



Internal Audit Report

Customer Services

Review of Printing and Design

April 2011

SECTION		PAGE
1	Introduction	1
2	Audit Scope and Objectives	1
3	Risk Assessment	1
4	Corporate Governance	1
5	Main Findings	2
6	Recommendations	2
7	Audit Opinion	3
8	Acknowledgements	3
Appendix 1	Detailed Findings	
Appendix 2	Action Plan	
Appendix 3	Coding of Items over £1,000	

1 INTRODUCTION

This report has been prepared as a result of the Internal Audit review of Printing and Design as part of the 2010/11 Internal Audit programme.

Following a Best Value review in 2008 the Council's print services were consolidated in a single unit in Kilmory. The main element of the unit's work is bulk photocopying with about 3m sides printed each year. The unit also carries out specialist printing of payslips, billing documents and certain other stationery, totalling around 750,000 items each year. It is also capable of producing leaflets, brochures and corporate stationery such as business cards. The unit does not do artwork or design.

The Council also makes use of private contractors and it is estimated that around £110k is spent each year on outsourced printing work.

There is no SLA or other agreement covering in-house work, nor are there any contracts with any external providers. At the time of writing this report, a proposal to place all external business with a select list of eight companies had been considered by SMT.

2 AUDIT SCOPE AND OBJECTIVES

The broad objectives of the review were to ensure:

- Sufficient control is exercised over the placing of print work to ensure that the Council obtains value for money
- The total cost of print work is identified including ancillary costs such as design and set-up.
- The costs are correctly posted to the ledger
- The provision of a printing capability within Council buildings has regard for the need to balance economy with efficiency.

3 RISK ASSESSMENT

As part of the audit process and in conjunction with our Systems Based Auditing, ICQ approach, the risk register was reviewed to identify any areas that needed to be included within the audit.

There are no risks in the risk register which are specific to the purchase or use of print services.

4 CORPORATE GOVERNANCE

There are no Corporate Governance issues to be reported as a result of this audit.

5 MAIN FINDINGS

Some of the recommendations in the best value review which resulted in the creation of a single print room have yet to be implemented.

The Council is proposing to enter into contractual arrangements which are intended to ensure that all its print requirements which are not met in-house are placed with a contracted supplier. These arrangements should be monitored to ensure that they are operated so as to provide the best value for money.

There is a significant level of incorrect postings to the ledger. Changes to the chart of accounts should contribute to a reduction in the error level and improve the quality of management information.

6 RECOMMENDATIONS

Seven recommendations were identified as a result of the audit; two are medium priority and five are low priority. The recommendations are shown in the action plan attached at Appendix 2 which has been compiled with the co-operation and agreement of the appropriate Supervisor/Manager.

Internal Audit considers that, in an effort to improve the quality of information, monitoring and control, the recommendations should be implemented in accordance with the agreed action plan. Management have set achievable implementation dates and will be required to provide reasons to the Audit Committee for failure to implement within the agreed timescale. Where management decides not to implement recommendations it must evaluate and accept the risks associated with that decision.

A system of grading audit findings, which have resulted in an action, has been adopted in order that the significance of the findings can be ascertained. Each finding is classified as high, medium or low. The definitions of each classification is set out below:-

High - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;

Medium - observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified;

Low - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.

7 AUDIT OPINION

Based on the findings we can conclude that a significant degree of control is exercised over the Council's print related activities. Implementation of the recommendations contained in this report should further enhance the level of control.

Recommendations arising from the audit work should be implemented by the nominated responsible officer within the agreed timescale. Recommendations not implemented will require explanation to the Audit Committee. This could lead to findings being reported in the Internal Control Statement produced by the Council in support of the Annual Accounts.

8 ACKNOWLEDGEMENTS

Thanks are due to the Reprographics Manager and to staff in Strategic Finance for their co-operation and assistance during the Audit and the preparation of the report and action plan.

Argyll & Bute Council's Internal Audit section has prepared this report. Our work was limited to the objectives in section 2. We cannot be held responsible or liable if information material to our task was withheld or concealed from us, or misrepresented to us.

This report is private and confidential for the Council's information only and is solely for use in the provision of an internal audit service to the Council. The report is not to be copied, quoted or referred to, in whole or in part, without prior written consent.

APPENDIX 2 ACTION PLAN

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
1	The true cost to the Council of using the in-house service is not immediately apparent to anyone wishing to make a comparison between in-house and external provision.	Medium	The Council should set a price for in-house print work to be used for comparison with external providers. This should be based on the marginal cost of printing plus such contribution towards fixed costs as the Council may determine	Head of Customer and Support Services	30 June 2011
2	The existing and proposed new procurement processes do not require consideration to be given to the print room as a potential supplier.	Medium	It should be a requirement that the Print Room is considered where it is capable of doing the work, and the use of the Print Room should be built into the procurement processes.	Head of Customer and Support Services	Immediate