

AUDIT COMMITTEE

16th DECEMBER 2013

DIRECTORATE OF FINANCE & CORPORATE SERVICES

REPORT OF THE DIRECTOR OF FINANCE & CORPORATE SERVICES - H JENKINS

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ITEM 1

INTERNAL AUDIT SERVICE – PROGRESS REPORT TO 30th NOVEMBER 2013

1. Purpose of the Report

- 1.1. To provide details of the work undertaken for the period from the 1st September 2013 to the 30th November 2013, and an update on progress against the 2013/14 Internal Audit Plan.

2. Background

- 2.1. One of the terms of reference of this Committee is to ‘monitor internal (and external) audit performance’. In order to comply with this requirement to monitor the in-house service, a progress report is given below outlining internal audit work undertaken in the last quarter. This work is then set against the original Internal Audit Plan to show what progress has been achieved against that plan.
- 2.2. In addition, information is provided for members on the current position regarding staff vacancies and other staffing issues within the section.

3. Audit Assignments Completed

- 3.1. A total of 21 formal audit reports have been issued since the 1st September 2013 in line with normal distribution guidelines.
- 3.2. The following is a summary list of the reports that have been issued:
 - Three Primary Schools
 - Two Special Investigations
 - Insurance
 - Cefn Coed Colliery Museum
 - Direct Payments (Adult)
 - One Pupil Referral Unit
 - Pre employment checks Youth Workers & Play Workers
 - Off Road Cycle Centre of Excellence South Wales
 - Vision Impaired West Glamorgan
 - Year End Creditor Payments
 - One National Strategic Performance Indicators

- Primary School Free Breakfast Initiative
- School Minibus
- Margam Park
- Recruitment Checks Children & Young People Services
- MS Outlook - Information Security
- Petty Cash Accounts
- Urgency Actions

- 3.3. Attached as Appendix 1 to this report is a full list of the reports along with a brief summary of their findings.
- 3.4. In addition to the above, Internal Audit continues to carry out post audit reviews (follow ups) on all the planned audits carried out.
- 3.5. There are no issues in terms of the post audit reviews that need to be brought to Members' attention.

4. Progress against the Audit Plan

- 4.1. Appendix 2 gives details of the work carried out to date against the 2013/14 audit plan.
- 4.2. There are currently 6 special investigations in progress.

5. Accounting Instructions

- 5.1 In 2012/13 an Audit report was produced that looked at the Authority's Accounting Instructions. The report made a recommendation that all of the Accounting Instructions should be reviewed every 2 years and the current Accounting Instructions should be reviewed to reflect any changes in procedures.
- 5.2 As a result of this, all the Accountable Managers responsible for the various Accounting Instructions are in the process of reviewing and updating the Accounting Instructions where appropriate.

- 5.3 The first one of the Accounting Instructions to be updated is the Sundry Debtors Accounting Instruction and the new updated instructions have been placed on the Intranet along with a news item publicising their location. The new Sundry Debtors Accounting Instruction focuses on the collection of income in advance and the importance of raising invoices only when there is certainty that the income can be collected, as well as highlighting the improved arrangements for allowing service users to raise their own invoices.

6. Staffing

- 6.1 Currently there are three members of staff studying for their professional accountancy qualifications. Two are studying CIPFA and one ACCA; they are currently at different stages of their various courses.

7. National Fraud Initiative (NFI)

- 7.1 The current (2013/14) exercise is underway, with the reports on data matches having been received from NFI in early February.
- 7.2 The data matching exercise has produced a total of 58 reports, covering 15 service areas. In total 10,223 matches have been provided in these reports, 3,532 of which are recommended by NFI for review.
- 7.3 Updates on progress will be provided in forthcoming Audit Committee meetings.

