

South Derbyshire District Council

BEST VALUE REVIEW

FINANCIAL SERVICES
INTERNAL AUDIT

TERMS OF REFERENCE

1. Background

- 1.1 Internal Audit plays a key role in assuring the organisation that it has effective systems of financial control in place to protect against fraud and financial irregularity.
- 1.2 The Council employs a team of 3 internal audit staff to deliver its internal audit services. Its principal tasks are as follows:-
 - ❖ **Managed Audit** – reviewing the key financial systems of the council on a regular basis to ensure they provide effective controls
 - ❖ **Planned Audits** – over a four year period internal audit will review all of the council's activities to ensure they are undertaken with sufficient attention to financial procedures
 - ❖ **Special Investigations** – to look at areas of alleged fraud and financial irregularity.
- 1.3 In addition to this, internal audit is responsible for promoting an effective environment to reduce the risk of fraud and financial irregularity. This includes producing an anti –fraud and corruption strategy.
- 1.4 It should be remembered that internal audit is not the only team to audit the Council's activities. The Council's external auditors, District Audit, also undertake audits within the Council.

2. Scope

- 2.1 The review will look at all aspects of audit work within the Council including the work carried out by the Council's external auditors/inspectors.
- 2.2 The review will focus firstly on how best an effective audit service can be delivered within a small local authority – in particular it will look at how the authority can ensure that it has access to increasingly specialised audit skills e.g. computer audit from within a small team. This will involve consideration of:-
- ❖ Partnerships with other local authorities
 - ❖ Closer working with other local authorities to gain access to specialised expertise
 - ❖ Closer working with external audit to align internal audit work with that of the external auditor.
 - ❖ The use of other providers of internal audit – *please see overarching review programme.*
- 2.3 The review will also consider changing customer needs for internal audit and how it can best meet these changing needs. The review will also attempt to assess internal audit against identified good practice within this area.
- 2.4 Finally, the review will assess the service delivered by the Council's external auditors and assessors and look at how this accords with recognised good practice.

3. Key Tasks

- 3.1 To **compare** the level of service provided by the internal audit team at South Derbyshire with other bodies. This will include:-
- Comparisons with other local authorities
 - Comparisons with other bodies e.g. health service
 - Use of benchmarking information for comparison with other Derbyshire Districts.
- 3.2 To **consult** the users of internal audit services about their changing needs and what they expect internal audit to deliver for them. Users to include:-
- Members
 - Auditees e.g. Divisional Managers
 - Statutory Officers e.g. Chief Executive, Chief Finance Officer & Monitoring Officer

3.3 To **challenge** the way audit services are provided

- Look at the appropriateness of adopting alternative ways of working – that may be demonstrated through comparison/consultation with other local authorities
- Look at the balance of work carried out by external auditors and assess whether this is appropriate in view of the relative cost of internal and external audit work.
- Assess the level of achievement of audit plans by both internal and external audit.

3.4 To examine the potential for other ways of working

- In partnership arrangements with other local authorities
- Closer working with other local authorities
- Closer working with external audit
- Use of other external providers of internal audit.

4. Resources

4.1 It should be noted that this review represents only part of the larger Financial Services Best Value Review.

4.2 The Internal Team will consist of:

- Councillor Mr P.J.Wilkins, Chair, Finance & Management Committee
- Councillor Mr R. Bell, Chair, Corporate Scrutiny Committee
- Councillor Mrs H. Wheeler, Deputy Leader, Conservative Group
- Mr T. Neaves, Chief Finance Officer
- Mr K Stackhouse, Finance Services Manager
- Mr A Stamper, Audit Manager
- Mr S. Powell, Building Control Manager/Best Value Team
- Mr M. Chell, D S.O./Best Value Team

4.3 The Team will also seek advice from colleagues at other local authorities and representatives from other organisations.

5. Timescale

5.1 An initial timetable is appended to the accountancy and exchequer document.

5.2 It is anticipated that the team will be in a position to submit an interim report, with recommendations by November 2002.

5.3 The findings of this part of the review will be incorporated into the final report of the Financial Services Best Value Review.

SOUTH DERBYSHIRE DISTRICT COUNCIL BEST VALUE REVIEW – ACCOUNTANCY & EXCHEQUER SERVICES

SCOPE/OBJECTIVES and METHODOLOGY

1. INTRODUCTION

- 1.1 This review of Accountancy and Exchequer Services at the Council, follows on from the Best Value Review of Financial Management and Control (FMC) which was completed in July 2001 as part of the Council's Year 1 (2000/01) work programme. The FMC review was a cross cutting strategic review, which stemmed from a "financial crisis" at the Council during 1999/2000, and was in response to new demands and challenges facing the Council, not least from the Government's Modernisation Agenda.
- 1.2 The FMC review looked at the processes and procedures that needed to be in place within the Council to deliver sound financial management. The main items that formed the Action Plan from that review were:
- aligning financial and service planning,
 - introducing a medium term financial strategy,
 - developing consultation and scrutiny arrangements in budget setting,
 - raising the financial awareness of Members and Officers,
 - replacing the current financial management (IT) system,
 - developing budget monitoring,
 - updating financial regulations,
 - developing the format of the Council's Statement of Accounts, and
 - introducing performance indicators to measure the effectiveness of financial management.
- 1.3 Many of the items listed above will require an on-going commitment of Accountancy and Exchequer Services. Infact, in many instances, these Services are, and will be, a major player in helping to implement the FMC's Action Plan.

