

# **Finance & Audit Scrutiny Panel**

Town Hall, Colchester

16 September 2008 at 6:00pm

**The Finance and Audit Scrutiny Panel deals with** the review of service areas and associated budgets, and monitors the financial performance of the Council, and the operational performance of the Council. The panel scrutinises the Council's audit arrangements, including the annual audit letter and audit plans, and Portfolio Holder 'Service' decisions reviewed under the Call in procedure.

## Information for Members of the Public

### Access to information and meetings

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### Have Your Say!

The Council values contributions from members of the public. Under the Council's Have Your Say! policy you can ask questions or express a view to meetings, with the exception of Standards Committee meetings. If you wish to speak at a meeting or wish to find out more, please pick up the leaflet called "Have Your Say" at Council offices and at [www.colchester.gov.uk](http://www.colchester.gov.uk).

### Private Sessions

Occasionally meetings will need to discuss issues in private. This can only happen on a limited range of issues, which are set by law. When a committee does so, you will be asked to leave the meeting.

### Mobile phones, pagers, cameras, audio recorders

Please ensure that all mobile phones and pagers are turned off before the meeting begins and note that photography or audio recording is not permitted.

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# Terms of Reference

## Finance and Audit Scrutiny Panel

- To review all existing service plans and associated budget provisions against options for alternative levels of service provision and the corporate policies of the Council, and make recommendations to the Cabinet
- To have an overview of the Council's internal and external audit arrangements and in particular with regard to the annual audit plan, the audit work programme and progress reports, and to make recommendations to the Cabinet
- To monitor the operational and financial performance of the Council, and to make recommendations to the Cabinet in relation to operational performance, financial outturns, revenue and capital expenditure monitors
- To scrutinise the Audit Commission's annual audit letter
- To scrutinise progress made on best value action plans
- To scrutinise executive 'service' decisions made by Portfolio Holders and officers taking key decisions which have been made but not implemented referred to the Panel through the call-in procedure

*The panel may a) confirm the decision, which may then be implemented immediately, b) refer the decision back to the decision taker for further consideration setting out in writing the nature of its concerns, or c) refer the matter to full Council in the event that the Panel considers the decision to be contrary to the Policy Framework of the Council or contrary to, or not wholly in accordance with the Budget.*

**COLCHESTER BOROUGH COUNCIL  
FINANCE & AUDIT SCRUTINY PANEL  
16 September 2008 at 6:00pm**

**Members**

Chairman : Councillor Lissimore.  
Deputy Chairman : Councillor Willetts.  
Councillors Bentley, Bouckley, Goss, Harris, Maclean,  
Manning, Offen, Oxford and Sykes.

**Substitute Members** : All members of the Council who are not Cabinet members or members of this Panel.

**Agenda - Part A**

(open to the public including the media)

**Members of the public may wish to note that Agenda items 1 to 5 are normally brief and items 6 to 9 are standard items for which there may be no business to consider.**

**Pages**

**1. Welcome and Announcements**

(a) The Chairman to welcome members of the public and Councillors and to remind all speakers of the requirement for microphones to be used at all times.

(b) At the Chairman's discretion, to announce information on:

- action in the event of an emergency;
- mobile phones switched to off or to silent;
- location of toilets;
- introduction of members of the meeting.

**2. Substitutions**

Members may arrange for a substitute councillor to attend a meeting on their behalf, subject to prior notice being given. The attendance of substitute councillors must be recorded.

**3. Urgent Items**

To announce any items not on the agenda which the Chairman has agreed to consider because they are urgent and to give reasons for the urgency.

**4. Declarations of Interest**

The Chairman to invite Councillors to declare individually any personal

interests they may have in the items on the agenda.

If the personal interest arises because of a Councillor's membership of or position of control or management on:

- any body to which the Councillor has been appointed or nominated by the Council; or
- another public body

then the interest need only be declared if the Councillor intends to speak on that item.

If a Councillor declares a personal interest they must also consider whether they have a prejudicial interest. If they have a prejudicial interest they must leave the room for that item.

If a Councillor wishes to make representations on an item on which they have a prejudicial interest they may do so if members of the public are allowed to make representations. In such circumstances a Councillor must leave the room immediately once they have finished speaking.

An interest is considered to be prejudicial if a member of the public with knowledge of the relevant facts would reasonably regard it as so significant that it is likely to prejudice the Councillor's judgement of the public interest.

Councillors should consult paragraph 7 of the Meetings General Procedure Rules for further guidance.

## **5. Minutes**

To confirm as a correct record the minutes of the meeting held on 2 September 2008.

## **6. Have Your Say!**

(a) The Chairman to invite members of the public to indicate if they wish to speak or present a petition at this meeting – either on an item on the agenda or on a general matter not on this agenda. You should indicate your wish to speak at this point if your name has not been noted by Council staff.

