

Report to: Audit Committee
Date: 10th April 2008
Report of: Gordon Fletcher, Audit Manager
Subject: Internal Audit Progress Report for 2007/2008
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 2007/2008 Internal Audit plan. This is the fourth report for this year, and covers the months January to March 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. 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.

5.6 Local Government Review Implications

This report does not directly have any direct implications for LGR as it refers to the 2007/2008 work of Internal Audit.

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 March 2008

CASH AND BANKING – (Fundamental systems audit, carried out every year)

Aims and Objectives of the audit:

The main objective of this audit was to form an opinion as to the reliability of the system to produce complete, accurate, and proper financial information.

Conclusions:

The testing carried out showed that since the previous audit procedures remain relatively unchanged with the physical security of cash collection is generally good.

Recommendations:

There are no recommendations for this audit. However, it was highlighted during the audit that there were officers undertaking cash collection duties that were also employed within debt recovery. Following discussions with the acting Revenues Manager it was agreed that little could be done to change this. Therefore, any risk associated with the weakness has been accepted by the Head of Financial Services. Additional audit checks had been carried out where possible risks could have been expected.

LOANS AND INVESTMENTS – (Fundamental systems audit carried out every year)

Aims and Objectives of the audit:

The main objectives of this audit were to examine and test the key controls of the system to ensure that a detailed register of loans is maintained, that loans and investments are regularly reconciled to accounting records and that all loans raised are properly repaid.

Conclusions:

The testing carried out showed that all the key controls for this system were strong.

Recommendations:

There were no recommendations for this audit.

CREDITORS - (Fundamental systems audit carried out every year)

Aims and Objectives of the audit:

The main objectives of this audit were to examine and test the key controls of the system to ensure that all payments were properly made in accordance with the financial regulations of the Council.

Conclusions:

As with previous audits the Creditors system continues to perform well and meets all the key controls expected to be in place, with the exception of one: "Where cheque payments were not released independently from authorising officers". As the cheques (after printing) are returned to the Creditors section for inserting into envelopes and despatch via the postal services. This is a weakness that has been agreed by the Accountancy Manager and this risk has been accepted as very low.

Recommendations:

There were no recommendations made at this audit.

ITEM NO.

CHAIRMANS CHARITY ACCOUNT- (annual audit)

Aims and Objectives of the audit:

The main objectives of this audit were to examine and test the key controls of the Chairman's Charity account to ensure that it is operating properly and in accordance with the laid down procedures.

Conclusions:

The testing carried out showed that the administrative procedures within the system remain adequate as in previous years. However, it was found that the bank reconciliation's were not carried out as recorded in the laid down procedures.

Recommendations:

That bank reconciliation's are carried out at interim periods i.e. monthly or quarterly depending on transactions. This will promote best practice and ensure any discrepancies are highlighted at the earliest convenience.

ASSISTED CAR PURCHASE and CAR LEASING SCHEMES - (3 year audit)

Aims and Objectives of the audit:

The main objectives of this audit were to examine and test the key controls of the systems in place to ensure that the above schemes are operating in accordance with the laid down procedures.

Conclusions:

The testing carried out showed that the schemes were working well with no areas of concern. Only one minor weakness was found and this will be rectified with the implementation of the recommendation below.

Recommendations:

Officers who participate in the Assisted Car Purchase Scheme should be reminded that they should submit copies of the car registration document if there are any changes.

RISK MANAGEMENT- (other systems audit)

Aims and Objectives of the audit:

The main objectives of this audit were to examine and test the key controls of the system to ensure that they are operating adequately.

Conclusions:

The testing carried out showed that the key controls of the risk management system was well embedded and is being effectively managed. However, it was found that it could be improved, as some Departmental Managers have difficulties updating their own risk management action plans and using the Risk Management software.

Recommendations:

In order to address the above concern, the Risk Manager has agreed to continue to provide a comprehensive range of support to Managers.

OTHER WORK COMPLETED

EVPC, PTC and East Durham Homes.

All agreed internal audit work had been completed in the days allocated.

ITEM NO.

APPENDIX 2

Ongoing audit work:

Council Tax
Capital Accounting
Main Accounting and budgetary control system
Debtors
Recruitment and Selection
Register of electors
Contractors selection system
Sales by Tender