Implementation</u></b> <b>October 2004</b></p>

<b>Control objective 3: Cash collected is banked promptly and intact.</b>			
<b>Risk: Large sums may remain on the premises, insurance limits could be exceeded, and loss of income could go unidentified.</b>			
<b>Expected control</b>	<b>Audit findings</b>	<b>Expected control met</b>	<b>Audit recommendation and management response, officer responsible and date for implementation</b>
3.6 The security company should be requested to ensure the seal numbers on the containers agree with the numbers recorded by the cashiers.	<p>Bag numbers are recorded on serially numbered receipts of the security company and these are signed by the couriers on collection.</p> <p>Receipts for March 2003 were checked for the signatures of couriers and these were verified against the latest listing provided by the security company. The signature on 13 of the receipts was not recorded on the authorised signature list. Non-verification of the signature list when income is collected could result in income being handed over to an unofficial person. The authorisation list currently in use is dated January 2003.</p>	✗	<p>a) <b>Specimen signature lists be referred to when security staff collections occur. (Medium Risk)</b></p> <p>b) <b>An up to date signature list be obtained from the security company. An updated list should be requested on a regular basis, at least once every six months. (Medium Risk)</b></p> <p><b><u>Response of the Head of Finance</u></b> <b>Agreed</b></p> <p><b><u>Officer Responsible</u></b> <b>Incomes Officer</b></p> <p><b><u>Date for Implementation</u></b> <b>October 2004</b></p>
<p>3.7 For takings collected for banking by the security firm, the security company's employees should be required to:</p> <ul style="list-style-type: none"> <li>• Provide notification of the identity of employees who will make collections;</li> <li>• Provide identification on arrival;</li> <li>• Sign a receipt as proof of collection.</li> </ul>	<p>The Revenues Manager and cashiers are periodically provided with the names of couriers together with specimen signatures. The latest listing is dated January 2003.</p> <p>The security company representatives carry identification.</p> <p>Bag numbers are recorded on serially numbered receipts of the security company and these are signed by the couriers on collection.</p> <p>Receipts for July 2002 were checked for the signatures of couriers and these were verified against the latest listing provided by the security company. See Section 3.6.</p>	✗	<p><b>See Section 3.6</b></p>

<b>Control objective 6: Physical and IT security arrangements are effective.</b>			
<b>Risk: Unauthorised access could be obtained to the establishment/records.</b>			
<b>Expected control</b>	<b>Audit findings</b>	<b>Expected control met</b>	<b>Audit recommendation and management response, officer responsible and date for implementation</b>
6.2 Back up of data is taken regularly, held securely off site and periodically loaded and tested.	<p>Cash receipting system data is backed up on an NT server, separate from the main servers. Automated battery back-up occurs each night, tapes are placed in the drive each morning and are checked to ensure running in the afternoon. Back-up tapes are not reloaded and tested. This poses some risk that the tapes may not be relied upon when needed. The recommendation was made at the previous audit for this control to be implemented, but this was not accepted as it was felt to be sufficient to verify that the tapes are readable.</p> <p>The servers are in an air-conditioned room with security access required. Back-up tapes are held in fire and flood proof safes at the Civic Centre and also at an offsite location.</p>	X	<b>Back-up tapes are not reloaded and tested, but this recommendation was not accepted for implementation previously.</b>
6.4 Procedure notes exist which could allow income collection to continue should business continuity be threatened.	<p>Cashiers do not have access to written notes if till failures occur (e.g. power failures) although current staff are aware of the relevant procedures.</p> <p>Details of monies received are recorded on separate records for council tax, rents etc. and clients' record cards are stamped.</p> <p>The cash receipting system is on a network server but can stand alone with data being subsequently transferred.</p>	X	<b>See 2.3.</b>



**Internal Audit Report  
Executive Summary**

**To: Head of Finance**  
**Subject: Officers' and Members' Disbursements**  
**Report reference: GBC 27**  
**Date: September 2004**

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## **1. Introduction**

1. The attached report sets out the findings and recommendations arising from a recent review of officer and member disbursements.

1.1. Estimated expenditure for 2003/04 is £464,000 comprising the following elements:

Contract Car Hire & Car Loans	£ 47,000
Travelling and Subsistence	£174,000
Members' Allowances	£243,000.

## **2. Objectives and scope of the audit**

2.1 The objectives of the audit were the following:

- To document the systems and evaluate the controls in operation to ascertain their adequacy and effectiveness; and
- To test transactions for compliance with documented procedures and controls.

2.2 The following control objectives were examined within the scope of the audit:

- The car loan scheme is properly administered and accounted for in accordance with existing policies;
- Subsistence and mileage payments are authorised and accounted for, with payment only being made for costs incurred in the course of legitimate duties; and
- Payments to elected members, for the performance of their duties, are well founded.

## **2. Main Findings**

The main findings of the audit were:

- Procedures relating to the general administration of the car loan scheme are generally in accordance with existing policies with the exception of the compliance with the requirement for business use insurance.

- Rules and procedures relating to the payments for mileage and subsistence are generally complied with, however control weaknesses were identified in the frequency in submission of claims, authorisation by Heads of Service and the checking of insurance and other documentation.
- The payment of allowances to Members is processed in a satisfactory manner.

### **3. Audit opinion**

In our opinion, most of the arrangements for financial management are satisfactory. Where we have identified control weaknesses, we have made recommendations to bring the financial controls up to the standards required by Financial Regulations.

