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<b>REPORT TO:</b>	<b>AUDIT SUB COMMITTEE</b>	<b>AGENDA ITEM: 9</b>
<b>DATE OF MEETING:</b>	<b>15<sup>th</sup> December 2010</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF CORPORATE SERVICES</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>TONY STAMPER (595706)</b>	<b>DOC:</b>
<b>SUBJECT:</b>	<b>Summary of Internal Audit reports 2010/11 (September – November).</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE:</b>

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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.

### **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 is 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 2009/10 and the budget setting for 2010/11. These are critical functions in a local Authority and have been assessed using the CIPFA control matrices. The Budget compilation, virement and control processes have been tested for compliance and all found to be operating satisfactorily.
- b. Debtors - a routine audit is in progress covering the debtors function and the accounts receivable module (AR) of the Agresso financial management system. The fieldwork has covered invoice requests, billing, payment, recovery, write-offs, costing and outstanding debt and is nearing completion
- c. Car allowances - a routine audit has examined the car allowances paid to both Officers and Members. This included the scheme(s) conditions, claims completion, authorisation, payment and costing. A number of recommendations have been made regarding timely completion, sufficient journey details and insurance confirmation, these are being implemented
- d. Licensing – an audit has been undertaken on the licensing system concentrating on liquor licenses. The system has been documented, controls identified and compliance testing undertaken. The fieldwork on this audit has been substantially completed. The Authority receives around £70k worth of income from licensed premises each year.
- e. Housing Maintenance – a system audit has commenced on the responsive repairs function examining the process from initial reporting of the repair to completion of the job. Plumbing, brickwork and carpentry are the main trades provided by our own workforce and this is supplemented by electricians.
- f. Asset Management – the Authority uses the Cipfa's "AssetManager" system, the audit is focussed on assessing the system for accuracy and completeness. The system manages all the assets of the Authority including property, vehicles, plant, equipment etc, these being valued on a regular basis. The valuations form the basis of accounting for the assets in the general ledger. The importance of current valuations and correct classification is necessary to meet the capital accounting requirements of the final accounts process.

4.7 In addition work on Improvement Grants, Data Protection, Cash and Treasury Management have commenced. Audit work on Etwall Leisure Centre is nearing completion and contract audit work on the Corporate Partnering Project is being specified. A review of non-routine duties has recently been undertaken and alternative arrangements have been made in some areas.

4.8 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.

- 4.9 Derby City Council Internal Audit Service has undertaken a number of audits during this period as part of the arrangement to supply additional resources.
- 4.10 The Internal Audit Service has completed 33.59% of the planned audit days up to the end of September 2010 against the planned target of 45%. The percentage completion for this period is lower than planned as a result of the reduction in resources earlier in the year. However, Derby City commenced their work in earnest at the end of September and they have undertaken a number of audits during October and November.
- 4.11 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