



Internal Audit Report  
Chief Executive's Service  
Revenue Monitoring 13-01  
March 2014

## Final Report

Chief Executive's Service  
Finance Division  
Perth & Kinross Council  
2 High Street  
Perth PH1 5PH

### Background and Introduction

This audit was carried out as part of the audit plan for 2013/14, which was approved by the Audit Committee on 27 March 2013.

The revenue monitoring process is the means by which the Council's managers ensure, during the financial year, that income and expenditure are in line with the Council's plans, as agreed each February in the annual Revenue Budget.

According to PKC's Scheme of Administration, after full Council has set the annual Revenue Budget, the Strategic Policy and Resources Committee (SP&R) is remitted, "To oversee the management of the Council's financial resources".

An important means by which the Committee discharges this responsibility, is by reviewing and acting upon the Revenue Budget Monitoring Reports which are submitted by the Head of Finance four times a year. These reports give updates on expected income and expenditure by year-end, discuss significant variances, and seek Committee approval if budgets should be changed during the financial year.

The Monitoring Reports are based on information provided to the Finance Division in the Chief Executive's Service by staff in the other Services. Each Service employs its own finance professionals, who present relevant information according to corporate rules set by the Head of Finance in the Revenue Monitoring Guidance For Accountancy Section Staff of September 2006.

This audit examined the adequacy of procedures in place for ensuring that accurate and timely revenue monitoring information is provided by Services to the Head of Finance; and the adequacy of procedures in place in Finance Division for ensuring that accurate and timely revenue monitoring information is provided to SP&R.

### Acknowledgements

Internal Audit acknowledges with thanks the co-operation received during this audit from staff in Finance Division, and the assistance given by finance staff in Housing & Community Care, Education & Children's Services, and The Environment Service.

### Control Objectives and Opinions

This section describes the purpose of the audit and summarises the results. A 'control objective' is a management objective that requires the maintenance of adequate and effective internal controls to ensure that it is achieved. Each control objective has been given a rating describing, on the basis of the audit work done, the actual strength of the internal controls found to be in place. Areas of good or poor practice are described where appropriate.

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Control Objective: To verify the adequacy of Finance Division procedures in place for ensuring that accurate and timely revenue monitoring information is provided by Services to the Head of Finance.	
<p>Auditor's Comments:</p> <p>The Revenue Monitoring Guidance is the framework in place for revenue monitoring and describes in comprehensive detail the arrangements for corporate control over Services financial arrangements. However this guidance is out of date in that it describes historic practice where the Finance Division had more of a 'compliance' role compared with the current approach which is more partnership based. These changes have evolved over time and have yet to be formally acknowledged and documented.</p> <p>The audit identified no errors in the financial information provided by Services to Finance Division and verified that that information is provided on a timely basis.</p>	
Strength of Internal Controls:	Moderately strong

Control Objective: To verify the adequacy of procedures in place in the Finance Division for ensuring that accurate and timely revenue monitoring information is provided to the Strategic Policy and Resources Committee.	
<p>Auditor's Comments: The audit identified a number of minor errors in the information provided in reports to Committee. None of these are of material significance. Whist issues were raised during the audit of potential improvements in the clarity of reporting and of cross-referencing to previous Committee decisions, it was felt that any changes would add to an already complex reporting process and would be restricted by the Council's reporting protocols.</p>	
Strength of Internal Controls:	Strong

### Management Action and Follow-Up

Responsibility for the maintenance of adequate and effective internal controls rests with management.

Where the audit has identified areas where a response by management is required, these are listed in Appendix 1, along with an indication of the importance of each 'action point'. Appendix 2 describes these action points in more detail, and records the action plan that has been developed by management in response to each point. Appendix 3 features an action points derived from audit work but which did not relate directly to the Control Objectives above. Appendix 4 lists minor points noted during the audit. These findings do not form part of the Action Plan and are considered to be attached to very low risk. They were drawn to the attention of management during the audit, and will only be followed up as part of a subsequent audit.