**Audit conducted by:  
Angela Wendels, MAAT  
Auditor**

**Audit supervised by:  
Rob Disney CPFA  
Assistant Audit Manager**

**J K Nash CPFA  
Assistant Treasurer**



**Internal Audit Report**

**To:** *Gedling Borough Council*  
**Subject:** *Officers' and Members' Allowances*  
**Audit report ref:** *GBC 27*  
**Date:** *September 2004*

**Control objective 2: Subsistence and mileage payments are authorised and accounted for, with payment only being made for costs incurred in the course of legitimate duties.**

***Risk: Inappropriate and/or excessive claims may be made and paid.***

**Control objective 2: Subsistence and mileage payments are authorised and accounted for, with payment only being made for costs incurred in the course of legitimate duties.**

**Risk: Inappropriate and/or excessive claims may be made and paid.**

<p>1.7 The officer must hold fully comprehensive insurance for the vehicle throughout the loan period.</p> <p>An annual inspection is made of relevant insurance and registration documents.</p>	<p>Paragraph 2.8 of the Assisted Car Scheme notes stipulates that a comprehensive policy of insurance, on which the Authority's interest is noted, is required, and paragraph 2.12 requires the production of insurance and registration certificates.</p> <p>Tests confirmed that the last annual inspection took place in October 2003. Insurance certificates were found for eight of the twelve employees sampled. The discrepancies noted were the following:</p> <p>a) Two employees (R Simpson and A Bennett) had not submitted travel claims at the time of the annual inspection; the documents for these employees should be verified at the next annual inspection.</p> <p>b) Insurance documentation for S Milner and K Nealon was out of date. Both were ex-lease car holders and had previously provided copies of insurance documentation.</p> <p>If insurance does not cover business use and an accident occurs whilst an officer is using his vehicle for business, the insurance may become invalidated. Furthermore, the Authority may be negligent if it has not taken steps to ensure that an officer is properly insured.</p>	<p>X</p>	<p><b>The insurance details for all employees with car loans should be verified annually, regardless of whether a travel claim has been submitted in the preceding 12 month period.</b></p> <p><b>(Medium Risk)</b></p> <p><b><u>Response of the Head of Finance</u></b>  <b>Financial Services will ensure copies of Insurance documents are kept on file – for all Car Loans</b></p> <p><b><u>Officer Responsible for Implementation</u></b></p> <p>Senior Assistant Accountant</p> <p><b><u>Date for Implementation</u></b>  <b>Immediate</b></p>
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**Control objective 2: Subsistence and mileage payments are authorised and accounted for, with payment only being made for costs incurred in the course of legitimate duties.**

*Risk: Inappropriate and/or excessive claims may be made and paid.*

Expected control	Audit findings	Expected control met	Audit recommendation and management response, officer responsible and date for implementation
2.3 Claims are submitted on standard claim forms.	<p>Standard claim forms are in place for the reimbursement of travelling and subsistence expenses (the travelling and sundry expenses book). Where expenses are claimed in respect of training, the Authority's TRES 2 form is processed.</p> <p>A sample of 20 reimbursements was examined. It was identified in three cases that a third type of form, the old blue version, is also in use. These forms do not have provision to indicate whether the employee has the relevant MOT certification, business use insurance cover or amendments to driving licence. This raises some degree of risk that staff may be using their vehicles on the Authority's business without being required to certify that they have adequate insurance cover; liability for third party claims may fall on the authority as a result.</p>	X	<p><b>The old, blue mileage claim forms should be discontinued with immediate effect.</b></p> <p><b>(Low Risk)</b></p> <p><b><u>Response of the Head of Finance</u></b>  <b>Financial Services will write to relevant employees and request they cease using old style forms and issue new revised claim books. Payroll currently producing a list of relevant employees.</b></p> <p><b><u>Officer Responsible for Implementation</u></b>  <b>Senior Assistant Accountant</b></p> <p><b><u>Date for Implementation</u></b>  <b>August 2004</b></p>
2.4 Claims are submitted each calendar month.	<p>Claims are normally submitted on a calendar month basis. Following approval by the departmental Service Heads, these are submitted to Financial Services by the seventh day of the following month for payroll processing purposes. Of the 20 claims tested, 15 had been submitted on a monthly basis.</p> <p>Three small claims had been submitted covering two months. One claim (M Aslam for £1074) covered four months' expenses and one claim (S Milner for £579) covered six months. The latter had been referred to the Head of Finance for special authorisation.</p> <p>The submission of regular, monthly claims is preferable as it aids both budget monitoring and the ability of certifiers to verify that journeys were actually undertaken.</p>	X	<p><b>Expenses' claims should be submitted monthly, for reasons of maintaining sound budgetary control and effective certification procedures.</b></p> <p><b>(Low Risk)</b></p> <p><b><u>Response of the Head of Finance</u></b>  <b>Financial Services will write to Departments reminding them of the importance of submitting claims each month.</b></p> <p><b><u>Officer Responsible for Implementation</u></b>  <b>Senior Assistant Accountant</b></p> <p><b><u>Date for Implementation</u></b>  <b>August 2004</b></p>

**Control objective 2: Subsistence and mileage payments are authorised and accounted for, with payment only being made for costs incurred in the course of legitimate duties.**

*Risk: Inappropriate and/or excessive claims may be made and paid.*

Expected control	Audit findings	Expected control met	Audit recommendation and management response, officer responsible and date for implementation
2.6 The employee's approved base is recorded to enable checking that the shortest available route is taken for all journeys.	<p>Employees' approved bases were recorded for each of the claims examined.</p> <p>However, one employee (A Chappell) is submitting daily claims for three miles to undertake journeys to and from a newsagent to purchase newspapers. The authority already has an account with MSR Newsgroup, which is within one mile of the Civic Centre. The authority may be incurring unnecessary expense in terms of the time and cost of these journeys.</p>	X	<p><b>The necessity of the daily trips for the purchase of newspapers should be reviewed.</b></p> <p><b>(Value for Money)</b></p> <p><b><u>Response of the Head of Finance</u></b>  <i>There is a requirement to have access to Financial and local papers (evening post). Given number of papers collected and timing it is considered current arrangements are adequate</i></p>
2.9 Times of duty away from the approved base are recorded to support subsistence claims.	<p>The standard claim forms do not provide for the recording of times away from base. However, the guidance notes require that a time be entered when claiming breakfast. Instances of subsistence being claimed are rare.</p> <p>The lack of provision for recording times away from base was highlighted at the previous audit and a commitment was made to correct this the next time that claim forms are re-printed.</p>	X	<p><b>Claim forms are due to be revised to incorporate times away from base when new stocks are required. No further recommendation is required at this audit.</b></p>
2.15 Insurance and other requirements are complied with.	<p>Employees using their own vehicles on official business are required to provide copies of their current insurance certificate, driving licence and MOT certificate (if applicable) to their departmental administration section.</p>		

