

HERTFORDSHIRE COUNTY COUNCIL

INTERNAL AUDIT

DRAFT REPORT

PRIVATE AND CONFIDENTIAL

AUDIT OF CHILTERNNS AONB CONSERVATION BOARD

TO: Final report only The Chilterns Conservation Board

Draft report only Steve Rodrick – Chief Officer
Chris Smith – Section 151 Officer
Roelie Reed – Office Manager

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AUDITOR IN CHARGE: **Carol-Ann Collett**

REVIEWED BY: ***James Harbord***

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1 BACKGROUND

- 1.1 The County Council is actively involved in the Chilterns Area of Outstanding Natural Beauty (CAONB) - designated in 1965 and covering 833km. of Bedfordshire, Oxfordshire and Hertfordshire. The Chilterns is one of 41 AONB's representing the finest landscapes in England and Wales outside National Parks.
- 1.2 The Chilterns is one of the larger AONB's and spans the administrative boundaries of 15 local authorities and two Government Offices.
- 1.3 The CAONB had operated until 2005 as a shadow Conservation Board overseen by a voluntary joint committee. The Countryside and Rights of Way Act 2000 enhanced the status of AONB's and provided for the setting up of recognised Conservation Boards. These changes were made in recognition of the limitations of the old system which relied upon goodwill and minimal funding commitments from central Government.
- 1.4 On the 1st October 2006 a new organisation called Natural England came into being. This incorporated the work of English Nature and the rural Development Service. Concerns were raised about the ability of Natural England to maintain adequate funding for the CAONB.
- 1.5 As a result of this change the shadow body moved from the local authority who had overseen it, to setting up its own accommodation, management and financial functions.
- 1.6 HCC was asked to provide the Internal Audit function. We accepted the offer and helped to develop a strong financial control environment in 2005/6 and reported upon its proper application.

2 SCOPE

- 2.1 The scope of this audit is to perform a review of the systems relating to Chilterns AONB Conservation Board (CAONB), undertaking compliance testing on the key control areas. This particular audit area was the subject of a review in 2005/6.
- 2.2 Internal Audit's risk assessment is medium, as the CAONB is a now a settled organisation in its present form and robust systems have been developed, and the audit Commission has relaxed its audit requirement for this type of small organisation.

3 AUDIT OBJECTIVES

- 3.1 The audit objective is to evaluate the continuing adequacy and effectiveness of the systems in operation, ensuring that the risk of errors or irregularities occurring and remaining undetected is minimal.

3.2 All significant findings and recommendations for any potential improvements in the economy, efficiency and effectiveness of the current system of control will be reported.

3.3 Special consideration will be given to the funding arrangements with Natural England.

4 CONTROL OBJECTIVES

4.1 The control objectives to be audited are as follows: - ·

- Budgets are controlled in accordance with Financial Regulations
- The management structure of the department ensures secure financial control.
- All transactions are properly authorised by an appropriate officer.
- Income collection procedures and responsibilities are properly controlled in accordance with Financial Regulations.
- 'For sale' items should be securely controlled and a stock record maintained.
- The continuity of the CAONB's key systems is ensured by an effective Business Continuity Plan.
- Staff sickness, absence/leave is monitored and controlled.
- Procedures for claiming expenses are defined, documented and communicated to all.
- Orders used for all purchases are maintained in the SAGE system.
- Use of mobile telephones is monitored and controlled.
- Proper procedures are in place for project management.

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- Imprest accounts are run in accordance with the financial Procedures.
 - Management information is sufficient to ensure effective control of resources.
 - The Service Assurance Statement has been completed.
 - There is effective control over the use of procurement cards.
 - Members Allowances are properly controlled.
 - There is proper Treasury Management of Reserves.
 - There is sufficient funding from Natural England

5 ACKNOWLEDGEMENT

I would like to thank the staff at CAONB for their help and co-operation during the audit.

6 MANAGEMENT SUMMARY

We are generally satisfied with the controls operating within the CAONB. We particularly commend the smooth transfer of the payroll 'in house'.

There were a few, mostly minor control weaknesses identified during the audit and recommendations to improve these are listed in the next section.

The detailed findings overleaf show all areas examined during the audit; recommendations have only been made when improvements or actions are required.

