

ANGUS COUNCIL

AUDIT SUB-COMMITTEE – 17 March 2005

INTERNAL AUDIT REPORTS

REPORT BY DIRECTOR OF FINANCE

ABSTRACT

This report summarises the main findings of internal audit reports issued since the date of the last audit sub-committee.

1. RECOMMENDATIONS

It is recommended that the audit sub-committee:-

- a) Note the summaries of the audit reports and follow-ups
- b) Provide any commentary considered appropriate at this time
- c) Note the Chief Internal Auditor will bring back to future sub-committees update reports in relation to follow up audits including any outstanding actions

2. INTRODUCTION

Internal Audit issue a formal report for each audit undertaken as part of the annual audit plan. Each audit report contains an action plan which incorporates all the recommendations made. This action plan, prepared under SMART criteria is agreed with management who nominate persons responsible for taking forward the actions and who set their own completion date for each action. This agreed action plan forms an integral part of the final audit report.

3. AUDIT FOLLOW UP

As part of the ongoing audit process, internal audit review the implementation of the recommendations utilising the agreed action plan as the base for the follow up audit. A follow up audit report/memorandum is then issued to the client.

4. ROLE OF THE AUDIT SUB-COMMITTEE

Presented as part of this paper are summaries of the audit report findings which highlight the main areas arising. Full copies of the report are available from the Chief Internal Auditor, on request, to any member of this sub-committee.

The terms of reference of the sub-committee involve consideration of the summary reports. It is therefore recommended that, at this meeting, members note the content of the summaries, provide any commentary and note that the Chief Internal Auditor will provide update reports on follow up audits including any outstanding actions.

5. RANKING OF AUDIT RECOMMENDATIONS

Internal Audit recently introduced a system of ranking of audit report recommendations to indicate to the auditee the level of materiality of each of the recommendations. The following rankings were agreed with the Chief Officers Management Team:-

Level 1	Recommendations considered by Internal Audit to be of a fundamental nature which require to be considered by the Department Head and taken forward as a matter of urgency
Level 2	Significant recommendations requiring consideration by the Head of Service and taken forward as a matter of importance
Level 3	Less significant matters which do not require urgent attention but which should be followed up within a reasonable timescale

Where available, the recommendation ranking level has been indicated on the proforma.

6. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report.

7. HUMAN RIGHTS IMPLICATIONS

There are no Human Rights implications arising directly from this report.

8. CONSULTATION

The Chief Executive, Director of Law and Administration and, where applicable, Directors of the relevant departments with audit summaries within this report have been consulted in the preparation of this report.

David S Sawers
Director of Finance

NOTE: No background papers, as defined by Sections 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information), were relied on to any material extent in preparing this report.

JW
25/2/05



Audit & Risk Section

Internal Audit Report Summaries

Audit Sub-Committee

17 March 2005

Janine Wilson
Chief Internal Auditor
St James House
St James Road
Forfar.
Tele: 01207 473422
E-mail: wilsonj@angus.gov.uk



Audit & Risk Section Summary Results of Audit Reports Issued Audit Sub-Committee 17 March 2005

The following audit reports have been finalised since the last Audit Sub-Committee. The main findings and recommendations are summarised, with copies of the full reports available on request from the Chief Internal Auditor.

Unless specifically stated, the SMART action plans have been agreed with management

Systems Audits			
Audit Report	Department	Audit Title	Conclusions
03/47	Law & Admin	Register of Interests	A number of areas of good practice were identified in relation to the maintenance of the register, availability of training for members and the fact that declarations are a standing item on committee agendas. The introduction of written guidance for staff and a 6 monthly return by members confirming register entries were recommended and agreed.
03/44	Finance	Payroll – Resource Link	This audit considered both the project management and implementation of resource Link and various systems and regularity elements. Project management was successful and good practice was found in relation to password controls, user log-ins and administrative efficiency gains. It was noted that the Personnel department had not implemented their system modules which would have allowed better integration between the personnel and payroll elements. Recommendations were made in relation to systems elements including the introduction of high level processing reports; updating authorised signatories; review of access privileges; review of current full systems access to two section staff; updating of teachers post records and data matching to establishment control records.
01/13	Chief Executive – Personnel Services	Health and Safety	This audit reviewed overall arrangements for Health & Safety. Corporate policies, guidance and instruction are available to departments and there is a system of reporting to service committees. The audit found the framework was generally in place for the Council to fulfill its obligations. Recommendations were made in relation to reviews of the necessity of the Central Safety Committee and the Composite Safety Committee, neither of which had met for a number of years. Reviews of communications and reporting lines for various like Council groups was also recommended.