**Control objective 2: Subsistence and mileage payments are authorised and accounted for, with payment only being made for costs incurred in the course of legitimate duties.**

***Risk: Inappropriate and/or excessive claims may be made and paid.***

Expected control	Audit findings	Expected control met	Audit recommendation <i>and management response, officer responsible and date for implementation</i>
	<p>Financial Services undertake annual inspections of these records. Where the required documentation is not in place, a follow-up process undertaken.</p> <p>Testing identified that five employees (D Parton, I Oxborough, S Milner, K Foster and S Jackson) had either supplied no insurance documentation or it had expired. A stop was put on future mileage claims from January 2004 for D Parton, I Oxborough and K Foster. S Jackson was crossed off the list as he had left the authority, however payments to S Milner had continued. The out-of-date documents for this officer were not picked up because a claim had not been submitted until after October 2003 (the date when records were updated). However, the claimant submitted a claim covering 6 months in January 2004, i.e. after the inspection date. Claimants submitting retrospective claims may not be identified at the annual inspection and may have inadequate insurance for business use.</p>	<p>✗</p>	<p><b>Departments should be reminded to maintain up-to-date insurance, MOT and vehicle registration records for all employees designated essential users, whether or not they have actually submitted a claim.</b></p> <p><b>(Low Risk)</b></p> <p><b><u>Response of the Head of Finance</u></b> <b><i>Financial Services will write to Departments requesting that for all essential car users relevant documents are kept on file.</i></b></p> <p><b><u>Officer Responsible for Implementation</u></b> <b><i>Senior Assistant Accountant</i></b></p> <p><b><u>Date for Implementation</u></b> <b><i>August 2004</i></b></p>

<b>Control objective 3: Payments to elected Members, for the performance of their duties, are well founded.</b>			
<b>Expected control</b>	<b>Audit findings</b>	<b>Expected control met</b>	<b>Audit recommendation and management response, officer responsible and date for implementation</b>
3.10 Claims contain sufficient information to allow the verification of journeys, times and rates.	<p>The standard claim form for Members provides for details of home address, approved duties, committees, mileage and subsistence to be recorded. There is no provision for recording times away from base for claiming subsistence. Claimants are required to sign a declaration on the claim forms. The declaration does not incorporate a business use requirement. However, during the course of the audit this matter was raised with Resource Services and Finance and as a result a memo was issued to Members clarifying the requirement for the inclusion of 'business use' in their car insurance policy. <i>We would also advise that a declaration of confirmation that insurance cover for business use is in place should be included when the claim forms are revised.</i></p> <p>Attendance at Council Meetings is verified within Legal and Administrative Services and approved duties are confirmed by the Secretary to the Director of Resources.</p>	X	<p><b>Claim forms are due to be revised to incorporate times away from base when new stocks are required. No further recommendation is required at this audit.</b></p>



**Internal Audit Report  
Executive Summary**

**To:** Head of Direct Services, Gedling BC  
**Subject:** Direct Service Stores  
**Report reference:** GBC 17  
**Date:** February 2004

---

**1 Introduction**

- 1.1. The attached report sets out the findings and recommendations arising from a recent review of Direct Service Stores. The stores provide for the essential day to day needs of the highways department, street lighting, street cleansing, refuse and Nottinghamshire County Council departments. The facility is used daily and currently has a turnover of approximately £537,000 per annum.
- 1.2. Estimated overhead costs for the current year are £68,300. Overhead costs are recovered by apportionment to stores items, based on the annual turnover in the previous financial year. The mark-up for financial year 2003/2004 is 12.7%. Assuming a similar turnover for the current financial year, this would bring the net cost down to nil.

**2 Objectives and scope of the audit**

- 2.1 The objectives of the audit were the following:
- To follow up the implementation of the recommendations agreed at the previous audit in 1999.
  - To document the current system in place.
  - To undertake compliance testing to determine whether controls are consistently applied.
- 2.2 The following control objectives were examined within the scope of the audit:
- Stores procedures offer value for money and are operated in accordance with the organisation's financial regulations and with professional standards.
  - Only commonly used items are held in the stores and at an appropriate level.
  - Stores items are held securely and reconciled to the stores system.
  - Stores items are issued to bona fide staff for valid purposes.
  - All transactions in and out of the stores are accurately and promptly accounted for.

**3 Main Findings**

- 3.1 We confirmed that items purchased in to stores are processed with due regard to the proper controls and internal check. However, it was noted that the procedural guidance in existence is in need of updating, and insufficient quotes and tenders are obtained to satisfy the requirements of the authority's standing orders relating to contracts.
- 3.2 Best use is not currently made of the system facility to generate management reports to assist with controlling stock levels. The preference is for reliance to be placed on the knowledge and experience of staff to maintain stocks at optimum levels. Testing identified that stocks to the value of approximately £8,000 had not been issued for over 3 years, and excessive base levels may be stored for some items.

