
REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 6
DATE OF MEETING:	14th December 2011	CATEGORY: RECOMMENDED
REPORT FROM:	HEAD OF CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	TONY STAMPER (595706)	DOC:
SUBJECT:	Summary of Internal Audit reports 2011/12 (September – November).	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE:

1.0 Recommendations

- 1.1 The Committee are asked to consider the Summary of Audit Reports and to make recommendations to the Finance and Management Committee where appropriate.

2.0 Purpose of Report

- 2.1 In accordance with the terms of reference to provide members with information on specific Internal Audit reports.

3.0 Executive Summary

- 3.1 In respect of the audit work undertaken, this report summarises recommendations, categorised as high, from individual audit reports. Internal Audit provides assurance that the Council's key financial systems can be relied upon and that a sound system of internal control exists.

4.0 Detail

- 4.1 The Internal Audit team carries out audit work in accordance with the Council's Strategic Audit Plan.
- 4.2 Reports and memorandum are produced for many of the areas of audit work detailing recommendations for improvements in internal control.
- 4.3 Recommendations are categorised dependent on the degree of risk identified.
- 4.4 Managers agree the recommendations and their implementation are planned.

4.5 A summary of reports, recommending improvements to potential high-risk control weaknesses, is attached (Appendix 1). The summary also includes, when appropriate, progress on the implementation of recommendations previously reported and any related detailed reports requested by Members.

4.6 During this period Internal Audit has undertaken work on:

- a. Budgetary Control – The budget setting and control systems have been examined. The audit looks at the budgetary control for 2010/11 and the budget setting for 2011/12. These are critical functions in a local Authority and have been assessed using the CIPFA control matrices. The Budgetary Control system includes virement and reporting processes and these were undertaken using the ledger on the Agresso version 5.4 system. This is the last time this system would be used as version 5.53 was introduced in April 2011. The budget compilation process used 2011/12 has been in use for a number of years, this is also being replaced by a budgeting module within Agresso 5.53 system. The systems in use during 2010/11 to both monitor and set the 2011/12 have served the Council well with no significant weaknesses found.
- b. Main Accounting – further work has been undertaken on the feeder module reconciliations and the carried forward balances from 2010/11 from the old ledger system to version 5.53 (see replacement financial systems below).
- c. Procurement issues – investigation work has been undertaken into a number of purchasing control issues referred to Internal Audit by the Procurement Unit. These are basically centred on adherence to the purchasing rules. A number of recommendations have been made primarily centred around procedure rule compliance and training. The Head of Corporate Services has produced a detailed report on one of these issues which appears as a specific report to this Committee.
- d. Cash – the Council's cash receipting and posting systems process thousands of payments daily. They range from cash and cheque to direct debit, card and internet payments. There are two separate systems one for receipting and the other for posting these are to be phased out and replaced by one system later in the financial year. A system audit is nearing completion and the income received during the 2010/11 financial year has been verified to the cash book.
- e. Growth Point – Derby City are the accountable body for the distribution of growth point funds to projects within South Derbyshire. An audit has commenced to examine all the expenditure for both 2010/11 and 2011/12 confirming that it is eligible and meets the grant conditions.
- f. Planning and Building control fees – an audit is in progress, this examines the fee structure for both planning applications and building regulations, the formulation and processing of payments and their collection, receipting and banking.
- g. Rosliston Forestry Centre – an audit has been undertaken on the financial control arrangements in place between the Authority and the Management Contractor. The systems for income collection and accounting purposes have been examined and tested. These provide the records from which the

monthly control return is produced. The return is the main financial document that controls the income and expenditure collected and incurred at the centre and forms the basis of re-imburement to the Contractor. A number of recommendations have been made to improve the completeness and accuracy of the records.

h. Replacement Financial Systems

Payroll System – A specific audit is being undertaken on the Resourcelink payroll system concentrating on data input, validation procedures, payroll calculations, and system controls. The system is being documented and the internal control evaluated.

Agresso Main Accounting System – The main opening data on the general ledger of the Agresso system are the brought forward balances from the previous year. This is the same for any ledger system but for this year the balances will transfer from the old system (Agresso version 5.4) to the new system (Agresso version 5.53). The transfer process undertaken involves the closing balances on the old system being journalled into the new system. Audit have confirmed the process undertaken and verified the balances carried forward from 2010/11 to those brought forward to 2011/12 on each system.

Academy Cash Receipting and Posting System - no audit work has commenced on this system so far.

Audits on Land Charges and Elections are nearing completion

Contract Audit – The Green Bank Leisure Centre is currently undergoing a refurbishment of the changing facilities; an audit of the contractual arrangements is being undertaken.

The audit service has given advice on control and corporate governance issues. Managers who are continually looking at improving their services and systems require internal control opinions on proposed changes to procedures and working practices.

- 4.7 Derby City Council Internal Audit Service is undertaking audits during this period as part of the partnership arrangement.
- 4.8 Details of the percentage of planned audit days completed up to the end of September 2011 against the planned target can be found in Appendix 2.
- 4.9 A more detailed analysis against the various elements of the Audit Plan is attached at Appendix 2 (to follow).

5.0 Financial Implications

- 5.1 None stemming directly from this report.

6.0 Corporate Implications

6.1 Communicating the work of Internal Audit supports the Council's governance and control environment.

7.0 Community Implications

7.1 None stemming directly from this report.

8.0 Conclusions

8.1 Internal Audit reporting is a key process in ensuring the Council's internal control framework has effective systems to safeguard both the services and finances of the Council.

9.0 Background Papers

9.1 None