Report to: **Audit Committee**
Date: **13th November 2008**
Report of: **Gordon Fletcher, Audit Manager**
Subject: **Internal Audit Progress Report for 2008/2009**
Ward: **All**

1 Purpose of the Report

1.1. The purpose of this report is to update the Members as to the progress made completing the 2008/2009 Internal Audit plan. This is the second report for this year, and covers the months July to September 2008.

2. Consultation

2.1. In preparing this report I have consulted with:
Senior Auditor
Head of Financial Management.

3. Background

3.1 It was agreed that the Audit Manager would report to the Audit Committee on the progress of audit work throughout the year.   This is a process that has been commended by the Audit Commission, following previous annual assessments of the Council's Internal Audit Section.

4. Position Statement

4.1. Members will recall that when agreeing the Annual Internal Audit Plan for 2008/2009 that it was considered necessary to focus our attention on the transition to a new Council but at the same time ensure that the Council has an effective audit service. To accommodate the extra resources required for LGR during the year, the audit work has concentrated on the main financial systems of the Council, and any urgent work, which has allowed LGR work to be ongoing.

4.2. Appendix 1, summarises the planned audit work completed by Internal Audit for the period. The aims and objectives of the audit are shown, along with the conclusions, and any recommended actions agreed with the auditee. Therefore, two of the main financial system audits has been completed.

4.3. Appendix 2 shows a list of the planned audit work currently in progress, which will be carried forward to the next quarter.   It can be seen that four of the main financial systems audits are currently in progress.

5. Implications
5.1. Legal Implications.
It is a requirement of law that the Council maintains an adequate and effective Internal Audit service.

5.2. Financial
There are no direct financial implications for the Council as a result of this report.

5.3. Policy
There are no direct policy implications for the Council as a result of this report.

5.4. Risk

There are no direct risk implications for the Council as a result of this report.

5.5. Communications

There are no direct communications implications for the Council as a result of this report.

5.6 Local Government Review Implications

This report includes the work already spent by Audit staff during the three months on LGR work.

6. Corporate Implications

6.1. Corporate Plan and Priorities

Priority 2 – Striving for excellence in the workplace.
SFE2 – To develop the capacity to achieve in the organization.

6.2. Equality and Diversity

There are no direct implications.

6.3. E. Government

There are no direct implications.

6.4. Procurement

There are no direct implications.

6.5. Performance Management and Scrutiny

This will help towards the delivery of the completion of the work of the Internal Audit Annual Plan.

6.6. Sustainability

There are no direct implications.

6.7. 'Well being powers'

There are no direct implications.

6.8. Human Resources

There are no direct implications.

6.9. Crime and Disorder

There are no direct implications.

6.10. Human Rights

There are no direct implications.

6.11. Social Inclusion

There are no direct implications.

7. Recommendation

7.1 Members are asked to note the information contained within the report.

8. Background Papers/Documents Referred to in Preparing this Report

8.1 Internal Audit reports.
Internal Audit time sheets.

Completed audit work for the period ending September 2008

Sundry Debtors (Main systems work)
Aims and Objectives of the audit:
The main objective of this audit was to ensure that all invoices raised for debts to the Council are correct and issued promptly.

Conclusions:
The year-end statistics show that the collection rate has significantly improved for 2007/2008, and is now above the local P.I target.

There are some minor areas within the systems where improvements should be considered but this is to be postponed and the system re-evaluated following the Local Government Review. E.g. more comprehensive information supplied from Council departments to the income section when requesting invoices to be raised.

Recommendations:
There are no recommendations for this audit, although it is recommended that the system be examined in the first year of LGR.

Council Tax (Main systems work)
Aims and Objectives of the audit:
The aims and objectives of this audit were to test the key controls in place to address the key risks for the system. In addition, "Grace" control matrices were used to provide overall coverage of all controls that are expected to exist within the system, to provide a full systems audit coverage.

Conclusion:
There have been relatively few changes to the well-established procedures for the Council Tax system, however, due to the vast amount of data input and retrieved from the Open Revenues system it is essential that significant internal controls be in place.

There is a risk associated with officers of the section being associated with billing and recovery routines, however, due to the generic working within the section this is unavoidable. To limit this increased risk, the level of testing on this area was increased during the Audit.

Void properties have exemptions and the last monitoring of voids was carried out at the end of 2006.

Recommendations:
Permission rights to be reviewed regularly for Council Tax officers in particular recovery high-level permissions, which include update and create authorisations.

Permission rights for all officers' council wide who have access rights to Council Tax fields to be reviewed regularly for validity status.

Void properties should be regularly monitored to determine status of exemption

ITEM NO.

Ongoing audit work:

Main systems work:
Main Accounting and budgetary control system
Salaries and Wages
NNDR
Creditors

Inventories (for LGR)
Peterlee Town Council work.
Assistance for DCC (schools)
Postal system review