

## ITEM NO.

**Report to:** Audit Committee  
**Date:** 11<sup>th</sup> October 2007  
**Report of:** Gordon Fletcher, Audit Manager  
**Subject:** Internal Audit Progress Report - 2007/2008  
**Ward:** All

### **1 Purpose of the Report**

1.1. The purpose of this report is to update the Audit Committee as to the progress made completing the 2007/2008 Internal Audit plan. This is the second progress report for this financial year, and covers the months July to September 2007.

### **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 assessment of the Council's Internal Audit Section.

### **4. Position Statement**

4.1. 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.

4.2. Appendix 2 shows a list of the planned audit work currently in progress, which will be carried forward to the next quarter.

### **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.

### **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.

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- 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 2007**

### **Payroll (Fundamental systems audit carried out every year)**

#### **Aims and Objectives**

During 2006 the payroll processing changed from being in-house to being processed off-site by Northgate, via an Internet link.

The aims and objectives of the audit were therefore to ensure that the information held on the new Payroll System is accurate and can be relied upon.

#### **Conclusions:**

The payroll system is working well and any teething problems associated with the new software have been addressed.

Further development of the system will increase the separation of duties and ensure that the Payroll Manager is not totally responsible for updating all aspects of the system, and the recommendations below will ensure that there are satisfactory internal controls in place.

#### **Recommendations**

Ensure that personal information is not easily accessible to anyone other than authorised members of staff.

Re-enforce the system where Personnel are notified of changes in employees' employment terms and conditions. Payroll should be notified of any changes relating to Payroll, e.g. employee's address, bank details, etc. and to receive copies of relevant changes that have been received by Personnel.

### **Creditors (Fundamental systems audit carried out every year)**

#### **Aims and Objectives**

To ensure that the Creditors system is operating within a controlled environment and assurance can be gained that the councils assets are safeguarded.

#### **Conclusions:**

The Creditors system continues to perform well and meet the key controls expected to be in place. The recording mechanisms and supporting evidence show good practice and ensures that procedures are robust and are effective.

#### **Recommendations**

There were no recommendations for this audit.

### **Grants (Annual audit)**

#### **Aims and Objectives**

To test the financial systems in place that is related to the NRF Grant Claim for Acumen Trust and to provide an opinion as to the adequacy of those systems.

#### **Conclusions:**

At the time of the audit the financial systems in place at Acumen Trust were found not to be adequate to deal with the conditions and requirements of the NRF grant claim. However, it is recognized that Acumen Trust have recently employed qualified finance staff to improve the organisation and if the recommendations outlined below are implemented, the financial stability of the organisation will improve.

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### **Recommendations**

To complete written financial procedures of Acumen Trust.

That there are regular meetings between District of Easington's Grants Team and Acumen to ensure that targets are being achieved and reported upon.

Acumen Trust needs to implement an accounting/coding system capable of managing the various funding streams.

An updated version of the current Sage Accountancy software is to be implemented. and the new software includes a provision for managing a costing system.

However, interim measures should be implemented by recording the information on spreadsheet that separates and manages all the funding streams.

An imprest limit on the petty cash should be determined.

In order to eliminate the risks associated with keeping large sums of cash on the premises for payments; it is recommended that there are cash alternatives. For example, introduce Gift Cards/Travel Cards and establish credit accounts with local suppliers.

### **Right to Buy (2 yearly audit)**

#### **Aims and Objectives**

To establish the system in place for the sale of council houses under the Right to Buy scheme and to ensure that appropriate records are held securely.

#### **Conclusions:**

Although there are some minor weaknesses in the Right to Buy procedures but they do not have an impact on the actual sale.

Apart from some slight delays in communications with the applicant the legislation surrounding the Scheme is being complied with.

Reliance on the controls of this system will be increased with the implementation of the recommendations of this audit.

### **Recommendations**

Review the formal policy, all associated forms, documents and procedures to ensure that they reflect current legislation and working procedures and that there is proper cross-referencing between documents.

All officers dealing with Right to Buy applications should be reminded that the Scheme includes strict deadlines which must be adhered to.

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APPENDIX 2

**Ongoing audit work**

Benefits

Data Quality

Capital Accounting

NNDR

Hackney Carriages licences

EDH work

PTC work