(b) The Chairman to invite contributions from members of the public who wish to Have Your Say! on a general matter not on this agenda.

## **7. Items requested by members of the Panel and other Members**

(a) To evaluate requests by members of the Panel for an item

relevant to the Panel's functions to be considered.

(b) To evaluate requests by other members of the Council for an item relevant to the Panel's functions to be considered.

## **8. Referred items under the Call in Procedure**

To consider any Portfolio Holder decisions, taken under the Call in Procedure.

*The panel may a) confirm the decision, which may then be implemented immediately, b) confirm the decision back to the decision taker for further consideration setting out in writing the nature of its concerns, or c) refer the matter to full Council in the event that the panel considers the decision to be contrary to the Policy Framework of the Council or contrary to, or not wholly in accordance with the Budget.*

## **9. Decisions taken under special urgency provisions**

To consider any Portfolio Holder decisions taken under the special urgency provisions.

## **10. Work Programme 2008-09**

See report from the Scrutiny Officer

## **11. 1st Quarter Internal Audit Assurance Report**

**1 - 12**

See report from the Head of Resource Management

## **12. Trust Funds**

**13 - 18**

See report from the Head of Resource Management

## **13. Exclusion of the public**

In accordance with Section 100A(4) of the Local Government Act 1972 and in accordance with The Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000 (as amended) to exclude the public, including the press, from the meeting so that any items containing exempt information (for example confidential personal, financial or legal advice), in Part B of this agenda (printed on yellow paper) can be decided. (Exempt information is defined in Section 100I and Schedule 12A of the Local Government Act 1972).



# Finance & Audit Scrutiny Panel

Item  
**11**

16 September 2008

Report of

Head of Resource Management

Author

Hayley McGrath  
282461

Title

1st Quarter Internal Audit Assurance Report

Wards  
affected

Not applicable

**This report concerns Internal Audit Activity between  
April and June 2008**

## 1. Actions Required

1.1 To note and comment upon the Council's performance relating to:

- Executing the 1st quarter of the Internal Audit plan for 2008/09;
- Performance of internal audit by reference to national best practice benchmarks

## 2. Reason for Scrutiny

2.1 The Accounts and Audit Regulations 2003 require local authorities to maintain an adequate and effective system of internal audit.

2.2 Internal audit is a key element of the Council's corporate governance framework. Robust implementation of audit recommendations gives assurance to members and management that services are operating effectively, efficiently and economically and in accordance with legislative requirements and professional standards.

## 3. Key Messages

- The planned audit coverage is slightly lower than anticipated for the year so far, this is due to a couple of audits being postponed by the auditees.
- One audit carried out this quarter has an increase assurance from 'limited' to 'substantial'
- One repeat audit has a decreased assurance from 'substantial' to 'limited'.
- Two priority 2 recommendations made this quarter (Financial Incentive Scheme) were not agreed by management.
- The first financial management review (an audit of fundamental management processes) of the Renaissance Programme has received a substantial assurance.

## 4. Supporting Information

4.1 This report has been designed to show:

- Detailed information concerning audits finalised in the quarter
- Details of the effectiveness of the Internal Audit Provider to deliver the service

- 4.2 Using a risk-based approach, internal audit generate reports, for all audits, with recommendations to improve the effectiveness of the internal control framework and maximise potential for service improvement across the Council. The audit plan consists of a mix of regularity, systems and probity audits. Only systems audits generate an assurance level, these are categorised as follows:
- Full Assurance – a sound system of control
  - Substantial Assurance – basically a sound system with some weaknesses
  - Limited Assurance – weaknesses that may put the system objectives at risk
  - No Assurance – control is generally weak leaving the system open to error or abuse
- 4.3 Internal Audit categorise recommendations according to their level of priority as follows:
- Priority 1 – Major issues for the attention of senior management
  - Priority 2 – Other recommendations for local management action
  - Priority 3 – Minor matters
- 4.4 Internal audit categorise the tracking of recommendations as follows:
- Fully implemented
  - Partially implemented
  - Not implemented

## 5. Performance Qtr 1 2008/09

### 5.1 Use of Audit Resources:

	Days	%
<b>Audit days delivered – Q1</b>	<b>74</b>	<b>13</b>
<b>Remaining Days – per agreed Audit Plan*</b>	<b>492</b>	<b>87</b>
	<b>566.0</b>	<b>1007</b>

\*The contracted number of audit days is 505 per annum, however there were an additional 61 days carried forward from last year.