2. SCOPE OF THE REVIEW

General

- 2.1 This review will now consider how these Services are actually delivered at the Council, by testing them against the principles of Best Value. This is not just in the light of the FMC Action Plan, but also against the background of:
- the Council's key strategic objectives, as set out in its newly formed Corporate Plan, and

- other drivers of finance services, such as the E-Government Agenda, Corporate Governance and the needs of service users.

2.2 It should be noted that during this review, other projects will be running in parallel, namely the implementation of a new Financial Management (IT) System, and the development of Business Risk and E-Procurement Strategies. Support for these projects have been identified as part of the Finance Departmental Service Plan. However, they are of a more corporate nature, and although there may be some overlap and cross referencing, they are not specifically considered as part of this review.

The Services

2.3 The review will include the following activities that are designated as Finance Services at the Council, namely

- *processing of creditor payments,*
- *processing and collecting sundry income,*
- *payroll,*
- *internal audit,*
- *accountancy services,*
- *technical advice,*
- *insurance*
- *banking services, and*
- *treasury management.*

2.4 In total, these activities consume approximately **£3/4m** of the Council's resources – around **3.5%** of net revenue budget.

3. KEY OBJECTIVES

“To review the delivery of Accountancy & Exchequer Services, and specifically to ask”

- **How do they compare with those provided at other Councils (Benchmarking) and the reasons for the differences**
- **Can other providers deliver these services in a more cost effective way, or can the Council learn from them ways to develop working practices**
- **Do any opportunities exist for partnership working or sharing of expertise**
- **Can better use be made of new technology to deliver the services**
- **How can the needs of service users for financial advice and support be met from within a small team**
- **How do the services help to manage and generate additional resources for the Council**

4. METHODOLOGY

- 4.1 The review will commence in November 2001 and will be undertaken over the following stages:

<u>KEY STAGE</u>	<u>TARGET DATE</u>
Define Scope of the Review	November 2001
Gain agreement for the scope of the review	January 2002
Establish the present position (baseline assessment)	March 2002
Formally convene the review team	March 2002
Apply the 4C's	June 2002
Identify the key issues	July 2002
Consider and analyse options to address the key issues	November 2002
Prepare an Action Plan and issue final report	December 2002

- 4.2 Throughout the process, the 4 C's will be applied and Services challenged against the review's key objectives. In addition, any external criteria on judgement that is currently being developed by the Best Value Inspectorate for Financial Management will be applied where this is appropriate.
- 4.3 The Finance Services Manager will lead the review, and it is envisaged that the review team will consist of service staff from various levels, together with Members and users of the services. In addition, it is envisaged that the support of the Council's Corporate Best Value Officers Group will be used.

South Derbyshire District Council

BEST VALUE REVIEW

FINANCIAL SERVICES

CROSS CUTTING ISSUES

TERMS OF REFERENCE

1. Background

- 1.1 While many aspects of Finance Services are distinct, there are still certain aspects of finance services that cross over. For that reason all finance services are being reviewed as part of one review.

2. Scope

- 2.1 These terms of reference highlight these cross-cutting areas and how they will be addressed as part of the Best Value Review for Finance Services.

- 2.2 The main cross-cutting areas are as follows:-

- Overall Service provision – some market testing has already been carried out as part of the review of Revenues and Benefits. In terms of finance services there are a number of external providers who will deliver both finance (exchequer and accountancy) and audit services. Discussions will therefore take place with suppliers to determine whether there is a ready market to deliver these services alone or along with revenues and benefits.
- Debt Collection – currently the Revenues and Benefits Section collects the Council's main debt (Council Tax), while other sundry debts are collected by Exchequer Services. There is a need to assess whether this balance is appropriate or whether it would be more appropriate to collect all debts in one place. There is also some overlap between the work carried out within the Cash Office and within Exchequer services.

3. Key Tasks

- 3.1 It has already been stated that most of the analysis work will be carried out within the individual modules of the Finance Services Best Value Review. However this overarching part of the review will look at:-
- Overall Service Provision – by undertaking joint consultation discussion with potential external providers of these services.
 - Areas of potential duplication/cross-over – e.g. collection of debts as outlined above.
- 3.2 Similarly the opportunity will be taken to look at ways to streamline the review by undertaking joint work on consultation with other local authorities where appropriate to explore joint working.

4. Resources

- 4.1 It should be noted that this review represents only part of the larger Financial Services Best Value Review.
- 4.2 The Overarching team will consist of:
- Councillor Mr P.J.Wilkins, Chair, Finance & Management Committee
 - Councillor Mr R. Bell, Chair, Corporate Scrutiny Committee
 - Councillor Mrs H. Wheeler, Deputy Leader, Conservative Group
 - Mr T. Neaves, Chief Finance Officer
 - Mr C. Swain, Revenues and Benefits Manager
 - Mr K Stackhouse, Finance Services Manager
 - Mr A Stamper, Audit Manager
 - Mr S. Powell, Building Control Manager/Best Value Team
 - Mr M. Chell, D.S.O./Best Value Team
- 4.3 The Team will also seek advice from colleagues at other local authorities and representatives from other organisations.

5. Timescale

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