

# Internal audit summary report for Audit and Governance Committee



January 2010

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# 1. Plan outturn

## 2009/10 Audit Plan

We have undertaken work in accordance with the 2009/10 Internal Audit Plan which was approved by the Audit and Governance Committee at its meeting in June 2009.

Following the qualification of the Council's 2008/09 accounts; we were requested by the Interim Executive Finance Director to provide a high level overview of the Council's internal control framework. The results of this exercise were communicated to the Audit and Governance Committee on 24<sup>th</sup> November 2009 in the form of a heat map and have been used to re-evaluate the number and mix of audit days in our original internal audit plan. This plan has been provided for approval in a separate document.

An outturn statement detailing assignments undertaken and actual activity for the year is shown in Appendix One. This shows that we have now commenced a number of reviews with reports having been issued for some of those reviews in either draft or final format. We have also commenced planning for further reviews over the next quarter. In summary we have delivered 179 days out of the planned 302 days (59%) at the time of writing.

As previously stated, our aim is to complete the internal audit plan in full before the end of the financial year in order that the annual internal audit report can be produced in time to inform the Annual Governance Statement (AGS), however, it should be noted that due to the additional work that has been requested at such a late point during the year, some reviews may not be fully completed by the year end. We will work with officers to ensure that, where possible, all reviews required for year end close down are completed in order to aid this process.

## 2. Reporting and activity progress

### Final reports issued

- **Procurement** – An opinion of **MODERATE ASSURANCE** has been issued for the Procurement function. The findings from our audit identified a number of areas of good practice, particularly around the proactive approach to procurement across the Council, and the role of the Council in relation to the procurement hub. However some issues were noted in relation to the training requirements of the Procurement function in relevant areas of financial accounting that affect contracts.
- **Collection Fund** – a **MODERATE ASSURANCE** opinion was issued for the Council's Council Tax and Non Domestic Rates functions. Issues were noted around the absence of any bad debt write offs in year. At the time of audit £4.6m of Collection Fund debt was over 1 year old and £900k over 5 years. In addition, it was recommended that the Council Tax function continue to monitor exempt accounts and credit balances. At the time of audit credit accounts totalled £750k.
- **Housing Benefits** – We issued **HIGH ASSURANCE** for the Housing Benefits function. Some minor issues were noted with the retention of supporting documentation for claims but overall the function was found to be well controlled.

### Draft reports

The following reports are currently in draft format and have been communicated to management:

- **Leisure Centre Contract**
- **Governance**
- **Debtors**
- **Car Parking**
- **Data Quality Spot Checks**

### Fieldwork commenced

Fieldwork is currently being undertaken in the following areas:-

- **VAT**
- **Sustainability**
- **ICT Audits**
- **General Ledger Follow Up**
- **City Works**
- **Housing Rents**

# 3. Summary of key risks

## Overview

Our final reports include recommendations made in line with our risk ratings summarised in Appendix 3.

Issues noted in the General Ledger review with regards to Fixed Asset controls may indicate a significant control weakness. The absence of a reconciliation between the Fixed Asset Register and General Ledger means that little comfort can be gained over the completeness and accuracy of the Fixed Asset balances. This could lead to a material misstatement in the financial accounts. We have noted that the Council is planning to implement a reconciliation going forward and we will continue to monitor and report progress on this implementation.

# 4. Other issues

## Other issues

- External Audit is currently undertaking an independent evaluation of our work to determine whether reliance can be placed on our reviews and reports.
- We have met with members of the Audit and Governance sub committee to discuss the role of the Audit Committee in the scrutiny of the Councils work through the Audit Members Meeting.
- We have set out a planned programme of training sessions to be provided to members and officers. These will cover key areas such as internal control and financial reporting standards, the first of which is to take place in advance of this meeting.

# Appendix One

Our schedule of work has been based upon the revised audit plan that has been presented to you in this meeting.