### 5.2 Summary of Work Undertaken as at 30th June 2008:

	Total No. of Reports		Level of Assurance – Systems Audits*				Change in Assurance Level – compared to last audit		
	Other	Systems	Full	Substantial	Limited	No	▲	▶ (or 1 <sup>st</sup> Audit)	▼
<b>Audits finalised –Q1 b/f from 2007/08</b>	<b>1</b>	<b>5</b>	<b>-</b>	<b>4</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>3</b>	<b>1</b>
	<b>-</b>	<b>2</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>
<b>Work in progress –Q1 b/f from 2007/08</b>	<b>-</b>	<b>2</b>							
	<b>-</b>	<b>5</b>							

\*Only systems audits are given an assurance level.

Please see Appendix 1 for a summary of results and outcomes of the 8 audits finalised in Quarter 1.



5.3 **Status of Recommendations as at 30th June 2008 (Audits Finalised by Priority):**

	Due Q1	Due Q2	Due Q3	Total Due	Fully Implemented	Partially Implemented (c/fwd)	Not Implemented (c/fwd)
<b>Priority 1</b>							
2008/09	0	0	0	0	0	0	0
2007/8	<u>2</u>	<u>0</u>	<u>0</u>	<u>2</u>	<u>1</u>	<u>0</u>	<u>1</u>
Total	2	0	0	2	1	0	1
<b>Priority 2</b>							
2008/09	8	0	0	8	8	0	0
2007/8	<u>47</u>	<u>0</u>	<u>0</u>	<u>47</u>	<u>11</u>	<u>30</u>	<u>6</u>
Total	55	0	0	55	19	30	6
<b>Priority 3</b>							
2008/09	2	0	0	2	1	1	0
2007/8	<u>8</u>	<u>0</u>	<u>0</u>	<u>8</u>	<u>5</u>	<u>3</u>	<u>0</u>
Total	10	0	0	10	6	4	0
<b>Total</b>							
2008/09	10	0	0	10	9	1	0
2007/8	<u>57</u>	<u>0</u>	<u>0</u>	<u>57</u>	<u>17</u>	<u>33</u>	<u>7</u>
Total	<b>67</b>	<b>0</b>	<b>0</b>	<b>67</b>	<b>26</b>	<b>34</b>	<b>7</b>
Percentage					39%	51%	10%

All recommendations from 2008/09, that are due, are included in the above table, including implemented, only *outstanding* recommendations from other years are included. All recommendations where auditee's have confirmed implementation but a follow-up audit has not been completed have been included as 'partially' implemented to ensure that they are monitored until they are confirmed by Internal Audit. The figures above do not include any recommendations that are not yet due for completion.

5.4 **Status of Outstanding Recommendations as at 30<sup>th</sup> June 2008 (Audits Finalised by Service):**

The 67 recommendations that are still due (from the table above) are made up as follows:

	Customer Service Centre	Corporate Services	Environmental & Protective Services	Life Opportunities	Resource Management	Strategic Policy & Regeneration	Street Services
<b>Priority 1</b>							
2008/9	-	-	-	-	-	-	-
Other	-	<u>2</u>	-	-	-	-	-
Total	-	2	-	-	-	-	-
<b>Priority 2</b>							
2008/9	-	-	1	-	1	-	-
Other	-	<u>11</u>	<u>3</u>	<u>4</u>	<u>25</u>	<u>3</u>	-
Total	-	11	4	4	26	3	-
<b>Priority 3</b>							
2008/9	-	5	-	-	3	-	-
Other	-	<u>1</u>	-	-	<u>6</u>	<u>2</u>	-
Total	-	6	-	-	9	2	-
<b>Total</b>							
2008/9	-	5	1	-	4	-	-
Other	-	<u>14</u>	<u>3</u>	<u>4</u>	<u>31</u>	<u>5</u>	-
Total	<b>0</b>	<b>19</b>	<b>4</b>	<b>4</b>	<b>35</b>	<b>5</b>	<b>0</b>

Please see Appendix 3 for details of individual audits as at 30<sup>th</sup> June 2008. This details all audits undertaken in 2008/09 and 'outstanding' audits from previous years.

**Comment:**

The outstanding recommendations will continue to be closely monitored and progress will be reported to the panel each quarter.

**5.5 Performance of Internal Audit 2007/08 to date – Key Performance Indicators (KPIs):**

KPI	Target	Actual
<b>Efficiency:</b>		
Percentage of annual plan completed (to at least draft report stage)	<b>25%</b>	<b>13%</b>
Average days between exit meeting and issue of draft report	<b>10 max</b>	<b>9.0</b>
Average days between receipt of management response and issue final report	<b>10 max</b>	<b>8.0</b>
<b>Quality:</b>		
Meets CIPFA Code of Practice – per Audit Commission	<b>Positive</b>	<b>Positive</b>
Results of Client Satisfaction Questionnaires (Score out of 10)	<b>7.8</b>	<b>8.8</b>
Percentage of all recommendations agreed	<b>95%</b>	<b>92%</b>
Percentage of Priority 1 recommendations implemented	<b>100%</b>	<b>80%</b>
Percentage of Priority 2 & 3 recommendations implemented	<b>90%</b>	<b>90%</b>
Improved assurance for 2 <sup>nd</sup> & subsequent audit reviews – as a percentage of all recurring reviews	<b>25%</b>	<b>20%</b>