- 3.3 The stores depot provides secure storage facilities for a large number of items, and the site is protected by CCTV and a security barrier. Where certain items need to be stored in less secure areas, actual stocks are compared to book stocks more frequently. The fuel system is accessible by authorised key holders only and each key is unique to each vehicle. Whilst fuel levels are frequently checked and reconciled to the system, it was noted that diesel records are not maintained.
- 3.4 Appropriate controls are in place to ensure that stores items are only issued to bona fide staff. Highways jobs are notified to stores staff each day, so that adequate provision can be made.
- 3.5 Testing confirmed that the arrangements for recording receipts and issues are satisfactory. All issues, receipts and returns are completed and promptly passed on to administration for entry to the stores system.

#### **4. Audit opinion**

- 4.1 In our opinion, many of the arrangements for financial management are satisfactory, although improvements are needed in a number of areas, notably in relation to purchasing. Where we have identified control weaknesses, we have made recommendations to bring your financial controls up to the standards required by Financial Regulations.

**Audit conducted by:  
A M Wendels MAAT- Auditor**

**Audit supervised by:  
R Disney CPFA - Assistant Audit Manager**

**J K Nash CPFA  
Assistant Treasurer**

Internal Audit Service

Internal Audit Report

To: **GEDLING BOROUGH COUNCIL**  
 Subject: **DIRECT SERVICE STORES**  
 Audit report reference: **GBC 17**  
 Date: **FEBRUARY 2004**

**Control objective 1 : Stores Procedures offer value for money and are operated in accordance with the organisation's financial regulations and with professional standards**

Expected Control	Audit Findings	Expected control to be met	<i>Audit recommendations and management response, officer responsible and date for implementation</i>
<p>1.1 Clear, written procedures for staff involved in the stores operation are maintained.</p>	<p>It was agreed at the last audit, that new written procedures would be produced and implemented during September 2001. Written procedures for staff involved in the stores operation are in existence, however these were last updated in November 1997.</p> <p>Some of the procedures have since been reviewed, in particular thresholds relating to procurement. We were advised that staff are made aware of such changes verbally, but we believe this weakens the effectiveness of the more permanent written procedures.</p>	<p><b>X</b></p>	<p><b>Written procedure notes should be brought up to date and maintained on a regular basis, such that staff are kept aware of the regulations and processes with which they are expected to comply. (Medium Risk)</b></p> <p><b><u>Response of the Head of Direct Services</u></b> <b><i>Will be implemented by 31/3/04.</i></b></p> <p><b><u>Officer responsible for implementation</u></b> <b><i>Admin. And Customer Services Manager</i></b></p> <p><b><u>Date for implementation</u></b> <b><i>By 31/3/04</i></b></p>

**Control objective 1 : Stores Procedures offer value for money and are operated in accordance with the organisation's financial regulations and with professional standards**

<p>1.2 Tendering arrangements in place for purchasing stores items comply with Financial Regulations.</p>	<p>The last tender exercise for the supply of stores items was undertaken in 1998 for protective clothing. This contract expired in 1999, but there are plans to re-tender for these items in the near future.</p> <p>No other tendering arrangements were identified for the supply of stores items, although fuel purchases are subject to annual verification of market prices.</p> <p>A report was obtained from the financial system of purchases in 2002/3 in to stores on cost centre 1140 and account code 4214. The report detailed the value and number of purchases from each supplier, and this identified the following:</p> <p>Purchases exceeding £10,000 in 2002/3:</p> <table border="1"> <thead> <tr> <th>Supplier</th> <th>Value</th> <th>Number</th> </tr> </thead> <tbody> <tr> <td>Tarmac Central Ltd</td> <td>£10,484.60</td> <td>48</td> </tr> <tr> <td>Texaco Ltd</td> <td>£13,871.19</td> <td>13</td> </tr> <tr> <td>Sellers Eng. Ltd.</td> <td>£14,899.00</td> <td>4</td> </tr> <tr> <td>Arden Winch &amp; Co Ltd</td> <td>£15,417.51</td> <td>119</td> </tr> <tr> <td>Signature Ltd</td> <td>£17,831.89</td> <td>10</td> </tr> <tr> <td>Fabrikat Nottm Ltd</td> <td>£22,713.05</td> <td>8</td> </tr> <tr> <td>KRM Building Supplies</td> <td>£22,945.07</td> <td>37</td> </tr> </tbody> </table> <p>Purchases exceeding £50,000 in 2002/3:</p> <table border="1"> <thead> <tr> <th>Supplier</th> <th>Value</th> <th>Number</th> </tr> </thead> <tbody> <tr> <td>CPL British Fuels Oil Div</td> <td>£275,366.42</td> <td>18</td> </tr> <tr> <td>Marwood Electrical Co Ltd</td> <td>£63, 513.59</td> <td>30</td> </tr> </tbody> </table> <p>The authority's financial regulations require that at least three quotations are obtained for purchases estimated to exceed £10,000, and that a minimum of four formal tenders are sought for purchases over £50,000.</p>	Supplier	Value	Number	Tarmac Central Ltd	£10,484.60	48	Texaco Ltd	£13,871.19	13	Sellers Eng. Ltd.	£14,899.00	4	Arden Winch & Co Ltd	£15,417.51	119	Signature Ltd	£17,831.89	10	Fabrikat Nottm Ltd	£22,713.05	8	KRM Building Supplies	£22,945.07	37	Supplier	Value	Number	CPL British Fuels Oil Div	£275,366.42	18	Marwood Electrical Co Ltd	£63, 513.59	30	<p style="text-align: center;"><b>X</b></p>	<p><b>The aggregate value of annual purchases from the range of the Stores' suppliers should be reviewed on a regular basis, with a view to ensuring compliance with the authority's standing orders relating to contracts.</b></p> <p><b>(Medium Risk)</b></p> <p><b><i>Response of the Head of Direct Services</i></b>  <b><i>Following the Audit a decision was made by Cabinet to terminate the Highways Agency by 31/3/05 so a further review of purchases will be made in April 2005. In the meantime, I am satisfied that best value is achieved in our purchasing.</i></b></p> <p><b><i>A tender for clothing will be sent out in March 2004.</i></b></p> <p><b><u>Officer responsible for implementation</u></b>  <b><i>Admin. And Customer Services Manager</i></b></p> <p><b><u>Date for implementation</u></b>  <b><i>March 2004 (clothing).</i></b></p>
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<b>Control objective 2: Only commonly used items are held in the stores and at an appropriate level.</b>			
<b>Expected control</b>	<b>Audit findings</b>	<b>Expected control met</b>	<b>Audit recommendation and management response, officer responsible and date for implementation</b>
2.2 Satisfactory procedures are in place for ordering items before re-order levels are reached.	<p>It was agreed at the last audit that minimum stock levels and reorder levels would be established during financial year 2001/2002. However, no reorder levels have yet been implemented. It was confirmed that the process for re-ordering items is based on the experience of the staff involved and their knowledge of forthcoming projects.</p> <p>For ten of the most frequently used items we confirmed that appropriate stock levels are being maintained, by plotting the stock levels on a graph over a reasonable period. In two cases, this identified that there may be scope to reduce the base level of stock held:</p> <p>a) Kerb radius 6x5 – between December 2002 and June 2003 the number of units held never dropped below 100.</p> <p>b) Kerb 36x6x5 – between April 2003 and June 2003 the number of units held never dropped below 100.</p> <p>We believe that use of the system facility for the entry of re-order levels would be beneficial to the Stores Section at times of staff absence and turnover.</p>	<b>X</b>	<p><b>See 2.3 below.</b></p> <p><b><u>Response of the Head of Direct Services</u></b>  <b><i>This will be implemented by April 2004, except for highways and street lighting which are likely to run down over next year.</i></b></p>