DETAILED FINDINGS AND RECOMMENDATIONS - Chiltern				
Key Control	Finding	Effect of Finding	Ref	Recommendation
Budgets should be controlled in accordance with financial regulations.				
Budget responsibilities should be clearly defined, documented, and communicated in accordance with financial regulations.	Budget Managers are fully aware of their responsibilities and sign up to this.	Compliant	7.01	
There should be adequate working papers to support the make up of the budget.	There are sufficient papers to support the make up of the budget. There are detailed minutes of Board meetings with a good record of discussion and decisions made about budgetary matters	Compliant	7.02	
Virements between budget heads within a cost centre should be authorised according to the scheme of delegation.	There have been no virements	Compliant in the fact that there are rules in place but no virements have taken place in the last financial year.	7.03	
A list identifies a named budget holder for each budget heading.	It is clear who the budget holders/managers are.	Compliant	7.04	
Training sessions and system manuals should be available as an aid to proficiency.	Staff have all been trained in SAGE and manuals and short guides are available.	Compliant	7.05	
Budget monitors are produced and distributed to budget holders and other key officers	Staff receive a monthly report from the Section 151 officer, these show bottom line figures and each budget manager accesses SAGE to drill down for the details of their particular projects.	Compliant	7.06	
Budget monitors are clear and	As budget managers have access	Compliant	7.07	

DETAILED FINDINGS AND RECOMMENDATIONS - Chiltern				
Key Control	Finding	Effect of Finding	Ref	Recommendation
useful.	to SAGE their reports are in the format they require. There is no profiling of project budgets, but core budgets are profiled.			
Budget monitors are acted upon.	There are monthly meetings between CO and staff.	Compliant	7.08	
Budget monitoring reports are provided to Board that accurately reflect the budget position.	There were no significant budget variations shown in SAGE. Full financial reports are presented at Board Meetings	Compliant	7.09	
The management structure of the department ensures secure financial control.				
A scheme of delegation is in place, which clearly defines responsibilities and reporting lines.	This scheme of delegation is adequate and follows financial regulations	Compliant	7.10	
Up to date contract register in place.	At present there is no Contract Register as it was thought that there were no contracts.	There may be a number of small contracts that could be listed.	7.11	It was agreed that a list of contracts/regular arrangements be identified and listed, with start/finish dates and contract names.
Evidence that up to date contract regulations have been issued.	There is a copy of the Contract Regulations on the IA file	Compliant	7.12	
Financial procedures are in place.	There are Financial Regulations but they are due to be reviewed.	The Financial Regulations may not reflect the current position of the Organisation	7.13	The Financial Regulations should be reviewed and re- issued as soon as convenient.
Gifts and Hospitality are	There is a register of gifts and	Compliant	7.14	

DETAILED FINDINGS AND RECOMMENDATIONS - Chiltern				
Key Control	Finding	Effect of Finding	Ref	Recommendation
declared and recorded	hospitality although it has never been used. Staff were reminded of the need to use the register should a gift etc. be offered			
All transactions should be properly authorised by an appropriate officer.				
Invoices must be properly approved for payment	All invoices were checked by IA and all without fail were found to be properly approved for payment	Compliant	7.15	
Income collection procedures and responsibilities should be properly controlled in accordance with Financial Regulation and Financial Procedures.				
All income amounts received should be recorded. Included should be details of whom the payment was from and also a payment reference.	There are very few income amounts by cheque but all were properly handled. As there is no bank in Chinnor cheques are banked when convenient. There are held in a safe which is more than adequate for the value concerned.	Compliant	7.16	
All grant income should be entered against the correct project and account number as soon as possible.	Income is received by BACS. However Natural England has outsourced its finance function and grant monies have not yet been received. Local authority income is properly received.	Cash flow projections are difficult without the surety of timely income from Natural England. Discussion took place about how to resolve this issue should it be in going. However, it is likely to resolve itself as the new organisation settles down.	7.17	This risk should be entered on the Risk Register. If this matter is not resolved it may be necessary to involve the Board Chairman taking this forward with Natural England.
All postal income should be	See finding 7.15	Compliant	7.18	

DETAILED FINDINGS AND RECOMMENDATIONS - Chiltern				
Key Control	Finding	Effect of Finding	Ref	Recommendation
entered against the correct fund and account number as soon as possible.				
All remittances should be processed on the day of receipt.	See finding 7.15	Compliant	7.19	
All post received should be opened in the presence of two employees.	See finding 5.15, little income is received through the post and is low value.	compliant	7.20	
The continuity of the CAONB's key systems is ensured by an effective Business Continuity Plan.				
Continuity of the CAONB's key systems is ensured by an effective business continuity plan.	Data records are taken off site each night and files are kept in fire retardant cabinets. As CAONB is such a new organisation everything is kept at present but the Office Manager has a copy of HCC's retention policy.	Compliant	7.21	
Sale stock items are controlled.				
There is proper control over stock items	Stock register is kept in SAGE and valued at year end. Receipts are given for all cash purchases.	Compliant	7.22	
Staff sickness absence/leave should be monitored & controlled.				
Records should be kept of each employee's sickness absence/leave.	There is very little sickness. With the resignation on one staff member there is virtually no sickness. All is properly recorded. Annual leave and time off in lieu is fully recorded and approved.	Compliant	7.23	
Periods of sickness are not	See finding 7.23	Compliant	7.24	