Appendices

Appendix 1 – Published Reports

Appendix 2 – Audit Plan Monitoring 2013/14

Background Papers

Audit Files

Wards Affected

Not Applicable

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PUBLISHED REPORTS

Report Ref	Report Subject	Report Conclusion	Category
2013-14 R38	NSIs 2012/13	Summary report of all work undertaken this year	N/A
2013-14 R39	Primary School Free Breakfast Initiative 2012/13	Good controls and records are available to substantiate all claims for payment under the grant scheme in respect of 2012/13.	1
2013-14 R40	Recruitment Checks Children & Young People Services	A review of the HR files of all staff employed in the service in the last 18 months was undertaken. A number of issues were raised and are being addressed by Managers. A post audit review will be carried out in mid January to ensure progress has been made.	3
2013-14 R41	Urgency Actions	Procedure notes were available for duties undertaken and all forms selected in the sample were authorised correctly by Members. Minor issues were found resulting in a small number of recommendations.	2
2013-14 R42	Cefn Coed Colliery Museum	Generally good controls were found to be in place, recommendations were made relating to banking of income, events insurance and completion of driver declaration forms.	2
2013-14 R43	Direct Payments (adults)	Overall the testing carried out shows that controls are in place to ensure Direct Payments are administered correctly.	2
2013-14 R44	Off Road Cycle Centre of Excellence South Wales	Good procedures were found to be in place relating to documentation retained in support of grant claims and no recommendations were made.	1

PUBLISHED REPORTS

Report Ref	Report Subject	Report Conclusion	Category
2013-14 R45	Vision Impaired West Glamorgan 2012/13	The financial statements of VIWG have been independently reviewed and examined. The accounts provide a true and fair view of the Charity's financial position.	1
2013-14 R46	YGG Pontardawe	The school has good controls in place in most areas and the report makes recommendations to enhance the controls in place in some other areas. The school is working on the implementation of the recommendations that were made.	2
2013-14 R47	Mynachlog Nedd Juniors School	Generally good controls were in place in all areas tested. Some recommendations were made including a small number of areas which should be easy for the school to implement.	2
2013-14 R48	Special Investigation	Following investigation the allegations made could not be substantiated.	N/A
2013-14 R49	End of Financial Year Provisions – Creditors payments	Satisfactory procedures were found to be in place for dealing with year end creditors.	1
2013-14 R50	Special Investigation	Following an internal referral, an investigation was carried out and a disciplinary hearing has been arranged.	N/A
2013-14 R51	MS Outlook - Information Security Issue	An issue relating to data security was identified and resolved. Recommendations made to ensure a similar issue does not re-occur.	2
2013-14 R52	Petty Cash Accounts Regular Sample Checks - Report 2	In general all petty cash accounts looked at as part of this audit are administered correctly. Some minor issues were found that have been brought up with the account holders.	1

PUBLISHED REPORTS

Report Ref	Report Subject	Report Conclusion	Category
2013-14 R53	Llansawel Primary	The school has good controls in place in some areas tested and the report makes recommendations to enhance the controls in place in other areas. The school is working on the implementation of the recommendations that were made.	2
2013-14 R54	Bryncoch Pupil Referral Unit	Generally good controls in place resulting in a small number of recommendations including one on staff checks.	2
2013-14 R55	Insurance	Good controls were found to be in operation for the administration of insurance claims and confirming their validity.	2
2013-14 R56	Pre employment checks Youth Workers & Play Workers	A review of the HR files of all staff employed in the service in the last 18 months was undertaken. A number of issues were raised and are being addressed by Managers. Due to the temporary nature of the majority of the post no post audit review will be undertaken however a similar exercise will be conducted next year to ensure that recommendations made have been implemented.	2
2013-14 R57	Margam Park	Many of the activities associated with the Park were well controlled. Recommendations have been made in other areas which the park are in the process of implementing.	2
2013-14 R58	Minibus Audit - Bryncoch PRU	Some good controls were found to be in place though recommendations have been made to enhance these controls.	2

Key:

Category 1 – Service risk assessed as low.

Category 2 – Service risk will be assessed as low when the recommendations are implemented.

Category 3 – There are significant risks that Audit Committee needs to be aware of.

Category 4 – Immediate action is required to reduce the level of risk

AUDIT PLAN MONITORING

<u>Monitoring Date</u>	<u>30th November 2013</u>				
<u>Audit Plan Item</u>	<u>Risk Factor</u>	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
<u>Education, Liesure and Lifelong Learning</u>					
School Based Audits					
Twenty Primary Schools	M	3 reports issued	3 reports issued	Total of 9 reports issued, additional 2 draft reports complete. Remaining schools booked in for rest of year. Pupil Referral Unit report issued, 2 Secondary Schools booked in	
Three Secondary Schools	H	One Comprehensive complete	Remaining Schools to be booked in this quarter		
Other Education					
Delegated School Reserves	M	Report completed by ELLL			
Leisure, Culture and Lifelong Learning					
Margam Park	M	Orangery and Charlottes Pantry Complete	Main Park to start in September	Report Issued on Main Park	

