

**Summary of Audit Reports****Appendix 1**

Period: June - August

Date: September 2009

Type: System and Probity

Reporting Criteria: Material Systems and audits with high category risks

Recommendation category: High

**Introduction**

Internal Audit undertakes a programme of work each year detailed in the annual audit plan. This work ranges from comprehensive system reviews, audits and investigations through to control advice and internal check responsibilities. Management is apprised of the outcome of such work in reports, memorandum, e-mails and personal contact. Recommendations are made and agreement is sought on the implementation of these, in the form of management responses and/or action plan.

Recommendations are categorised high, medium or low. The categorisation criteria are determined from a combination of the identified control weakness and the effect of not implementing the recommendation. The reporting criteria details audits with high category recommendations. South Derbyshire also includes details of those audits that are part of the joint working arrangements with the External Auditor, known as material systems.

**Format**

There are three types of report namely:

**A. Specific Audit Report Summary**

Each audit, which meets the reporting criteria, is summarised on a standard form. The auditor details the nature and type of audit and the following:

1. Introduction – this gives a background to the service, system or function that has been audited
2. Scope of Audit – this states how the audit is undertaken and what has been examined.
3. Recommendations – this section details the high category recommendations.
4. Governance Statement Assessment – this part informs the annual audit assurance statement (part of the Governance Statement evidence) on the level of control and risk within the area being audited.

**B. Follow-up summary**

This report monitors the progress in implementing high category recommendations previously found on an initial summary report. It is essentially an update that allows the Sub-Committee to see the progress being made on the implementation of each recommendation. It follows the same general layout as the previous report but includes a brief progress statement until such time as the recommendations are fully implemented.

**C. Detailed Reports requested by Members.**

This requested report goes into greater detail than the previous two types of summaries and applies to any audit summary report containing high-risk weaknesses where Members request more information.

**Summary Reports appended****Part A. Specific Audit Report Summaries****A.1 Council Tax****A.2 NNDR****A.3 Main Accounting****A.4 Bank Reconciliation (Final)**

The above are material systems but do not contain any high category recommendations.

Type: System

**SUBJECT: Council Tax**

Date: July 2009

**Introduction**

The system is used to administer the Authority's billing and collection of Council Tax for the District of South Derbyshire. The Net annual charge for 2008/09 is £46.5M and the Authority has a target collection rate of 98.5%, after adjustments in the year.

**Scope and Coverage**

The audit review was undertaken using the systems-based auditing approach, identifying the system and controls, evaluating and testing in relation to the system objectives.

All documentation has been updated as appropriate. Findings, conclusions and recommendations have been discussed with management prior to being included in a formal report or memorandum.

The following areas were examined, Council Tax Base setting, opening Parish debits, collection rate monitoring, valuation, billing, amendments, reliefs, discounts, refunds, cash postings, ledger posting and reconciliations.

**Recommendations**

High/Significant risk recommendations – none

A number of recommendations were made all of which were either medium or low risk.

**Governance Statement assessment**

**The Academy Council Tax system was implemented in January 2008 and the control information has been extensively examined. No major control weaknesses were identified during the audit but further work is to be carried out later in the year.**

Type: System

**SUBJECT: NNDR**

Date: July 2009

**Introduction**

The system is used to administer the Authority's billing and collection of National Non-Domestic Rates for the District of South Derbyshire. The total annual charge for 2008//09 is £19.9M and the Authority has a target collection rate of 99.5%, after adjustments within the year.

**Scope and Coverage**

The audit review was undertaken using the systems-based auditing approach, identifying the system and controls, evaluating and testing in relation to the system objectives.

All documentation has been updated as appropriate. Findings, conclusions and recommendations have been discussed with management prior to being included in a formal report or memorandum.

The following areas were examined, valuation, calculation, billing, collection rate monitoring, amendments, reliefs, discounts, refunds, cash postings, ledger posting and reconciliations.

The control information and administrator functions were examined in the Academy computer system for NNDR. The work undertaken by audit and NNDR management has seen a significant improvement in the control information. Management is proposing to implement additional separation of duties for administrator functions.

**Recommendations**

High/Significant risk recommendations – none

A number of recommendations were made all of which are low/medium risk.

**Governance Statement Assessment**

**The day to day NNDR functions are generally operating well. The overall control of the NNDR system has improved since the implementation of the Academy system in January 2008.**

Type: System    **SUBJECT: Main Accounting System**    Date: August 2009

### **Introduction**

The current accounting system has been in place for several years, this being Agresso's Business World Financial Management System. The introduction of a trial balance and a better system of monitoring have improved the system. The day to day operations of the system are functioning well and there are plans to further develop the system with the introduction of the latest version of Agresso.

### **Scope and Coverage**

The audit review was undertaken using the systems-based auditing approach, identifying the system and controls, evaluating and testing in relation to the system objectives.

All documentation has been updated as appropriate. Findings, conclusions and recommendations have been discussed with management prior to being included in a formal report or memorandum.

The audit has examined opening balances, ledger balancing, feeder system control accounts, bank reconciliation (as a control), suspense accounts, journals, access controls and the continued development of the Agresso system.

### **Recommendations**

High/Significant risk recommendations – None

The remaining recommendations were either medium or low risk.

### **Governance Statement Assessment**

**No major control weaknesses have been found during the course of this audit and it is pleasing to report that improvements already implemented have demonstrated the potential of the Agresso system.**

Type: System    **SUBJECT: Bank Reconciliation**    Date: September 2009

### **Introduction**

An annual review was undertaken on the Bank Reconciliation process to confirm how the process operates and verify agreement with the general ledger.

### **Scope and Coverage**

The audit review was undertaken using the systems-based auditing approach, identifying the system and controls, evaluating and testing in relation to the system objectives.

All documentation has been updated as appropriate. Findings, conclusions and recommendations will be discussed with management prior to inclusion in a formal report or memorandum.

The Bank Reconciliation process performs its primary role in agreeing the cash book to the bank account(s) but additionally it is used for verifying the integrity of the ledger. The audit has examined the March 2009 main reconciliation and the payment account reconciliation in terms of completion and authorisation.

### **Recommendations**

High/Significant risk recommendations – None

The remaining recommendations were either medium or low risk.

### **Governance Statement Assessment**

**Monthly agreement of the general ledger cash account to the cashbook has been a regular feature of the bank reconciliation process throughout 2008/09. In addition the introduction of a similar approach to the cheque reconciliation process has strengthened the control environment in this critical function.**

AUDIT CATEGORY - 2009/10	Audit Team	Specialists	%	Qtr 1	Qtr2	Qtr3	Qtr4	Total
Total available days less leave etc	620	20						
PLANNED AUDITS/ AUDIT WORK	325		50.78%	75				75
CONTINUOUS AUDIT	4	4	0.63%	1				1
SPECIALIST AREAS:								
a. Computer	50	20	10.94%	9				9
b. Contract	44		6.88%	9				9
MANAGEMENT	60		9.38%	11				11
OTHER:	40		6.25%	10				10
TRAINING, FURTHER EDUCATION	40		6.25%	6				6
ROUTINE DUTIES	57		8.91%	17				17
TOTAL	620	20	100.00%	138				138
				21.56%				