DETAILED FINDINGS AND RECOMMENDATIONS - Chiltern				
Key Control	Finding	Effect of Finding	Ref	Recommendation
limited to financial years. The sickness period may span two financial years.				
The absences due to sickness should be reported monthly to the Board.	The Office Manager records sickness and the CO would manage if it became a problem, but the levels are very small.	Compliant	7.25	
At the beginning of each financial year each employee's leave entitlement should be indicated on a new record sheet.	Full records are kept and leave is approved by e-mail by CO.	Compliant	7.26	
Procedures for claiming expenses must be defined, documented and communicated to all claimants.				
All employees collating and collecting expenses should have access to the Procedures' & comply with those procedures	Staff and Board Members are clear on the process for collecting expenses. Rates are known and claims properly approved.	Compliant	7.27	
Records of expenses should be maintained.	All claims had been approved and records are maintained.	Compliant	7.28	
Orders used for all purchases are maintained in the SAGE system				
Items cannot be purchased outside the SAGE and petty cash system	All purchases are through SAGE apart from some small amounts on procurement cards and petty cash.	Compliant	7.29	
Goods should not be received by the person responsible for the purchase order(s)	There is an informal division of duties in that the office manager is upstairs and good are received by staff working downstairs who answer the front door. The type of items purchased for delivery are not likely to be of any value personally to staff members.	Compliant	7.30	
Use of mobile telephones should be monitored and controlled.				

DETAILED FINDINGS AND RECOMMENDATIONS - Chiltern				
Key Control	Finding	Effect of Finding	Ref	Recommendation
Mobile telephone invoices should be separate and not received by an individual employee. The invoices should be in the name of CAONB.	There are clear guidelines on the use of mobile telephones. Staff are sent copies of the bills and asked to identify and pay for personal calls. It is clear from copy bills in income checks that this is happening. It is a small amount and the costs of the telephones over the year for business use and rental is not significant.	Compliant	7.31	
The costs of private calls should be borne by employees.	See finding 7.30	Compliant	7.32	
Records should be kept of users of loaned mobile telephones.	It is clear who the mobile telephones are allocated to.	Compliant	7.33	
Proper procedures are in place for project management				
Recognised project management procedures are used.	There were some project management outlines prepared in 2006/7 which outlines each project in detail and was signed of by the responsible staff members. However there is no formal recognized project management system in place. After consultation with and a demonstration to the staff of Microsoft Project, they decided to try it out and see if it made for a smoother process.	The CO spends a lot of time monitoring projects and reminding staff of grant claims dates etc. Using Microsoft Project would enable the staff to manage these milestones.	7.34	The use of Microsoft Project should be pursued and training implemented.
Imprest accounts are run in accordance with the Financial Procedures				

DETAILED FINDINGS AND RECOMMENDATIONS - Chiltern				
Key Control	Finding	Effect of Finding	Ref	Recommendation
Only correct and proper payments are made from the imprest account.	Only small, agreed amounts go through the petty cash and it is properly authorised and checked.	Compliant	7.35	
Management information is sufficient to ensure effective control of resources				
Annually reviewed registers of fees and charges receivable are maintained.	The only fees are for courses which are charged at cost. Consideration is being given to putting a small 'profit' element on courses to cover administration. The only charges are for postcards, books etc. which are at cost. All costs are recorded in SAGE	Compliant	7.36	
Payroll reports for example, overtime reports, sickness reports; agency reports are available and are regularly reviewed.	The payroll was brought back ' in house ' earlier this year and the transfer went extremely well. There are reports for staff and Members allowances and they are monitored.	Compliant	7.37	
The department has a list of portable and attractive items.	There are records of IT equipment. There is a list of portable and attractive items which needs updating. The insurance list is updated annually	The inventory must be updated when new items are purchased.	7.38	The new GPS system should be added to the inventory and insurance list.
Has the Service Assurance Statement been completed?				