<b>Control objective 2: Only commonly used items are held in the stores and at an appropriate level.</b>			
<b>Expected control</b>	<b>Audit findings</b>	<b>Expected control met</b>	<b>Audit recommendation and management response, officer responsible and date for implementation</b>
<p>2.3 The following reports are produced to assist in managing the operation:</p> <ul style="list-style-type: none"> <li>• minimum stock level</li> <li>• re-order level</li> <li>• maximum stock level</li> <li>• slow moving items</li> </ul>	<p>It was confirmed that an exercise had been undertaken to identify minimum and maximum stock levels and re-order levels. However, this information has not been entered to the system.</p> <p>Testing confirmed that reports are produced showing slow moving lines.</p> <p>Staff currently working within the Stores Section are knowledgeable and experienced, allowing stock levels to be informally monitored. Use of the system facilities for stock management should be considered, however, to serve as a back-up process during times of staff absence and turnover.</p>	<p><b>X</b></p>	<p>a) The minimum stock levels and the re-order levels be entered to the stores system and used so that orders can be placed by staff other than the stores supervisors.</p> <p><b>b) Slow moving lines should be identified and stock levels altered in line with changes in demand.</b></p> <p><b>(Medium Risk)</b></p> <p><b><u>Response of the Head of Direct Services</u></b>  <b><i>This will be implemented by April 2004, except for highways and street lighting which are likely to run down over next year.</i></b></p> <p><b><u>Officer responsible for implementation</u></b>  <b><i>Admin. And Customer Services Manager</i></b></p> <p><b><u>Date for implementation</u></b>  <b><i>By April 2004</i></b></p>

**Control objective 2: Only commonly used items are held in the stores and at an appropriate level.**

Expected control	Audit findings	Expected control met	Audit recommendation and management response, officer responsible and date for implementation																												
<p>2.4 Obsolete items of stock are disposed of in accordance with agreed procedures.</p>	<p>We confirmed that the Administration and Customer Services Manager has authority to write off any obsolete items to the value of £500 per annum.</p> <p>Testing highlighted that, at the time of the audit, stock valued at approximately £12,000 was being held at the store but which had not been issued in over three years. This is attributed mainly to changes in specifications leading to surplus stock which will eventually be written off. There are also a large number of specialist parts for lorries which need to be kept in stock to avoid long delays in vehicle repair and hefty vehicle rental costs if a vehicle breaks down. Of the stock included in the above £12,000 estimate, the following are those of the highest value or quantity, as per a stock report obtained during the audit:</p> <table border="1" data-bbox="696 850 1368 1157"> <thead> <tr> <th><u>Stock ref</u></th> <th><u>Desc.</u></th> <th><u>Quantity</u></th> <th><u>Value</u></th> </tr> </thead> <tbody> <tr> <td>225/CS</td> <td>2mm G/Y Sleeve</td> <td>600</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td>£186.00</td> </tr> <tr> <td>1051/CS</td> <td>Bracket</td> <td>68</td> <td>£</td> </tr> <tr> <td>1110/CS</td> <td>Medical Trade</td> <td>4</td> <td>£</td> </tr> <tr> <td>1102/CS</td> <td>240 Trade Bins</td> <td>105</td> <td>£</td> </tr> <tr> <td>1104/CS</td> <td>360 Bins</td> <td>45</td> <td>£2160.00</td> </tr> </tbody> </table> <p>On further checking it was identified that the latter two items are actually issued frequently. During the last three years, issues have been recorded on a spreadsheet but the items have not been booked out on the stock system. It is assumed that stock balances for these items have been adjusted at annual stocktakes.</p>	<u>Stock ref</u>	<u>Desc.</u>	<u>Quantity</u>	<u>Value</u>	225/CS	2mm G/Y Sleeve	600					£186.00	1051/CS	Bracket	68	£	1110/CS	Medical Trade	4	£	1102/CS	240 Trade Bins	105	£	1104/CS	360 Bins	45	£2160.00	<p><b>X</b></p>	<p>(a) Obsolete stock should be regularly and periodically evaluated and disposed of to ensure valuable resources are utilised efficiently. <b>(VFM)</b></p> <p><b><u>Response of the Head of Direct Services</u></b> <b>Already implemented.</b></p> <p><b><u>Officer responsible for implementation</u></b> <b>Admin. And Customer Services Manager</b></p> <p><b><u>Date for implementation</u></b> <b>Already implemented.</b></p> <p>(b) Stock movements of trade bins should be recorded promptly on the stores system to ensure the system maintains an accurate and up to date record of the stock balance for these items.</p> <p><b><u>Response of the Head of Direct Services</u></b> <b>Already implemented.</b></p> <p><b><u>Officer responsible for implementation</u></b> <b>Admin. And Customer Services Manager</b></p> <p><b><u>Date for implementation</u></b> <b>Already implemented.</b></p>
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<b>3 Control objective:</b> Stores items are held securely and reconciled to the stores system.			
<b>Expected control</b>	<b>Audit findings</b>	<b>Expected control met</b>	<b>Audit recommendation</b> <i>And management response, person responsible and date for implementation</i>
3.5 High value and desirable stocks are subject to more frequent checking.	It was confirmed by discussion that desirable items are subject to frequent checking. Any discrepancies are noted and investigated. Examination of bin cards confirmed that some items are periodically checked and certified by the store supervisor. Fuel levels are checked every two to three weeks and reconciled to stock records. However, only records for petrol are computed and retained.	<b>X</b>	<b>Fuel levels for both petrol and diesel are recorded on a weekly basis and reconciled to the system so that any shortages may be identified and investigated promptly.</b>  <b>(Medium Risk)</b>  <b><u>Response of the Head of Direct Services Implemented.</u></b>  <b><u>Officer responsible for implementation</u></b> <b><i>Admin. And Customer Services Manager</i></b>  <b><u>Date for implementation</u></b> <b><i>October 2003</i></b>