AUDIT PLAN MONITORING

<u>Audit Plan Item</u>	<u>Risk Factor</u>	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
<u>Finance and Corporate Services</u>					
Revenue Collection					
Council Tax	H	Monthly checks being undertaken	Monthly checks being undertaken	Monthly checks being undertaken	
NNDR	M	Monthly checks being undertaken	Monthly checks being undertaken	Monthly checks being undertaken	
Debtors	H	Monthly checks being undertaken	Monthly checks being undertaken	Monthly checks being undertaken	
Cash Collection	H	Random unannounced checks being undertaken	Random unannounced checks being undertaken	Random unannounced checks being undertaken	
Benefits Administration					
Benefits	M	Monthly checks being undertaken	Monthly checks being undertaken	Monthly checks being undertaken	
Prosecution Panel	N/A	On-going	On-going	On-going	
Exchequer					
Payroll	M	Monthly checks being undertaken	Monthly checks being undertaken	Monthly checks being undertaken	
Creditors	H	Monthly checks being undertaken	Monthly checks being undertaken	Monthly checks being undertaken	
Travel Expenses	M	Monthly checks being undertaken	Monthly checks being undertaken	Monthly checks being undertaken	
Accountancy					
Treasury Management	H			Due to be completed in 4th quarter	
Bank Reconciliation	M		Due to start in November	Now due to start in January	
Insurance	M		Audit started	Report issued	
Legal Services					
None					

AUDIT PLAN MONITORING

<u>Audit Plan Item</u>	<u>Risk Factor</u>	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
<u>Chief Executive's</u>					
Members' Declarations of Interest	M	Report Issued			
Urgency Action Procedures	L		Draft report issued	Final report issued	
<u>Social Services, Health and Housing</u>					
<u>Housing General Fund:</u>					
Housing Renewal Area	M			Scheduled to start in next quarter	
<u>Social Services</u>					
Monitoring of External Care Providers	H			Audit in progress	
Hillside Secure unit	M			Audit in progress	
Direct/Indirect Payments	M			Adult direct payments report issued	
Childrens' Services	H		Discussions being held re work to be carried out	2 audits undertaken in relation to safe recruitment	
Route 16	M			Audit in progress re Route 16 expenditure	
<u>Environment</u>					
Building Maintenance	M	In progress	In progress	Audit nearing completion delay due to IT issues encountered during audit	
Stores/Equipment	M			Audit started	
Planning/Building Regulations	M			Audit started	
Fuel Usage of Vehicles	M			Ongoing	
Trade Waste	M			Added in at request of Head of Service. Draft report issued.	

AUDIT PLAN MONITORING

<u>Audit Plan Item</u>	<u>Risk Factor</u>	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
<u>Cross Directorate</u>					
Special Investigations	N/A	2 in progress	2 complete, 3 in progress	2 reports issued, 6 in progress	
Advice and Guidance	N/A	On-going	On-going	On going	
I.T. Audit	N/A		In progress	In progress	
Contract Audit	N/A	On-going	On-going	On-going	
Corporate Governance	N/A		In progress	In progress	
Bribery Act	N/A			Scheduled for next quarter	
Officer Declarations	M	On-going	Report issued		
FOI Act	M			Scheduled for next quarter	
Petty Cash	M	Monthly checks being undertaken	Monthly checks being undertaken	Monthly checks being undertaken	
CRB Checks	M	Monthly checks being undertaken	Monthly checks being undertaken	Monthly checks being undertaken	
VFM Work	N/A			On going	
Annual Governance Statement	N/A			On going	
Banking System Administrator	N/A	On-going	On-going	On-going	

AUDIT PLAN MONITORING

<u>Audit Plan Item</u>	<u>Risk Factor</u>	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
<u>Other Commitments</u>					
Working Parties	N/A	On-going	On-going	On-going	
Audit Committee	N/A	On-going	On-going	On-going	
FOI Requests	N/A	None received to date	2 received and replied to	None received this quarter	
Accounting Instructions	N/A			Sundry Debtors updated	
Contingencies	N/A	One grant claim audited. Audit of Cognation Project ongoing at the request of the Manager.	Cemeteries - report issued. Cefn Coed Colliery Museum - report issued. Request from Head Financial Services re advertising income.	Free school breakfast grant report issued	
WGBWA	N/A		Due to start in September	Report issued	
WPI's	L	In progress	Work complete and 10 reports issued		
SWTRA	N/A				

ITEM 2

TREASURY MANAGEMENT MONITORING 2013/14

1. Purpose of Report

This report sets out treasury management action and information submitted to Policy & Resources Cabinet Committee on 14 November 2013 which also needs to be considered by the Audit Committee.