The key performance indicators show that the internal audit provider is successfully meeting or exceeding the majority of standards. One target that has not been met is the percentage of annual plan complete, this is due two audits being postponed to later in the year due to operational reasons. The percentage of audits that have shown an improved performance for the 2<sup>nd</sup> or subsequent review is also slightly below the expected level. However this is due to the number of audits which attained a 'substantial' assurance at the previous inspection, and have since maintained that level at the next inspection – approximately 80% of the applicable audits.

**6. Colchester Borough Homes**

- 6.1 Colchester Borough Homes have their own agreed audit plan which is administered by the Council's auditors. The coverage of the plan, and the scope of the audits, is decided by Colchester Borough Homes and in general the audits do not affect the systems operated by the Council.
- 6.2 However there are a few audits that, whilst they are carried out for either Colchester Borough Homes or the Council, have a direct relevance and impact on the other organisation and in these circumstances it is appropriate that the results of the audit are reported to both organisations. These are known as joint audits.
- 6.3 There were no joint audits carried out in the first quarter.
- 6.4 A meeting has been arranged with Colchester Borough Homes to discuss auditing requirements as a result of the interim property repairs arrangements. The meeting will take place prior to the date of this FASP meeting and will be verbally reported. A more detailed written report will be submitted to this panel at a later date.

## **7. External Audit**

- 7.1 The last item to be received from the external auditors was the annual audit and inspection letter for 2006/07 which was reported to Accounts and Regulatory on 30<sup>th</sup> June 2008. No new audit reports were issued by external audit in the first quarter. As there are no outstanding external audit recommendations from previous reports, a separate monitoring report has not been presented this quarter.

## **8. Proposals**

- 8.1 To note and comment upon the Councils progress and performance in implementing quarter 1 of the Internal Audit program for 2008/09.

## **9. Strategic Plan Implications**

- 9.1 The audit plan has been set with due regard to the identified key strategic risks to the Council. The strategic risk register reflects the objectives of the strategic plan. Therefore the audit work confirms the effectiveness of the processes required to achieve the strategic objectives.

## **10. Risk Management Implications**

- 10.1 The failure to implement recommendations may have an effect on the ability of the Council to control its risks and therefore the recommendations that are still outstanding should be incorporated into the risk management process.

## **11. Other Standard References**

- 11.1 There are no direct Publicity, Financial, Consultation, Human Rights, Community Safety or Health and Safety implications as a result of this report.

**Summary of Audits Finalised in Quarter 1:**

231 – Renaissance Programme – Management Arrangements	Days	Assurance Substantial (first audit)	Priority of Recommendations			Agreed
			1	2	3	
	15		-	2	2	4

**Scope of Audit:** This review examined the following areas relating to the management arrangements of the Renaissance Programme:

- Budget arrangements, ensuring that budgets are correctly set and monitored and including reporting of any expenditure or commitments that are not included within budgets;
- The validity and processing of virements;
- Authorisation and processing of journals;
- Raising and paying invoices;
- Write off of debts;
- Scheme of Delegation;
- HR practices, including training and development;
- Risk management processes;
- Health & Safety;
- Business Continuity;
- Internal Audit recommendations.

**Key Outcomes:** The recommendations resulting from this review are summarised as follows:

- Full details of all procurement decisions made, in terms of quotations and tenders, should be retained on file. Evidence should be retained to document the processes adopted and the decisions made. (2)
- A new Scheme of Delegation list should be drawn up in respect of the Renaissance Programme (2)
- Risk assessments should be completed on all workstations. Appropriate remedial action should be taken where issues are identified. (3)
- The service should implement a system to monitor and review the implementation of internal audit recommendations. The Head of Service should take action where the agreed actions are not implemented within the timescale set.(3)

235 – Reprographics Contract Audit	Days	Assurance Substantial (first audit)	Priority of Recommendations			Agreed
			1	2	3	
	10		-	9	-	9

**Scope of Audit:** The audit was designed to provide a review of the following areas

- Policies and procedures governing the contract;
- Monitoring of the contract and the use of the preferred supplier;
- Use of variation orders;
- Contract payments;
- Management information.