<b>5 Control objective:</b> All transactions in and out of the stores are accurately and promptly accounted for.			
<b>Expected control</b>	<b>Audit findings</b>	<b>Expected control met</b>	<b>Audit recommendation</b> <i>And management response, person responsible and date for implementation</i>
5.4 Adjustments for stocktaking differences, write-offs, disposals, etc should be authorised by a senior manager and entered to the system by an independent employee.	<p>It was agreed at the last audit that the write-off list would be approved by the Head of Direct Services, then passed to Financial Services Section. This was to be implemented at the next stocktake (March 2001). Testing confirmed that adjustments for stocktaking differences, write-offs, etc are authorised <i>and</i> entered on to the financial management system by the Administration and Customer Services Manager.</p> <p>Information obtained from the financial system identified that adjustments to the value of £5704.31 were processed in 2002/3.</p>	<b>X</b>	<p><i>Stock adjustments should be performed by the Administration and Customer Services Manager and authorised by the Head of Direct Services so that there is an adequate separation of duty.</i></p> <p><i>(Medium Risk)</i></p> <p><b><u>Response of the Head of Direct Services</u></b> <b><u>Agreed will be done at next stocktake 31/3/04.</u></b></p> <p><b><u>Officer responsible for implementation</u></b> <b><u>Admin. And Customer Services Manager</u></b></p> <p><b><u>Date for implementation</u></b> <b><u>31/3/04</u></b></p>

**GEDLING BOROUGH COUNCIL**

**INTERNAL AUDIT REPORT**

**KEY FINANCIAL SYSTEM AUDIT**

**PAYROLL**

**1. INTRODUCTION**

1.1 An audit of Payroll has been carried out in accordance with the 2003/04 Audit Plan. The audit concentrated on the established operational procedures of the Payroll system, record maintenance and security of the system.

1.2 The review identified and examined the current procedures, internal controls and system of payroll processing, the inputs and feeders to payroll system starters and leavers forms, the establishment lists and personnel records, error reports and reconciliation with FMS. Thereby evaluating their effectiveness in ensuring the control objectives stated below:

- Only persons within Authorised posts of the Authority are paid.
- Only bona fide employees are paid. Starters, leavers and input arrangements
- The amount paid agrees to the amount authorised and all payments are made in a timely manner.
- Security of the system and payroll data and records is given high priority and account transactions with clear management trail.
- All payroll payments and deductions are accurately recorded and monitored within the financial records of the authority.

1.3 The Senior Assistant (payroll) together with the clerical assistant are responsible for processing the weekly and monthly payroll. The Assistant Accountant, who is overall responsible for the Payroll, carries out the reconciliation with FMS. The departments that were included in this assignment were:

- Finance
- Information Technology
- Legal and Administration
- Leisure general and 3 Leisure centres (ALC, CLC, and RLC)
- Planning and environment
- Engineering and property

1.4 Previous audit recommendations from 2002/2003 Audit of Payroll carried out by NCC was followed up to ascertain if they had been implemented.

**2. EXECUTIVE SUMMARY**

- 2.1. The controls identified by this audit assignment are operating effectively. The Payroll processing and payment at the end of each period with the verification checks and regular routines carried out ensure the Payroll system is operating satisfactorily.
- 2.2. For efficient and promptness it is essential that all Heads of Services ensure that the necessary documentations required for processing is received by payroll in time and fully completed and authorised.
- 2.3. The audit highlighted some control weaknesses that are considered to be of **Low to High** risk and the recommendations not implemented from previous audit at a **higher** risk than previous indication and are included in this report together with the recommendations.

### 3. **CONCLUSION**

Overall the procedures and systems in place for Payroll are satisfactory. The implementation of recommendations identified in this report will serve to improve internal controls.