2. Rates of Interest

Bank base rates continue to be at an all time low of 0.5% (since 5th March 2009) and detailed below are the changes in the bank base rate since April 2008.

Effective Date	Bank Rate
10 April 2008	5.00%
08 October 2008	4.50%
06 November 2008	3.50%
04 December 2008	2.00%
08 January 2009	1.50%
05 February 2009	1.00%
05 March 2009 to date	0.50%

The following table provides examples of external borrowing costs as provided by the Public Works Loans Board as at 28th October 2013.

	Equal Instalments of Principal		Annuity		Maturity	
	Previous 17 Sept 13	Current 28 Oct 13	Previous 17 Sept 13	Current 28 Oct 13	Previous 17 Sept 13	Current 28 Oct 13
	%	%	%	%	%	%
5-5.5 years	1.79	1.68	1.80	1.69	2.65	2.45
10-10.5 years	2.65	2.45	2.70	2.49	3.74	3.50
20-20.5 years	3.74	3.50	3.87	3.62	4.33	4.14
35-35.5 years	4.27	4.06	4.35	4.16	4.43	4.25
49.5-50 years	4.40	4.21	4.43	4.25	4.42	4.22

3. General Fund Treasury Management Budget

The following table sets out the treasury management budget for 2013/14 and consists of a gross budget for debt charges i.e. repayment of debt principal and interest, and interest returns on investment income.

The rate of return on investments has reduced considerably in 13/14 due to schemes introduced by Central Government (Funding for Lending, Help to Buy), therefore we have had to reduce our income target for investments by £350k. There is no overall change to the debt charges budget as expenditure has reduced in line with income.

	2013/14 Original Budget £'000	2013/14 Revised Budget £'000
Debt Charges	17,466	17,166
Investment Income		
- Total	(1,250)	(900)
- less allocated to other funds	210	160
- General Fund (net)	(1,040)	(740)
Net General Fund	16,426	16,426

NB: Other funds include Trust Funds, Social Services Funds, Schools Reserves, Bonds etc.

4. Borrowing

Temporary short-term borrowing has been carried out since the last report totalling £4m. This was entered into due to short-term cash flow requirements it was fully repaid on the 30th September 2013. The cost of short term borrowing was less than the loss of interest on investments.

5. Investment Income

In line with the Council's Investment Strategy, the 2013/14 Revised Budget for investment income is £900k, treasury management investment income to the end of October totals £553k.

Members should note that all investments are classified as 'specified' i.e. up to 12 months and are currently with the major banks including Barclays, Lloyds Group, Bank Santander, Clydesdale, RBS and Nationwide BS.
Icelandic Bank Update

Members should note the following position in relation to the recovery of monies from investments in Icelandic related banks.

There have been no further dividends received since the last report.

Table 1 – Original Investments

Bank	Original Investment	Amount of Principal Repaid	Current Outstanding Investment
	£'000	£'000	£'000
Glitnir	2,000	2,000	0
Heritable	9,000	8,597	403
KSF	3,000	2,439	561
Landsbanki Islands HF	6,000	3,308	2,692
	20,000	16,344	3,656

In addition to the amounts listed above, an additional £50k was received in relation to the Glitnir Bank settlement. This £50k was in respect of interest due on the original investment.

Table 2 – Investments Held in Escrow Accounts – Icelandic Kroner

Bank	Investment (Sterling Equivalent) £'000	Amount Repaid £'000	Outstanding Investment £'000
New Glitnir	387	0	387
New Landsbanki	47	0	47
	434	0	434

Some of the investments matured by the old Glitnir and Landsbanki banks have resulted in cash being held in the form of Icelandic Kroner. In line with Icelandic law, the Kroner is not tradable and can only be spent within Iceland. The Local Government Association is pursuing ways of transferring these investments to realise repayments into Sterling. These new investments with the new banks are held in Escrow Accounts in the name of the local authority and generating interest in excess of 4%.

List of Background Papers

Treasury Management Files

PWLB Notice Number 416/13

Appendix

None

Wards Affected

All

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