**Key Outcomes:** The recommendations resulting from this review are summarised as follows:

- Procedural notes covering the contract management process with the contractor should be drawn up as soon as possible. (2)
- The Design and Print Development Officer (DPDO) should undertake spot checks with officers using alternative suppliers.(2)
- The DPDO should request that completed customer satisfaction questionnaires are returned to him before being shared with the contractor. (2)
- The DPDO should agree local performance indicators with the contractor to measure performance over the contract period. (2)
- The DPDO should request the contractor to include a section within the customer satisfaction questionnaire relating to the firm’s complaints procedure. (2)
- The DPDO should review the frequency of the client contract meetings. (2)
- The DPDO should consult with the Council’s VAT advisors to identify which particular services attract VAT and those which do not. (2)
- The DPDO should request that the contractor provides evidence of their insurance on the anniversary of the commencement of the contract. (2)
- The DPDO should ensure that the contractor has provided a performance bond.(2)

303 – Commercial & Investment Properties	Days	Assurance Substantial	Priority of Recommendations			Agreed
			1	2	3	
	7		-	2	-	2

**Scope of Audit:** This review examined the following areas relating to Commercial and Investment Properties:

- There are up-to-date and comprehensive procedures in place;
- Property details are accurately maintained;
- Rental charges are reviewed on a regular basis;
- Changes in ownership are processed correctly;
- Rental charges are invoiced on a timely basis;
- All monies collected are properly recorded in the accounts of the Authority;
- Acquisitions and disposals are correctly approved; and
- Adequate, timely management information is produced and reviewed.

**Key Outcomes:** The recommendations resulting from this review are summarised as follows:

- Evidence of all rent reviews undertaken should be kept on file as a source of evidence that they did occur. (2)
- When an annual property inspection is carried out, the name of the person carrying out the inspection should be noted on the inspection form and the officer should sign and date the form. (2)

307 – Transfer Incentive Scheme	Days	Assurance Limited ▼	Priority of Recommendations			
			1	2	3	Agreed
	7		-	6	4	8

**Scope of Audit:** This review examined the following areas:

- There are adequate policies and procedures in place;
- Payments are only made to appropriate tenants;
- The information provided by applicants is verified;
- Adequate segregation of duties exists;
- Management information is produced; and
- Payments are appropriately authorised.

**Key Outcomes:** The recommendations resulting from this review are summarised as follows:

- Management should ensure that an up to date policy and procedures are drafted for the TIS, identifying objectives and indicating review dates for the future. These should be available to all relevant staff and the policy should be available on the Homechoice internet site. (2)
- The Transfer Incentive Scheme (TIS) should be advertised on a wider scale, with the advertisements being focused on the financial incentive.(2)
- Management should ensure that the Service Plan for Housing includes strategic objectives for the TIS and targets, to provide a basis for improvement.(2)
- Management should ensure that all applications are scanned on to IDOX, so that there is an accurate record and audit trail for all tenants obtaining new property using the TIS.(3) *Not agreed - Went back to application quoted and this had been done.*
- Management should ensure that if checklists are to be used, they are up-to-date and that all sections are initialled and dated adequately.(3)
- Management should ensure that staff are aware of the need for notifications of payment to be sent to Creditors and that copies should be held on file.(3)
- Management should ensure that there are adequate procedures in place relating to TIS payments(3)
- Management should ensure that monthly budget statements are signed and dated to confirm that they have been reviewed.(2) *Not agreed - All budgets are reviewed monthly by budget managers and the overall budget is reviewed by Service Manager, Head of Service and Group Accountant with a summary document produced six weekly.*
- Management should ensure that minutes are taken at each meeting, in order to record any decisions made and actions taken. This should be done as a priority.(2) *Agreed in part - The meetings were about agreeing what was going to be in the new leaflet. The leaflet itself is the end product. Minutes won't be possible retrospectively. Any future review of scheme will be minuted*
- Management should ensure that performance objectives are implemented as a priority and regularly monitored.(2)

306 – Petty Cash	Days	Assurance Substantial ▶	Priority of Recommendations			Agreed
			1	2	3	
	7		-	1	1	2

**Scope of Audit:** This review examined the following areas:

- Petty cash is used in-line with policies and procedures in place;
- All claims are backed-up by a receipt;
- Claims are authorised;
- Petty cash floats are reconciled on a regular basis and any differences reported;
- Float re-imbursments are appropriately completed; and
- Petty cash is held securely and access is restricted to appropriate personnel only.