It is management's responsibility to ensure that the action plan presented in this report is achievable and appropriate to the circumstances. Where a decision is taken

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not to act in response to this report, it is the responsibility of management to assess and accept the risks arising from non-implementation.

Achievement of the action plan is monitored through Internal Audit's 'follow up' arrangements.

Management should ensure that the relevant risk profiles are reviewed and updated where necessary to take account of the contents of Internal Audit reports. The completeness of risk profiles will be examined as part of Internal Audit's normal planned work.

### Feedback

Internal Audit welcomes feedback from management, in connection with this audit or with the Internal Audit service in general.

### Distribution

This report has been distributed to:

B Malone, Chief Executive

J Walker, Executive Director, Housing & Community Care

J Fyfe, Executive Director, Education & Children's Services

J Valentine, Executive Director, The Environment Service

J Symon, Head of Finance, Chief Executive's Service

S Walker, Chief Accountant, Finance Division, Chief Executive's Service

G Taylor, Head of Democratic Services, Chief Executive's Service

P Dickson, Complaints and Governance Officer, Chief Executive's Service

External Audit

### Authorisation

The auditor for this assignment was D Watt. The supervising auditor was J Clark.

This report is authorised for issue:

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Jacqueline Clark  
Chief Internal Auditor  
Date: 10 March 2014

Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	Revenue Monitoring Guidance	Medium

Appendix 2: Matter Arising During The Audit

No.	Action Point	Risk/Importance
2	List of authorised budget holders	Low

## Appendix 2: Action Plan

### Action Point 1 - Revenue Monitoring Guidance

The Revenue Monitoring Guidance was most recently revised in 2006. Whilst comprehensive, it is out of date and in need of review as working practices within the Finance Division and Services have changed over time.

### Management Action Plan

The Revenue Monitoring Guidance will be updated and will reflect the changed roles and relationship between the Finance Division and Services. The Guidance will also include guidance on the processes for producing reports for Committee. There will be a review of compliance with the revised Guidance.

Importance:	Medium
Responsible Officer:	S Walker, Chief Accountant
Lead Service:	Chief Executive's Service
Date for Completion (Month / Year):	September 2014
Required Evidence of Completion:	Updated guidance

### Auditor's Comments

Satisfactory

## Appendix 3: Matter Arising During the Audit

### Action Point 2 - List of authorised budget holders

The Financial Regulations states that “each Executive Director will provide and update regularly, a list of approved budget holders in their Service to the Head of Finance”. The Chief Accountant has stated that Finance Division has no need to hold such lists as Services are required to hold these lists in accordance with their Operational Financial Regulations.

Whilst audit found that the Operational Financial Regulations of TES and HCC require updated lists to be kept and copied to the Head of Finance, these requirements are not specified in the ECS Operational Financial Regulations.

### Management Action Plan

1. The ECS Operational Financial Regulations will be updated to include the requirement to maintain an up to date list of approved budget holders.
2. The Financial Regulations will be updated to remove the requirement to provide the lists of approved budget holders to the Head of Finance

Importance:	Low
Responsible Officer:	1. J Cockburn, Finance & Governance Manager 2. S Walker, Chief Accountant
Lead Service:	Education & Children's Services
Date for Completion (Month / Year):	1. Completed 2. December 2014
Required Evidence of Completion:	1. Updated operational financial regulations 2. Updated Financial Regulations

### Auditor's Comments

Satisfactory

#### Appendix 4 – Minor Points Noted During the Audit

The audit included testing a sample of figures given in the Monitoring Reports. This identified a number of minor errors in the information presented to Committee as a result of textual analysis or incomplete review. The errors identified did not have any material value or consequence on the decision making process and the Service has acknowledged these and does not propose any further action. The updated guidance as referred to in Action Point 1 will include the level of checking to minimise the risk of errors being made.

The auditor highlighted that the template used for the Monitoring Report which was submitted to Strategic Policy & Resources Committee had not been amended to detail the financial year 2013/14.