**IMPLEMENTATION PLAN**  
**PAYROLL**

<b>REC (Risk)</b>	<b>RECOMMENDATION</b>	<b>RESPONSIBLE OFFICER</b>	<b>MANAGEMENT COMMENT</b>	<b>IMPLEMENTATION DATE</b>
4.3.4. <b>High</b>	That the Payroll should be checked by the Personnel section against the establishment records on a half-yearly basis to confirm accurate post references and pay bands are recorded on both records.  For those errors found during this audit the amendments should be made immediately.	Personnel Manager	Agreed	31/3/2005 and 6 monthly thereafter
4.4.2. <b>High</b>	That as best practice the authorised signature lists are updated annually.	Personnel Manager	Agreed	Completed
5.2.2. <b>Med</b>	That Heads of Services respond to salary establishment reports to verify and confirm that the data held on payroll for their departments is accurate	Heads of Service	Agreed	Immediate
5.3.4. <b>High</b>	That departments are reminded that starter forms should be completed before or on commencement of duties with the Authority and the ID badge issued on the sight of the starter form duly completed.	Personnel Manager	Agreed	Completed
5.3.5 <b>High</b>	That the findings and conclusions following discussions with the Manager in this instance are noted on file.	Personnel Manager	Agreed	Immediate
5.3.6 <b>High</b>	That in future instances note will be made on the SF1, of findings and referrals relating to delays in receipt. Where there has been a non-compliance with procedure then a file note shall be made of the findings and action or reason for non-action	Personnel Manager	Agreed	Immediate
5.3.9 <b>Low</b>	To date these establishments lists and this has been implemented	Personnel Manager	Agreed	Implemented

REC (Risk)	RECOMMENDATION	RESPONSIBLE OFFICER	MANAGEMENT COMMENT	IMPLEMENTATION DATE
5.4.5 <b>Med</b>	<p>That:</p> <p>a) Voluntary deduction authority is obtained for all employees</p> <p>b) Car user categories verified periodically for all employees.</p> <p>c) All car mileage claims are only authorised and paid if they detail the journey and are completed in full.</p> <p>d) Overtime authorisation is subject to verification with the flexi time records or any other time records maintained and in accordance with the overtime policy in the employee handbook</p>	<p>Financial Services Manager</p> <p>Personnel Manager</p> <p>Heads of Service</p> <p>Heads of Service</p>	<p>Payroll will send letter to all employees with voluntary contributions requesting they check and agree their current deductions.</p> <p>Agreed</p> <p>Agreed. Mileage claims will be returned to Departments if incomplete</p> <p>Agreed</p>	<p>September / October 2004</p> <p>6 monthly</p> <p>Immediate</p> <p>Immediate</p>

**GEDLING BOROUGH COUNCIL**

**INTERNAL AUDIT REPORT**

**KEY FINANCIAL SYSTEM AUDIT**

**DEBTORS – CORE & FINANCE**

**1. INTRODUCTION**

- 1.1 An audit of the Debtors system has been carried out in accordance with the 2004/05 Audit Plan. The audit concentrated on the central core system and also examined procedures in place to raise Debtors for the Finance department.
- 1.2 The review identified and examined current procedures and assessed internal controls in place, evaluating their effectiveness in ensuring the control objectives stated below are achieved:
- Debtors are raised promptly and correctly in respect of all credit income due to the Authority.
  - Debtor accounts are despatched promptly and independently.
  - All amendments to debtor accounts are authorised and only made to the correct accounts.
  - All income received should be posted to the correct debtor account.
  - Debtor arrears are followed up and appropriate action taken.
  - The accounts of the Authority record the correct value of sums outstanding.
  - The debtor system is monitored with regard to economy and effectiveness.
- 1.3 The relevant sections of the Audit Commission fraud module were applied during the audit and were found to be satisfactory.
- 1.4 The Senior Clerical Assistant (Debtors) has overall responsibility for the weekly production of all debtor invoices, inputting debtor requests for the finance department, despatch of invoices, generating reports and monitoring recovery procedures.

## 2. EXECUTIVE SUMMARY

- 2.1. The majority of controls identified by this audit assignment are operating effectively. However, there were weaknesses identified and the recommendations are summarised below.
- 2.2. Debtors raised by Finance department were audited and these were found to be satisfactory.
- 2.3. The debtor system has been in operation for some years and the staff involved in its operation are familiar with the system. Weekly reports are produced and are used to extract information for analysis and the recovery process.
- 2.4. Audit of accounts in dispute for the Finance department revealed that there were two items in dispute at the time of audit.
- 2.5. The audit highlighted some control weaknesses that are considered to be of **Low to Medium** risk and are included in this report together with the recommendations

## 3. CONCLUSION

Overall the procedures and systems in place for Debtors are satisfactory. The implementation of recommendations identified in this report will serve to improve internal controls.

**IMPLEMENTATION PLAN**  
**DEBTORS - CORE SYSTEM & FINANCE**

<b>REC (Risk)</b>	<b>RECOMMENDATION</b>	<b>RESPONSIBLE OFFICER</b>	<b>MANAGEMENT COMMENT</b>	<b>IMPLEMENTATION DATE</b>
Low	That all accounts for regular charges are set up on the system as periodic debtors.	Revenues Manager	Agreed	January 2005
Low	That a record is kept of all debtor accounts returned to departments and checks made to ensure that these are despatched in a timely manner.	Revenues Manager	Agreed	January 2005
Med	That credit note returns are authorised prior to credit notes being entered on the system	Revenues Manager	Agreed	January 2005
Med	That written guidelines for instalment payments are produced with regard to necessary authorisation, minimum amounts, maximum repayment period allowed. Regular management reviews of arrangements should take place to ensure compliance with guidelines	Revenues Manager	Agreed	Guidelines by March 2005 Review process June 2005
Low	That departments are issued with guidelines regarding the use of the Accounts in Arrears report, what action they should take, and what should be notified to Central Debtors. Central Debtors to monitor and ensure completion	Revenues Manager	Agreed	March 2005
High	That outstanding accounts with suppressed recovery action are reviewed on a regular basis.	Revenues Manager	Agreed	January 2005
High	That accounts in dispute are monitored on a regular basis to ensure action is taken and on an appropriate timescale.	Revenues Manager	Agreed	January 2005
Med	That departments are notified of the minimum charge for which a debtor should be raised.	Revenues Manager	Agreed	January 2005
Low	Collection targets would be a useful performance indicator. Percentage of payments collected, and amounts still outstanding after three months should be calculated to ascertain where improvements in debt collection could be made. Manager to review past performance and set achievable but challenging targets.	Revenues Manager	Agreed	June 2005