**Key Outcomes:** The recommendations resulting from this review are summarised as follows:

- The Council's Petty Cash Guidelines should be made available on the Council intranet (3)
- Once the guidelines have been placed on the intranet an email should be sent to all staff making them aware of this fact and drawing their attention to the key requirements of the guidelines. (2)

308 – Alcohol Licenses	Days	Assurance Substantial ▲	Priority of Recommendations			Agreed
			1	2	3	
	5		-	-	1	1

**Scope of Audit:** This review examined the following areas:

- Policies and Procedures;
- Identification of Establishments;
- Registration and Issue of Licenses;
- Appeals and Review;
- Recording and Reconciliation of Income;
- Debtor Creation and Recovery Procedures;
- Monitoring and Enforcement Arrangements;
- Maintenance of Register License Holders; and
- Monitoring of Management Information

**Key Outcomes:** The recommendation resulting from this review is summarised as follows:

- It is recommended that the budgetary control reports should be held and retained securely for ease of reference. In addition to this, the budgetary control reports should be signed and dated by an appropriate officer as evidence of having been reviewed.(3)

309 – Best Value Performance Indicators	Days	Assurance	Priority of Recommendations			Agreed
			1	2	3	
	15	N/A	-	-	-	5

**Scope of Audit:** The audit was designed to ensure that:

- Efficient and effective controls exist over the collection and calculation of performance indicators;
- Appropriate source data is collected and the integrity maintained.
- Audit trails are appropriate and complete
- The performance indicators are reported as required in a timely and accurate manner and in accordance with Audit Commission requirements.

**Key Outcomes:** The recommendations for this audit are not prioritised but five were made and all have been agreed by the respective managers:

- BVPI 12 – working days lost due to sickness absence: It is recommended that the full audit trail be retained for all periods.
- BVPI 213 – Housing Advice Service, Preventing Homelessness: It is recommended that adequate supporting documentation be retained in all cases.
- BVPI 82a (i) – Household Waste Management, Recycling: It is recommended that an appropriate adjustment, in respect of the error relating to the weight of cans in December 2007, be made to the final calculation.
- BCPI 199a – Local Street and Environmental Cleanliness, Litter and Detritus: It is recommended that figures should be reported to one decimal place in line with the guidance.
- BVPI 109a – Planning Applications, major Applications: It is recommended that the system figures be checked and the reason for the anomaly with the PS2 return identified. The final reported figure should be calculated as per the PS2 form data.

310 – Building Control Fees	Days	Assurance	Priority of Recommendations			Agreed
			1	2	3	
	7	Substantial ▶	-	3	1	4

**Scope of Audit:** This review examined the following areas:

- Collecting, recording and banking of income
- Security of income
- Fee pricing
- Procedures for processing applications
- Procedures for issuing refunds
- Management information, including collating and reporting of performance targets

**Key Outcomes:** There were 4 recommendations resulting from this review:

- Management should remind staff that all applications should be date stamped on receipt. (3)
- The service manager should reconcile the income collected to the relevant codes on the ledger. (2)
- Refund forms should be signed by the officer raising the refund and checked for accuracy before being signed off by the Service Manager. (2)
- A regular reconciliation should be undertaken of refunds made on the general ledger to the supporting documentation. (2)



## Status of Recommendations as at 30th June 2008

Service/Assignment	Priority			No. Agreed	Date Due	Implemented		Not Due	Comments
	P1	P2	P3			Total	Fully		
<b>2008/09</b>									
Res Commercial & Invest Props 303		2		2	01/05/2008	2			Complete. Recommendations related to evidence of rent reviews and signing annual property inspections.
Res Petty Cash 306		1		2	30/06/2008	2			Complete. Recommendations relate to the revision of procedures and placing it on the hub.
LO Transfer Incentive Scheme 307		6	4	10	01/08/2008			8	Not due yet. Recommendations relate to policies and procedures, advertising, objectives, documents, budget statements and performance objectives.
EPS Alcohol Licenses 308			1	1	31/05/2008		1		Awaiting confirmation by follow-up. 1 recommendation regarding budget reports.
Corp Best Value Perform Indicators 309				5	N/A	5			Complete - Recommendations relate to the compilation of the BVPI figures which are not on-going issues. Calculations have been amended to reflect the recommendations.
EPS Building Control Fees 310		3	1	4	01/08/2008			4	Not due yet. Recommendations relate to policies and procedures, advertising, objectives, documents, budget statements and performance objectives.
		-	12	7		9	1	0	
				24				12	
<b>Service/Assignment</b>	<b>P1</b>	<b>P2</b>	<b>P3</b>	<b>Total</b>	<b>Date Due</b>	<b>Implemented Fully</b>	<b>Part.</b>	<b>Not Due</b>	<b>Comments</b>
<b>2007/08</b>									
LO Financial Assistance Policy 205		4		4	15/02/2008	4			Awaiting confirmation by follow-up. Recommendations related to creating a formal policy, updating procedures, requiring 2 quotes for work and reconciliations.
SPR Right to Buy 206		3	2	5	31/12/2007	4	1		Procedure not yet on the intranet. Remainder of recommendations related to policies, completion of forms and processing of payments.
EPS Planning Fees & S106 Agree 208		3		3	31/03/2008	3			Resolution dependant on software supplier - relates to the production of system audit trails and changes to information. Also recommended that it should be ensured that S106 funds are used for purpose agreed.
Res Council Mortgages 209		7		7	31/07/2007	6	1		Awaiting confirmation by follow-up. Recommendations related to reconciliations, procedural arrangements with the new contractors and management reporting
Res Procurements - Marketplace 210		4		4	31/03/2008	2	1	1	Awaiting confirmation by follow-up. Recommendations related to delegating limits, system back-ups, order raising and staff usage.





