

Summary of Audit Reports**Appendix 1**

Period: December – January

Date: February 2011

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 Creditors 2010/11**

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

Category Definitions**Category – High**

Necessary due to statutory obligation, legal requirement, council policy or involves major risk of loss/damage to Council assets, information or reputation.

Immediate management action required – should be reported to the Audit Committee.

Category – Medium

This could cause limited loss of assets, information or adverse publicity. Necessary for sound internal control and confidence in the system to exist.

Significant points are followed-up within the procedure (at the next audit for an annual audit and 6 months for all others).

Category – Low

~~Current procedure is not best practice and could lead to minor inefficiencies.~~

This is followed-up as for medium within the procedure

Type: System

SUBJECT: Creditors

Date: January 2011

Introduction

In 2009/10 expenditure of £31.3 million (43,911 payments) was processed by the Creditors section via cheque and BACS (Bankers' Automated Clearing System) operating the *Agresso* financial management system. A further £124.5 million (99 payments) was processed via CHAPS (Clearing House Automated Payments System); these payments generally related to the Authority's activity in the Money Market.

Scope and Coverage

The 2010/11 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.

This year's testing encompassed invoice administration, segregation of duties, cheque despatch, Cash Book / Ledger reconciliation, payment by BACS and CHAPS, compliance with the Authority's Purchasing Code of Practice/Procurement guidance and security of the computer system. The audit covered the annual controls for 2009/10 and the key controls for 2010/11. A separate audit was undertaken on cheques and stock reconciliation.

Recommendations

High/Significant risk recommendations - none

A number of recommendations were made, all of which were of low risk. All have been agreed and Management is implementing them.

Governance Statement Assessment

The creditors function contains a well-established control framework of traditional controls. The introduction of a purchase to pay system will inevitably change both the control framework and the necessary working practices. The implementation, later in the year, of the *Agresso* 5.53 version will result in a standardised system with clear audit trails. However this new system will need to be evaluated in depth at the next audit.

AUDIT CATEGORY - 2010/11	Audit Team	Specialists	%	Qtr 1	Qtr2	Qtr3	Qtr4	Total
Total available days less leave etc	620	20						
PLANNED AUDITS/ AUDIT WORK	325		50.78%	44	52	79		175
CONTINUOUS AUDIT	4	4	0.63%	3	0	0		3
SPECIALIST AREAS:								
a. Computer	50	20	10.94%	7	6	9		22
b. Contract	44		6.88%	9	10	7		26
MANAGEMENT	60		9.38%	8	12	10		30
OTHER:	40		6.25%	6	5	1		12
TRAINING, FURTHER EDUCATION	40		6.25%	6	6	7		19
ROUTINE DUTIES	57		8.91%	17	24	29		70
TOTAL	620	20	100.00%	100	115	142	0	357
				15.63%	17.97%	22.19%	0.00%	55.78%
				Checksum			55.78%	357

Performance Area	Measure	Previous Year actual	Target 2010/11	Profile Target 3rd Qtr	Actual to Qtr 3	On Target	Remarks
Productivity (see below)	Completion of Audit Plan (percentage)	90.78%	90.00%	67.00%	55.78%	No	Our Senior Auditor retired in April leading to a reduction in resources in the short term. Derby City Internal Audit Service have completed a number of their audits in this quarter.
	Operational Audit Time (days)	n/a	578	433	292		
	Non Productive time (days)	n/a	42	32	65		
	Draft audit reports issued within 10 working days of completion of audit fieldwork (percentage)	n/a	70.00%		40.00%	No	Although this indicator has been in use for a number of years, it has been hardened this year.
	Final audit reports issued within 20 working days of completion of audit fieldwork (percentage)	n/a	70.00%		40.00%	No	As above. In both cases we are looking to improve on these as the year progresses.
Financial	Total cost of Unit for the Year (£)	£176,953	£178,100		Year end		
	Cost per Audit Day (£)	£285	£287		Year end		
Staff	Sickness Absence (percentage)		n/a		0.00%		
	Staff Turnover (percentage)		n/a		Year end		
Quality	Training Days	6.00%	6.00%		Year end		Percentage of audit plan allocated to Training and Seminars
	Client satisfaction score (percentage)	n/a	80.00%		Year end		
	Recommendations agreed for implementation (percentage)	100.00%	100.00%		100.00%	Yes	
	Recommendations actually implemented (percentage)	100.00%	100.00%		100.00%	Yes	
	Number of Customer Complaints	0	0		0		
Operational Audit Time	Total days available Less Public Holidays, Leave	620	620	465	357		
	Less non-operational days (as below)	n/a	-42	-32	-65		
				Total - Operational Audit Days	433	292	
Non Productive Time	Sickness	n/a	0		0		
	Union Duties	n/a	18	14	43		
	Non-audit Duties	n/a	20	15	20		
	Other	n/a	4	3	2		
				Total - Non-operational Audit Days	32	65	