

---

---

<b>REPORT TO:</b>	<b>AUDIT SUB COMMITTEE</b>	<b>AGENDA ITEM: 7</b>
<b>DATE OF MEETING:</b>	<b>23<sup>rd</sup> February 2011</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 (December – January).</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE:</b>

---

---

### **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 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. Creditors – This function currently operates on the Agresso accounts payable module. The audit examined, the ordering systems used for procuring goods and services, the goods receiving arrangements and the payment accounting processes. At present there is a mix of interim and temporary ordering systems in place operating with an acceptable level of control pending the implementation of the Agresso “purchase to pay” facility in April 2011.
- b. Improvement Grants – The function covers mainly Disabled Facilities and Home Repair Plus grants, the audit primarily concentrated on Disabled Facilities grants. The audit examined guidance/procedural documentation, departmental grant records, processing applications, approving grant works, inspection process, accounting records, reconciliation to the ledger and management information. The audit confirmed the overall level of control is good with no major weaknesses detected.
- c. Treasury Management – This audit examines the Authority’s short-term investments, loan activity and how the controls over these activities operated during the financial year. The Authority is relatively debt free in terms of loans from the financial markets with the exception of a £1M LOBO loan. The Authority uses its Treasury Management policy to help manage its cash flow throughout the financial year by borrowing or investing funds on a short-term basis. The loan system, policy statement, investments, loans, authorities, cash flow, interest calculation, bank transfers, registers and control accounts were examined. This audit is nearing completion and to date there are no major control issues.
- d. Partnership – This audit examined the governance arrangements in place for partnership working within the Authority. The audit aimed at highlighting any control weaknesses and risks in the Authority’s overall approach to the governance of partnerships. The control objectives covered policy and procedures, roles and responsibilities, partnership agreements, risk management and performance monitoring. The controls within these objectives have been evaluated. The issues raised are centred on policy and regular review of the Authority’s Partnerships. These are being addressed and this is being reported to the Finance and Management Committee.
- e. Data Protection and Freedom of Information – an audit has been undertaken in which the arrangements for meeting the regulations of these two pieces of legislation have been examined. All organisations have to establish a Freedom of Information and Data Protection enquiry facility to meet requests. Although this audit is still to be concluded the main recommendation is the introduction of a centralised data retention policy.
- f. Etwall Leisure Centre – audit work on the new Centre was undertaken in two phases with a number of recommendations being made. A follow-up audit has confirmed that security collections have been established and the CCTV system has been installed. The issue with the air handling unit is being progressed with the main contractor.

A review of the contract for the Corporate Services Partnering Project has commenced. In addition work on Cheques, VAT and NNDR has commenced.

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 has undertaken a number of audits during this period as part of the arrangement to supply additional resources.
- 4.8 The Internal Audit Service has completed 55.78% of the planned audit days up to the end of December 2010 against the planned target of 67%. The percentage completion for this period is lower than planned as a result of the reduction in resources, although the work undertaken by Derby City Council has alleviated the situation. However there will be some slippage of audits into next year and the unspecified allocations for VFM/Risk related work will not be used.
- 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