

Internal audit summary report for the Audit and Governance Committee

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1. Plan Outturn

2010/11 Audit Plan

We have undertaken work in accordance with the 2010/11 Internal Audit Plan which was approved by the Audit and Governance Committee at its meeting in March 2010. Since the last meeting of the Committee there have been no further changes to the plan.

An outturn statement detailing assignments undertaken and actual activity for the year is shown in Appendix One. At present we have completed **192 days out of a total planned 260 days (74%)**.

2. Reporting and Activity Progress

Final reports issued

Since the last Audit and Governance Committee in December 2010, we have issued four further final reports to the Council, as detailed below:

General Ledger – We have provided a MODERATE assurance opinion on the adequacy and operating effectiveness of controls in place over the General Ledger. There has been some improvement in the performance of General Ledger processes in the year as indicated by the implementation of 9 of 15 prior year recommendations. However, there are still some weaknesses in the design and operation of controls which could impair the achievement of the objectives of the system, function or process, for example, timely authorisation of journals.

Payroll – We have provided a HIGH assurance opinion on the adequacy and operating effectiveness of controls in place over Payroll. Following the Council's investment in an integrated HR and Payroll system (iTrent), there has been a considerable improvement in the control environment surrounding payroll, as evidenced by the implementation of eight of the nine prior year recommendations and only two new recommendations being raised. This is particularly highlighted by improvements in the management information reporting framework and compliance with established controls. It should be noted that the scope of this review was limited to the operation controls around processing payroll transactions. Further work has been performed on the IT controls around the I Trent system. We hope to bring this report to our next meeting.

Housing Benefits – We have provided a MODERATE assurance opinion on the adequacy and operating effectiveness of controls in place over Housing Benefits. There has been an increase of 14.1% in the level of outstanding overpayments (from £3.48 million in September 2009 to £3.97 million in September 2010). The issue that there are currently no arrangements in place to recovery £0.9 million of these overpayments has resulted in the provision of moderate assurance. We also noted that prior year recommendations remain outstanding and performance against targets has reduced.

Housing Rents – We have provided a HIGH assurance opinion on the adequacy and operating effectiveness of controls in place over Housing Rents processes, in line with the prior year.

Fieldwork and draft reports

Draft reports have been issued and/or fieldwork has commenced in the following areas:

- Creditors;
- Council Tax and National Non-Domestic Rates;
- Treasury Management;
- Car Parking;
- Housing Services;
- City Works Trade Waste;
- City Works Fleet Plan;
- Performance Management and Data Quality; and
- PARIS and iTrent Post Implementation Review
- Fixed Assets
- Risk Management

2011/12 Planning and Reporting





We have commenced work on planning for our 2011/12 audit plan and hope to bring a draft to the next meeting. As part of this planning process we will aim to meet with officers and members to identify which areas of risk and control require consideration. We would welcome any comments from members of this committee as part of this planning process.

We would also like to draw member's attention to our new method of classifying reports which will be introduced for the 2011/12 year.

From 1st April 2011 the report classification will be determined by allocating points to each of the findings included in the report:

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

The total number of points will then indicate the classification as follows:

Report classification	Points
 Low risk	6 points or less
 Medium risk	7– 15 points
 High risk	16– 39 points
 Critical risk	40 points and over

3. Summary of Key Risks

Overview

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

Further information is provided in the individual reports which can be produced in full if required.

At the time of this report, we have identified no issues that should be considered as significant control weaknesses.

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
1. Fundamental assurance			
General Ledger	10	10	Final report issued
Debtors	10	8	Fieldwork concluded
Creditors	10	9	Draft report issued
Payroll	10	10	Final report issued
Budgetary Control	5	0	To be commenced
Collection Fund	10	9	Draft report issued
Cashiers	5	5	Final report issued
Treasury Management	5	4	Draft report issued
Housing Benefits	5	5	Final report issued
Fixed Assets	10	4	Fieldwork Commenced
VAT	5	1	Scoping commenced
Car Parking	5	4	Draft report issued
Housing Rents	10	10	Final report issued
Risk Management	5	2	Fieldwork Commenced
Governance	3	0	To be commenced
Final Accounts Review	10	10	Final report issued

Planned activity	Planned days	Actual days	Status
2. Operational system reviews			
– risk based assurance			
Partnership working	5	0	Review removed from plan
ICT Audits	20	10	Fieldwork commenced
Housing Services	10	5	Fieldwork commenced
Sports Development Funding	5	5	Final opinion issued
City Works Fleetplan	5	4	Draft report issued
City Works Trade Waste	5	4	Draft report issued
Post Implementation Review	10	9	Draft report issued
IT Process Controls	10	8	Fieldwork commenced
Growth Funding Review	2	2	Final opinion issued





Planned activity	Planned days	Actual days	Status
3. Strategic Reviews			
Programme and Project Management	5	0	To be commenced
Performance Management	25	22	Fieldwork concluded

Planned activity	Planned days	Actual days	Status
4. Other			
General follow up	10	7	Ongoing
Audit Management	30	25	Ongoing
Total	260	192	

Appendix Two

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 authority's objectives in relation to: <ul style="list-style-type: none">• the efficient and effective use of resources;• the safeguarding of assets;• the preparation of reliable financial and operational information; or• compliance with laws and regulations.
 High	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process 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: <ul style="list-style-type: none">• has a low impact on the achievement of the key system, function or process objectives; or• 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 system, function or process objectives; however implementation of the recommendation would improve overall control.

Overall opinion rating:

Level of assurance	Description
High	No control weaknesses were identified; or 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.
Moderate	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.
Limited	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.
No	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.

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