

Summary of Audit Reports

Period: June – August

Date: September 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 Council Tax****A.2 NNDR****A.3 Bank Reconciliation (Final)****A.4 Rent Accounting**

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: Council Tax

Date: August 2011

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 2010/11 is £45.7M and the Authority has a target collection rate of 99.0%, 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.

This audit is a key control audit undertaken as part of the section 151 work for 2010-11 accounts process.

Recommendations

High/Significant risk recommendations – none

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

Governance Statement assessment

No major control weaknesses were identified during the audit and the system operates with a high level of control.

Type: System

SUBJECT: NNDR

Date: July 2011

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 2010/11 is £21.8M and the Authority has a target collection rate of 96.1%, 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 are being 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 overall system management control information was verified as complete and accurate and confirmed with the ledger.

Recommendations

High/Significant risk recommendations – none

No recommendations were found necessary.

Governance Statement Assessment

The control environment is considered high for this function with the day to day NNDR functions operating well. No significant weaknesses were detected during the course of this audit.

Type: System **SUBJECT: Bank Reconciliation** Date: July 2011

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 have been discussed with management prior to inclusion in a formal report or memorandum.

The Committee received an interim update in June 2011 confirming the audit had examined the cashbook to ledger reconciliation and the main reconciliation summary in terms of completion and authorisation had been satisfactorily undertaken. This being necessary for final accounts purposes and a specific request of the Audit Sub Committee.

A consolidated bank reconciliation process was introduced last year combining the payments, collection and general bank account this has been examined and is operating well.

The remaining part of the audit examined the individual reconciliation process to verify the primary role of agreeing the cash book to the bank account(s). This has been completed to the satisfaction of Internal Audit.

Recommendations

High/Significant risk recommendations – none

One recommendation has been made which was considered medium.

Governance Statement Assessment

The 2010/11 monthly bank reconciliations have been undertaken in a timely manner and indeed this is now a requirement of the Corporate Services Partnering Contract. This is the last year that this bank reconciliation process, which has been in use for many years, will be used by the Authority.

The introduction of the Agresso Main Accounting system version 5.53 in 2011/12 will see the advent of a new bank reconciliation process. It is vitally important that this process is subject to a system audit during 2011/12. This will be undertaken during the autumn with progress being reported to the next Audit Sub-Committee.

Type: System

SUBJECT: Rent

Date: August 2011

Introduction

The rent accounting function is administered using the Orchard computer system. In March 2011 the Authority had 3,046 properties for housing rental with a total annual debit of £9.7m.

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, governance arrangements, stock control, rent calculations, tenant rent accounts and financial reporting. The areas reviewed were found to be adequately controlled with only low risk issues identified.

Recommendations

High/Significant risk recommendations - none

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

Governance Statement assessment

The Rent system operates with a high level of internal control, this being confirmed as no major control weaknesses have been found during the course of this 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	325	50.78%	68				68
CONTINUOUS AUDIT	4	4	0.63%	1				1
SPECIALIST AREAS:								
a. Computer	50	20	10.94%	8				8
b. Contract	44	44	6.88%	4				4
MANAGEMENT	60	60	9.38%	10				10
OTHER:	40	40	6.25%	0				0
TRAINING, FURTHER EDUCATION	40	40	6.25%	9				9
ROUTINE DUTIES	57	57	8.91%	11				11
TOTAL	620	20	100.00%	111	0	0	0	111
				17.90%	0.00%	0.00%	0.00%	17.90%
						Checksum	17.90%	111

SUMMARY OF INTERNAL AUDIT WORK 2011/12							Appendix 2	
	Re-allocated days	Planned Days	Quarter 1 Apr-Jun	Quarter 2 Jul-Sep	Quarter 3 Oct-Dec	Quarter 4 Jan-Mar	Actual Days	Difference
Planned Audits								
Chief Executive								
Elections		3	0				0	-3
Land Charges		5	0				0	-5
Members Allowances		3	0				0	-3
Community Services								
Building Control Fees		2	0				0	-2
Planning Fees		2	0				0	-2
Section 106 Agreements		6	0				0	-6
Trade Refuse		2	0				0	-2
Refuse Collection		2	0				0	-2
Licensing		4	0				0	-4
Parks		5	2				2	-3
Cemetries		5	0				0	-5
Etwell Lesiure Centre		8	0				0	-8
Rosliston Forestry Centre		5	0				0	-5
Partnerships		8	2				2	-6
Rent Accounting		15	16				16	1
Foston Gypsy Site		3	0				0	-3
Housing Repairs		6	0				0	-6
Sale of Council Houses		2	0				0	-2
Corporate Services								
NNDR		6	6				6	0
Cash		12	1				1	-11
Housing Benefits		18	0				0	-18
Council Tax		8	8				8	0
CRM		6	0				0	-6
Sundry Debtors		12	3				3	-9
Payroll		16	10				10	-6
Creditors		18	1				1	-17
Car Allowances		0	0				0	0
Subsistence		3	0				0	-3
Treasury Management		6	0				0	-6
Bank Reconciliation		5	4				4	-1
Budgetary Control		8	0				0	-8
Accounting System		12	10				10	-2
Asset Management		0	0				0	0
Land Sales	-5	0	0				0	0
IT Strategy		1	0				0	-1
IT Disaster Recovery		2	0				0	-2
Data Quality	5	5	5				5	0
Employment Contracts		1	0				0	-1
CRB		1	0				0	-1
Risk Management		0	0				0	0
Corporate Governance		3	0				0	-3

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	Re-allocated days	Planned Days	Quarter 1 Apr-Jun	Quarter 2 Jul-Sep	Quarter 3 Oct-Dec	Quarter 4 Jan-Mar	Actual Days	Difference	
Continuous Audit									
Routine Checks		2	0				0	-2	
Small Systems Review		2	1				1	-1	
Sub Total		4	1				1	-3	
Specialist Audits									
Computer									
i. Development		32	2				2	-30	
ii. Audit		18	6				6	-12	
iii. Specialist Audit		20	0				0	-20	
Contract									
i. Final Account/Cons Rules		32	1				1	-31	
ii. Current Audit/Contract Sys		12	3				3	-9	
Sub Total		114	12				12	-102	
Management									
Audit		45	8				8	-37	
Other		15	2				2	-13	
Sub Total		60	10				10	-50	
Other									
Special Investigations		28	0				0	-28	
Contingency		12	0				0	-12	
Sub Total		40	0				0	-40	
MTGS, TRAINING, ETC									
Seminars and Meetings		15	4				4	-11	
Training -C.P.E		10	0				0	-10	
Further Education		0	0				0	0	
In-House		15	5				5	-10	
Sub Total		40	9				9	-31	
ROUTINE DUTIES									
External Audit		8	0				0	-8	
General Office Duties		8	3				3	-5	
Internal Payroll Check		1	1				1	0	
Cash Office Duties		4	0				0	-4	
Procurement		2	0				0	-2	
Paid Cheque Enquiries		3	1				1	-2	
Security		9	2				2	-7	
Unison		18	2				2	-16	
Other		4	2				2	-2	
Sub Total		57	11				11	-46	
			0						
			0						
TOTAL DAYS		640	111				111	-529	