DETAILED FINDINGS AND RECOMMENDATIONS - Chiltern				
Key Control	Finding	Effect of Finding	Ref	Recommendation
Obtain a copy of the Assurance Statement	<p>The Risk Register has not been updated. The payroll transfer remains at 'high' risk although the transfer went well and the payroll is accurate each month.</p> <p>The risks associated with the proposed building work to the rear of the property and possible disruption/access and parking problems had not been identified.</p> <p>There is some extra space at the rear of the building which is used for display boards etc. This is not part of the lease and there would be a need to find storage, possibly off site should these buildings be included in the building site.</p>	The Risk Register is not being re-evaluated and updated and needs to be shared with the Board on a regular basis.	7.39	<p>The Risk Register must be updated before this years Service Assurance statement is completed for the Statement of Internal Control.</p> <p>The Risk Register needs to be a 'living' document and re-assessed at regular intervals as risk is mitigated.</p> <p>Staff need to be reminded about personal safety when working away from the office base, especially if working alone. There is a 'buddy system' in place but it has fallen into disuse.</p>
Control and use of Procurement Cards				
The use of the cards is properly controlled	<p>There are 2 procurement cards with low daily values.</p> <p>The Section 151 officer checks for reasonableness of items and amounts.</p>	Compliant	7.40	
Members Allowances are properly controlled				
Written instructions are issued and followed	There are clear guidelines and adequate recording on SAGE.	Compliant	7.41	
There is proper Treasury Management of Reserves.				

DETAILED FINDINGS AND RECOMMENDATIONS - Chiltern				
Key Control	Finding	Effect of Finding	Ref	Recommendation
Reserves are being effectively invested and managed.	There is investment of reserves however is could be more effectively invested and there needs to be a long term cash flow projection.	Less income could be received or investment income could vary from year to year.	7.42	The investment of reserves needs to be re-considered to see if more interest could be made. The Section 151 officer intends producing a long term cash flow projection.
Ascertain that there is sufficient funding from Natural England.				
There is a system to ensure that there is sufficient funding from Natural England.	Natural England had given a grant to cover core costs but little to support projects.	The organisation has healthy reserves at present but these will dwindle over time if projects have to be supported from reserves rather than grant income.	7.43	A five year long term programme should be devised accompanied by a mid term financial forecast of the costs of these projects to support further application to Natural England for funding, otherwise in the long-term the Board may just exist without funding to achieve any outcomes.

SUMMARY OF RECOMMENDATIONS - Chiltern					
Ref	Recommendation	Responsible for Action	Priority	Target Date	Action/Comments
7.01			Not Rated		
7.02			Not Rated		
7.03			Not Rated		
7.04			Not Rated		
7.05			Not Rated		
7.06			Not Rated		
7.07			Not Rated		
7.08			Not Rated		
7.09			Not Rated		
7.10			Not Rated		
7.11	It was agreed that a list of contracts/regular arrangements be identified and listed, with start/finish dates and contract names.		Low		
7.12			Not Rated		
7.13	The financial Regulations should be reviewed and re- issued as soon as convenient.		High		
7.14			Not Rated		
7.15			Not Rated		
7.16			Not Rated		
7.17	This risk should be entered on the Risk Register. If this matter is not resolved it may be necessary to involve the Board Chairman taking this forward with Natural England.		High		
7.18			Not Rated		
7.19			Not Rated		
7.20			Not Rated		
7.21			Not Rated		

SUMMARY OF RECOMMENDATIONS - Chiltern					
Ref	Recommendation	Responsible for Action	Priority	Target Date	Action/Comments
7.22			Not Rated		
7.23			Not Rated		
7.24			Not Rated		
7.25			Not Rated		
7.26			Not Rated		
7.27			Not Rated		
7.28			Not Rated		
7.29			Not Rated		
7.30			Not Rated		
7.31			Not Rated		
7.32			Not Rated		
7.33			Not Rated		
7.34	The use of Microsoft Project should be pursued and training implemented.		Medium		
7.35			Not Rated		
7.36			Not Rated		
7.37			Not Rated		
7.38	The new GPS system to be added to the inventory and insurance list.		High		
7.39	<p>The Risk Register must be updated before this years Service Assurance statement is completed for the Statement of Internal Control.</p> <p>The Risk Register needs to be a 'living' document and re-assessed at regular intervals as risk is mitigated.</p> <p>Staff need to be reminded about personal safety when working away</p>		High		

SUMMARY OF RECOMMENDATIONS - Chiltern					
Ref	Recommendation	Responsible for Action	Priority	Target Date	Action/Comments
	from the office base, especially if working alone. There is a 'buddy system' in place but it has fallen into disuse.				
7.40			Not Rated		
7.41			Not Rated		
7.42	The investment of reserves needs to be re-considered to see if more interest could be made. The Section 151 officer intends producing a long term cash flow projection.		High		
7.43	A five year long term programme should be devised accompanied by a mid term financial forecast of the costs of these projects to support further application to Natural England for funding, otherwise the long-term the Board may just exist without funding to achieve any outcomes.		High		