Planned activity	Planned days	Actual days	Status
<b>1. Fundamental assurance</b>			
OP1.1 General Ledger/ Fin. Accounting		5	Final Report
General Ledger follow up		0	To be commenced
OP1.2 Debtors		10	Draft Report
Debtors follow up		0	To be commenced
OP1.3 Creditor payments		0	To be commenced
OP1.4 Payroll		1	Fieldwork scoped
OP1.5 Budgetary Cont./ Fin. accounting		0	To be commenced
OP1.6 Council Tax	147 days in total	5	Final Report
OP1.7 National Non Domestic Rates		5	Final Report
OP1.8 Bank Reconciliations		-	Within Treasury Management
OP1.9 Cashiers		5	Work performed on outgoing system
OP1.10 Treasury Management		5	Final Report
OP1.11 Housing Benefits		10	Final Report
OP1.12 Fixed Assets		0	To be commenced
OP1.13 VAT		4	Fieldwork in progress
OP1.14 Car Parking		4	Draft Report
OP 1.15 Housing Rents		8	Fieldwork in progress
OP 1.16 Risk Management		0	To be commenced Jan 10
OP 1.17 Governance		4	Draft Report
City Works		8	Fieldwork in progress

Planned activity	Planned days	Actual days	Status
<b>2. Operational system reviews – risk based assurance</b>			
OP 2.2 Leisure Centre Contract	10	9	Draft Report
OP 2.3 Health and Safety	5	0	To be commenced
OP 2.4 ICT Audits	20	10	Fieldwork in progress
OP 2.6 Sustainability	15	9	Fieldwork in progress
OP 2.8 Procurement	5	5	Draft Report
OP 2.10 Business Continuity Planning	5	5	Draft Report
OP 2.11 Anti Fraud and Corruption	5	5	Final Report

Planned activity	Planned days	Actual days	Status
<b>3. Strategic Reviews</b>			
OP 3.1 Transformation Project	10	1	Scoping Agreed
OP 3.2 Performance Management	25	23	Draft Report

Planned activity	Planned days	Actual days	Status
<b>4. Other</b>			
OP 4.1 General follow up	10	8	Ongoing
OP 4.2 Audit Management	45	30	Ongoing
<b>Total</b>	<b>302</b>	<b>179</b>	



# Appendix Two





Below is a table summarising the recommendations made in our finalised reports.

Assignment	Critical	High	Medium	Low	Total	Overall assurance rating
Treasury Management	0	0	5	1	<b>6</b>	Moderate
Anti Fraud and Corruption	0	0	2	5	<b>7</b>	High
General Ledger	0	5	7	3	<b>15</b>	Limited
Procurement	0	0	3	2	<b>5</b>	Moderate
Collection Fund	0	2	9	0	<b>11</b>	Moderate
Housing Benefits	0	0	0	3	<b>3</b>	High
<b>TOTAL</b>	<b>0</b>	<b>7</b>	<b>26</b>	<b>14</b>	<b>47</b>	

# Appendix Three

## Our assessment criteria are shown below:

Each of the issues identified has been categorised according to risk as follows:

Risk rating	Assessment rationale
 Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the <b>authority's objectives</b> in relation to: the efficient and effective use of resources the safeguarding of assets the preparation of reliable financial and operational information compliance with laws and regulations.
 High	Control weakness that has or is likely to have a significant impact upon the achievement of key <b>system, function or process</b> objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall authority objectives.
 Medium	Control weakness that: has a low impact on the achievement of the key system, function or process objectives; has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
 Low	Control weakness that does not impact upon the achievement of key <b>system, function or process</b> objectives; however implementation of the recommendation would improve overall control.

**Overall opinion rating:**

Level of assurance	Description
<b>High</b>	<p>No control weaknesses were identified; or</p> <p>Our work found some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.</p>
<b>Moderate</b>	<p>There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than significant or they are unlikely to occur.</p>
<b>Limited</b>	<p>There are some weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of organisational objectives. However, there are discrete elements of the key system, function or process where we have not identified any significant weaknesses in the design and / or operation of controls which could impair the achievement of the objectives of the system, function or process. We are therefore able to give limited assurance over certain discrete aspects of the system, function or process.</p>
<b>No</b>	<p>There are weaknesses in the design and/or operation of controls which [in aggregate] could have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisation objectives.</p>

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