

TAYSIDE CONTRACTS JOINT COMMITTEE – 25 AUGUST 2008

Report by the Managing Director

**Subject:**            *INTERNAL AUDIT AND CONTROL – UPDATE REPO*T

**ABSTRACT**

**The purpose of this report is to provide members with an update on the work of Internal Audit and Control and to highlight any significant matters arising.**

**1. RECOMMENDATION**

The Joint Committee is asked to note the contents of this report.

**2. INTRODUCTION**

Report No JC6/2008 submitted to the Joint Committee on 12 May 2008 gave a report on the work carried out and progress made by Internal Audit during the Financial Year 2007/08. That report has been duly submitted to Audit Scotland as part of their annual audit programme. This report provides an update on matters covered since that date.

**3. INFORMATION**

The major areas of Internal Audit and Control in the period since May have been as follows:-

**3.1 EXTERNAL AUDIT LIAISON**

The Annual Report and Accounts for the year ended 31 March 2008 were submitted to Audit Scotland within the required timetable.

Audit Scotland's interim audit has now been completed and their interim report is also being reported to today's Joint Committee meeting, report JC21/2008 refers along with our comments on the report. The audit of the annual accounts is well underway and we anticipate that the Audit Certificate and the Accounts will be signed and ready for submission to the Accounts Commission by the due date (30<sup>th</sup> September).

Monitoring of responses to the points raised in their various Action Plans continues and it is satisfying to report that all points raised have been or are being actioned as appropriate within the agreed or revised timescales.

**3.2 SECURITY**

On the week-end of 23 June 2008 premises at the training facility at Cleaves were broken into and fuel and plant worth about £1,000 was stolen. The police were informed but to date we have received no reports of progress.

Because of the site's remote location it is impossible to protect at an economic cost. Procedures have, therefore, been put in place to ensure that all plant and fuel is removed from site after use and stored at the Blairgowrie Depot overnight.

### **3.3 STOCK**

A comprehensive exercise has been carried out to identify slow moving or non-moving stock items held in the depots.

A total of about £50,000 worth of stock has been identified which has not moved since December 2006. Detailed lists of these items have been given to the Stores Manager who is in discussion with operations staff as to whether these items will be required and have some value to Tayside Contracts, or whether they are obsolete with no foreseeable use or value. Arrangements will be made to dispose of the truly obsolete items to achieve best value for the Joint Committee.

The management of stock-checking and stock levels continues to be monitored to ensure best value is being achieved. The accuracy of the stock-checks continues at a high level with four of the five depots having accuracy rates of 95-100%. Only Blairgowrie, with an accuracy rate of 77% gives some cause for concern. This is being examined by management in the West area.

However, stock held at Blairgowrie is restricted to PPE, tools and essential operational items with a small value, typically around £10,000 in total.

Total stock holdings excluding salt and fuel were £788,000 at the end of July compared with £647,000 at the same time last year. Given the increased prices of materials, particularly metal, and the fact that some £50,000 worth of tools has now been brought into stock, the figures seem reasonable.

### **3.4 FUEL**

The monitoring and management of fuel use is of increasing importance with the ever increasing price of fuel. Analysis of the four months to July 2008 compared with the same period in 2007 shows that prices have increased by some 35%, partly compensated by a small reduction (2%) in usage over the same period. Actions are being identified with senior managers targeted at achieving more significant and sustainable reductions in fuel usage.

Fuel stocks remain at a high level, having been built up to mitigate the threat of strikes and consequent impact of fuel shortages on emergency service provision. This stock increase has been particularly expensive, the value of fuel stocks currently being some £64,000 higher than in July last year.

As part of the rationalisation of depot provision along the A9 corridor, the fuel tanks have been closed at the Dunkeld depot and the contents transferred to Blair Atholl.

### **3.5 CASH MANAGEMENT**

A follow-up exercise has been carried out on the investigation into cash handling within the Catering Unit. This included ensuring that cash was properly received and accounted for and properly credited to the appropriate accounts.

Although the results were generally satisfactory, there are still some areas of weakness. These are being addressed and further procedures are being put in place to ensure that we can have full confidence in the operations.

#### **4. DIVERSITY AND EQUALITY IMPLICATIONS**

There are no specific diversity or equality implications relating to the contents of this report.

#### **5. FINANCIAL IMPLICATIONS**

The costs associated with Internal Audit activity have been included in the 2008/09 revenue budget approved by the Joint Committee on 17 March 2008.

#### **6. CONSULTATION**

The Clerk and Proper Officer of the Joint Committee have been consulted on the preparation of this report.

#### **7. CONCLUSIONS**

The work carried out continues to give confidence that the necessary controls are in place, and, where weaknesses are identified, that the appropriate remedial action is taken so that the Joint Committee can have confidence in the underlying system of financial control and in the financial service provided.

For the rest of the financial year Internal Audit will continue to carry out investigations as laid out in the Audit Programme approved by the Joint Committee on 12 May 2008.

These will include:-

- Payroll
- Banking Arrangements
- Partnering Arrangements
- Costing System Income
- Budget Monitoring
- Premises

Time will also be made available to cover any other investigations or reviews that may arise.



**IAIN C WADDELL  
MANAGING DIRECTOR**

#### **BACKGROUND PAPERS**

No background papers were relied on in preparing this report.