**GEDLING BOROUGH COUNCIL**

**INTERNAL AUDIT REPORT**

**KEY FINANCIAL SYSTEM AUDIT**

**DEBTORS - ENGINEERING & PROPERTY**

**1. EXECUTIVE SUMMARY**

- 1.1. The Majority of controls identified by this audit assignment are operating effectively. However, there were weaknesses identified and the recommendations are summarised below.
- 1.2. Debtors raised by the department were audited and these were found to be satisfactory.
- 1.3. The debtor system has been in operation for some years and the staff involved in its operation are familiar with the system.
- 1.4. Audit of accounts in dispute for the department revealed that there was one item in dispute at the time of audit.
- 1.5. The audit highlighted one control weakness that was reported in the previous audit and is considered to be of **Low** risk.

**2. CONCLUSION**

Overall the procedures and systems in place for Debtors are satisfactory. The implementation of recommendations identified in this report will serve to improve internal controls.

**IMPLEMENTATION PLAN**

**DEPARTMENTAL DEBTORS - ENGINEERING & PROPERTY**

<b>REC (Risk)</b>	<b>RECOMMENDATION</b>	<b>RESPONSIBLE OFFICER</b>	<b>MANAGEMENT COMMENT</b>	<b>IMPLEMENTATION DATE</b>
Low	That procedure notes should be completed and kept up to date.	Finance & Administration Manager		

**GEDLING BOROUGH COUNCIL**  
**INTERNAL AUDIT REPORT**  
**KEY FINANCIAL SYSTEM AUDIT**  
**DEBTORS - HOUSING**

**1. EXECUTIVE SUMMARY**

- 1.1. The Majority of controls identified by this audit assignment are operating effectively. However, there were weaknesses identified and the recommendations are summarised below.
- 1.2. Debtors raised by the department were audited and these were found to be satisfactory.
- 1.3. The debtor system has been in operation for some years and the staff involved in its operation are familiar with the system.
- 1.4. Audit of accounts in dispute for the department revealed that there were three items in dispute at the time of the audit.
- 1.5. The audit highlighted only control weaknesses that were reported in the previous audit. These have now been changed to **High** risk.

**2. CONCLUSION**

Overall the procedures and systems in place for Debtors are satisfactory. The implementation of recommendations identified in this report will serve to improve internal controls.

**IMPLEMENTATION PLAN**

**DEPARTMENTAL DEBTORS - HOUSING**

<b>REC (Risk)</b>	<b>RECOMMENDATION</b>	<b>RESPONSIBLE OFFICER</b>	<b>MANAGEMENT COMMENT</b>	<b>IMPLEMENTATION DATE</b>
High	That system procedure notes should be prepared to enable staff to follow procedures in cases of absence or cover. Such procedure notes must be kept up to date of any changes.	Rent & Resources Manager	Procedures notes for Lifelines completed. To be developed for other debtors	End March 2005
High	That wherever possible a standard request form should be used to raise a debtor unless an acceptable documentation exists.	Rent & Resources Manager	Agreed	End March 2005
High	That all credit notes raised should have supporting documentation and this should be filed with a copy of the return sent to Central Debtors.	Rent & Resources Manager	This is now being done.	Immediately
High	That the monthly reports should be reviewed and action taken against any overdue debts or accounts in dispute. Any action that is proposed or agreed with the debtor should be notified to the Senior Clerical Assistant (Debtors).	Rent & Resources Manager	This is now being done	Immediately

**GEDLING BOROUGH COUNCIL**

**INTERNAL AUDIT REPORT**

**KEY FINANCIAL SYSTEM AUDIT**

**DEBTORS - PERSONNEL & ORGANISATIONAL DEVELOPMENT**

**1. EXECUTIVE SUMMARY**

- 1.1. The controls identified by this audit assignment are operating effectively. The department does not raise many debtors and the control aspects are Finance department's responsibility.
- 1.2. No Debtors have been raised by the department in the last year.
- 1.3. The staff in the department are not confident with regard to raising debtors as very few are raised.
- 1.4. There were no accounts in dispute for the department at the time of audit.
- 1.5. The audit highlighted a control weakness that is considered to be of **Medium** risk and is included in this report together with the recommendations.

**2. CONCLUSION**

Overall the procedures and systems in place for Debtors are satisfactory. The implementation of recommendations identified in this report will serve to improve internal controls.

**IMPLEMENTATION PLAN**

**DEPARTMENTAL DEBTORS - PERSONNEL AND SERVICE DEVELOPMENT**

<b>RISK</b>	<b>RECOMMENDATION</b>	<b>RESPONSIBLE OFFICER</b>	<b>MANAGEMENT COMMENT</b>	<b>IMPLEMENTATION DATE</b>
Medium	That guidelines be issued to the departmental staff with regard to the authorisation of debtors and credit notes.	Head of Personnel and Organisational Development	Agreed	Immediately
<i>High</i>	That a standard request form is used to request debtors to be raised.	Head of Personnel & Organisational Development	Agreed	Immediately