## Finance and Audit Scrutiny Panel

Item

16 September 2008

<b>Report of</b>	<b>Head of Resource Management</b>	<b>Author</b>	<b>Andy Wilks</b> ☎ 282355
<b>Title</b>	<b>Trust Funds</b>		
<b>Wards affected</b>	Not applicable		

**This report provides information on the current status of three Trust Funds**

### 1. Action Required

- 1.1 To note the current position, progress to date and the steps being taken to activate the three charity accounts.

### 2. Reasons for Action

- 2.1 At the Accounts and Regulatory Committee on 30 June 2008, under the agenda item for approving the draft Statement of Accounts for 2007/08, the lack of activity on three trust funds was queried. The Committee agreed to request the Portfolio Holder for Resources and Business to consider activating the Charity Accounts to make better use of these resources.

### 3. Background

- 3.1 It is important to recognise that, while the Council has custody of these funds, the funds are not generally available to the Council and can only be spent under the terms of the individual trusts. The terms are quite specific and limiting and also require, in addition to the Council, active trustees willing to serve and administer the trust.
- 3.2 The three funds drawn attention to were:-
- Sir Thomas White's Charity – set up to make interest free loans to the Freemen of Colchester to assist them in setting themselves up in business.
  - Old British Schools Trustees – set up to promote the Education of boys and young men resident in the Borough.
  - Colchester Lying-In-Charity – enables one off grants to be paid to unmarried mothers for such items as prams, cots etc.
- 3.3 The first two funds have been dormant for some while. Some years ago we were successful in activating the Colchester Lying-in-Charity but there was a temporary lapse in 2007/08 but the fund is now active again.
- 3.4 Further details on each of the funds are provided below. The accounts for each of the funds as included in the draft SOA are attached for information.
- ### 4. Options
- 4.1 Continue with the present practice of operating the Colchester-Lying-in-Charity and seeking opportunities to promote the other charitable funds.

- 4.2 Any further action beyond this is likely to be time consuming and a drawn out process involving research and negotiation with the Charity Commission. Broad options are summarised below with further information included under the notes on the individual charities.
- 4.3 Undertake further investigations to see if ways can be identified for the funds to be:-
- Applied for the original purposes – this is difficult given the restrictive nature of the original trusts.
  - Applied for wider purposes – this would require consent of the Charity Commission.
  - Transferred to other parties who may be able to use the funds in keeping with the trust terms – this would need the identification of a suitable willing party and is also likely to require the consent of the Charity Commission.

## **5. Sir Thomas White's Charity**

- 5.1 This is a registered charity (ref. 1012822) so we cannot easily change the purpose.
- 5.2 It was originally established in 1571 as a charity to provide interest free loans for the Freemen of Colchester to establish themselves in business, as part of the bequest of Sir T White. Sir Thomas was a Lord Mayor of London and a freeman himself. Altogether, he established 21 such charities across the country, most of which have ceased to function, but the Coventry and 7 others are still active, though they seem to have become part of wider charities.
- 5.3 The charity here seems to have become inactive in the 1940's and did not come to us until the 1990's. In 1999/2000, we did get the purpose of the charity widened and we now offer the freemen of Colchester first claim on the funds each year but we have not had any serious enquiries.
- 5.4 We also operate the Residents Freemen's Fund, which is still active, but is not a registered charity. The availability of the loans through Sir Thomas White's Charity is publicised to the Freemen. However, there are relatively few "freemen" entitled to call on the charity (circa 50) and none have needed or chosen to call on loan facilities.
- 5.5 One of the difficulties is that the funds are limited and in isolation are unlikely to offer a significant support or make an impact. Some time ago, circa 2001, we did ask COLBEA (or their predecessors) at the time about using it for interest free loans but they had access to more substantial and flexible funds.
- 5.6 One option would be for the funds to be transferred to the Freemen of Colchester, who were the original intended recipients. However, the Freemen are not a registered charity and last time we asked, in 2001, the Charity Commissioners would not agree. This could be pursued again or seeking consent for a wider application of the funds.

## **6. Old British Schools Trustees**

- 6.1 The Old British Schools Foundation is regulated by a scheme of the Charity Commissioners of June 1900 and originally required five trustees to be appointed as follows:-
- One by the Essex County Council as Local Education Authority for higher education.
  - Two by the Colchester Borough Council as Local Education Authority for elementary education; and
  - Two Cooptative trustees.

