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REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 8
DATE OF MEETING:	28 <sup>th</sup> September 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 (June – August).	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE:

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## **1.0 Recommendations**

- 1.1 The Committee are asked to consider the Summary of Audit Reports and to make recommendations to 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. Council Tax – The Council Tax function of the Authority is administered by the Academy Revenues computer system this being a feeder system to the main ledger. The audit has examined the key controls covering the various elements including Council Tax Base setting, opening Parish debits, collection rate monitoring, valuation, billing, amendments, reliefs, discounts, refunds and cash postings, identifying and evaluating the controls used at each stage. The system control information has been verified and the entries in the main ledger confirmed. The internal control level is adjudged as high for this system.
- b. Main Accounting – This system has been audited with opening balances, journal transfers, user access, cashbook, creditor and debtors modules as well as other feeder system controls all being examined. This system is being replaced by Agresso version 5.53 for 2011/12 and although no data is transferred from the old system to the new system in respect of the general ledger closing balances, these have been examined as they will be journalled into the new system on the completion of the annual statutory audit.
- c. Data Quality – primarily the scope for this audit was to develop a methodology for evaluating performance management within South Derbyshire District Council to provide assurance as to the accuracy of performance information produced. A self assessment process for reviewing organisational data quality arrangements has been used which centres on a questionnaire. The self assessments when applied to the majority of the performance indicators sampled demonstrated that the systems of control, in relation to these indicators, provided a good level of control. None of the self assessments evaluated were considered to pose a high risk of miscalculation or error in the processes for measurement of performance.
- d. Rent Accounting – a system audit has been undertaken on the rent accounting function examining governance arrangements, housing stock, tenants rent accounts, rent calculations and financial reporting. Internal controls were in place and operating effectively in each of the control categories, these covered stock control, rent debit, payments, write-offs, refunds, voids, arrears and recovery. The level of control was adjudged as high with risks against the achievement of objectives being well managed.
- e. Budgetary Control – An audit has commenced on the budget setting and control systems. The audit looks at the budgetary control for 2010/11 and the budget setting for 2011/12. The intention is also to examine the budgetary control arrangements established within Agresso 5.53 for the current year as part of the work on replacement finance systems.

#### f. Replacement Financial Systems

Payroll System – The employee deductions for March 2011 on the new Resourcelink system have now been verified to the ledger for the dual run. The only remaining issues to be examined are walk-through and calculation tests on the new system and to evaluate the arrangements to improve data input.

Agresso Main Accounting System – The introduction of the Agresso 5.53 system comes with its own integrated cash book and as part of this there is a bank reconciliation process. Each bank account is established on the system and payments drawn are matched to presentations for different methods of payment. Audit work has commenced on documenting and evaluating the new bank reconciliation process.

Academy Cash Receipting and Posting System - The anticipated implementation date for this system has been put back to November 2011 and therefore no audit work has commenced.

Audits on Land Charges, Elections, Rosliston Forestry Centre and Cash are underway.

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 The Internal Audit Service has completed 17.90% of the planned audit days up to the end of June 2011 against the planned target of 22%. The percentage completion for this period is lower than planned as a result of the transitional arrangements for the implementation of the partnership with Derby City Council.
- 4.9 A more detailed analysis against the various elements of the Audit Plan is attached at Appendix 2.

#### **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