- 6.2 No grants have been paid in over twenty years but efforts were made in the years 1999 and 2000 to promote the fund and explore the possibility of transferring to the county as they are now responsible for all aspects of education. The Charity Commissioners advised that as a result of legislation transferring responsibility for education Essex County Council would be responsible for appointing the three representative trustees.
- 6.3 The Charity Commissioners also pointed out that the trustees should bear in mind that their primary duty is to the charity not to the County or Borough Council. The trustees would be responsible for the general control and management of the charity but have no power to make any changes themselves to the governing scheme. If a modified scheme was required to enable the scheme to operate effectively this would need to be agreed with the Charity Commissioners.
- 6.4 The County were contacted pointing out that they were now responsible for appointing the three representative trustees and seeking to transfer the fund to them. However, these discussions did not achieve a conclusion.

## **7. Colchester Lying-In-Charity**

- 7.1 The fund became active again in 1999 with the appointment of new trustees; two representative and three cooptative.
- 7.2 No payments were made in 2007/08 as a number of the trustees had ceased to act but replacements have now been appointed and grants are being made again in 2008/09. Since 1999 a total of £14,000 has been paid to 88 claimants.
- 7.3 The scheme is coordinated by a member of staff at Colchester Borough Council and supported by trustees from relevant organisations that can identify cases of need. The five current trustees come from the following organisations:-
- Welfare rights, Colchester Borough Council
  - North East Essex Primary Care Trust
  - Colchester and Tendring Womens Refuge
  - Sure Start Children's Centres (Ormiston Children and Families Trust)
  - Homestart

## **8. Proposal**

- 8.1 The options for activating the remaining two dormant charities be further explored. Contact has been made with other organisations with linked aims, in particular Signpost and Grassroots to see if this could be an avenue for utilising the funds. However, as noted above it is likely to take some time to gain the necessary approvals to implement any such scheme. A further report will be submitted to the panel when there is progress to report.

## **9. Standard References**

- 9.1 There are no particular references to; publicity or consultation considerations; or equality, diversity and human rights; community safety; health and safety or risk management implications.

## 1. Sir Thomas White's Charity

This charity was originally set up to make interest-free loans to the Freemen of Colchester to assist them in setting themselves up in business. The Council has obtained custody of the fund, which has been dormant for a number of years.

### RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

	2007/2008	2006/2007
	£	£
Balance as at 1 April	4,922	4,594
Add: - Interest Received	78	48
- Dividends	310	300
	5,310	4,942
Less: - Expenses	20	20
<b>Balance as at 31 March</b>	<b>5,290</b>	<b>4,922</b>

### BALANCE SHEET AS AT 31 MARCH 2008

	2007/2008	2006/2007
	£	£
Assets:		
Investments	8,061	8,482
Cash at Bank	5,290	4,922
<b>Represented by Accumulated Fund</b>	<b>13,351</b>	<b>13,404</b>

Please note: The investments are in War Stock, Charinco and Charishare (special investments for charities).

## 2. Old British School Trustees

This charity was originally set up to promote the education of boys and young men under 25 years of age resident in the Borough, or to assist their entry into a profession.

### RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

	2007/2008	2006/2007
	£	£
Balance as at 1 April	7,805	7,510
Add: - Interest received	66	36
- Dividends	273	259
<b>Balance as at 31 March</b>	<b>8,144</b>	<b>7,805</b>

### BALANCE SHEET AS AT 31 MARCH 2008

	2007/2008	2006/2007
	£	£
Assets:		
Investments	7,874	8,508
Cash at Bank	7,114	6,776
<b>Represented by Accumulated Fund</b>	<b>14,988</b>	<b>15,284</b>

Please note: The investments are in the Charities Official Investment Fund.

### 3. Colchester Lying-in-Charity

This charity enables one-off grants to be paid to unmarried mothers for such items as prams, cots, etc. Payments have not usually exceeded £250. No grants were paid in 2007/2008.

#### RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

	2007/2008	2006/2007
	£	£
Balance as at 1 April	4,860	4,420
Add: - Interest received	92	56
- Dividends	727	692
	5,679	5,168
Less: - Grants Paid	-	308
<b>Balance as at 31 March</b>	<b>5,679</b>	<b>4,860</b>

#### BALANCE SHEET AS AT 31 MARCH 2008

	2007/2008	2006/2007
	£	£
Assets:		
Investments	20,444	22,008
Cash at Bank	4,279	3,460
<b>Represented by Accumulated Fund</b>	<b>24,723</b>	<b>25,468</b>

Please note: The investments are in Treasury Stock and the Charities Official Investment Fund.