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N/a	Social Work & Health	Joint Futures – Joint Action Plan and FTF Audit & Management Services report Financial Management & Reporting	Proforma 03/55 to the Audit Sub-Committee meeting of 26 October 2004 detailed the result of the Angus internal audit of the Joint Futures Governance, Accountability & Risk Management Arrangements. As part of the joint audit arrangement, Fife and Forth Valley Audit & Management Services conducted an audit of the financial management and reporting arrangements. The main additional findings of that audit related to the requirement for an annual statement of ring-fenced funding, training for managers in aligned budgets and the production, by TPC, of a single budget report of all relevant expenditure and inclusion of projected out-turn figures from May each year. The result of both audits have been combined into an agreed final action plan, the discharge of which will be monitored by the Finance Officers Group.
04/09	Chief Executive (Lead)	Statutory Performance Indicators	From 2003-04 the Internal Audit section will annually audit the statutory performance indicators on behalf of External Audit. While the audit testing resulted in some of the measures being recalculated due to minor errors in calculation, the Council's performance measures were assessed as reliable.

Regularity Audits			
Audit Report	Department	Audit Title	Conclusions
04/18	Housing	Cash Collections	Good practice would identified in relation to security of cash and access restrictions. One main recommendation was made in relation to the need to process outstanding garage rental income received in Monifieth in 2002.
04/01	Chief Executive – Personnel Services	Creditors	The audit found that invoices were being passed for payment timeously and staff had access to the financial regulations and integra manual. Recommendations were made in relation to guarding against future duplicate payments and ceasing the practice of completing purchase orders retrospectively.
04/07	Chief Executives/Finance	Members Allowances	Generally the systems in place in relation to payments of allowances are sound with allowances all made in accordance with approved rates. Controls would be enhanced by fuller completion of claim forms, especially in relation to details of allowances claimed from other bodies.
04/12	Education	Langlands Primary	Good practice was identified in relation to regular reconciliation's of school fund



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		School	monies and up-to-date records and inventories. The need for a formal committee to be elected to manage the school fund was identified along with a need to review the constitution. A need for bank reconciliation's and audited year-end accounts for the nursery were recommended as was a strict requirement for the division of duties in the ordering and certification process. It was also noted that recommendations made in 1998 regarding the nursery unit fund and systems for recording private telephone calls and photocopying were still outstanding.
04/27	Finance Revenues	Housing and Council Tax Benefit (Pensioners)	The audit highlighted compliance with controls is generally good although the ongoing issues in relation to clients fully completing claims remain.
04/23	Leisure Services	Forfar SP	The main finding of the audit was that completion of core payroll returns are falling short of the required standard and require urgent action to ensure the correctness and completeness of payments. Recommendations were made in relation to cross-checking of returns to original data and provision of training to staff.
04/24	Leisure Services	Arbroath SC	Generally the control objectives were met although the need for full compliance with the ordering and certification control environment was highlighted.
04/25	Leisure Services	Montrose SC	The procedures for the ordering and certification of goods at the centre falls short of required standards with action required to ensure timeous payments, prompt resolution of queries and generally maintain good governance arrangements over purchasing procedures

Contract Audit			
Audit Report	Department	Audit Title	Conclusions
04/04	Housing	Rechargeable repairs	Generally the audit found a lack of consistency throughout the local offices in recharging repairs. This area was raised in the Communities Scotland report and is included in that reports improvement plan. In addition, further recommendations were made in relation to maintaining comprehensive lists of invoices and a SMART action date applied to the agreement to consider factoring services.

Follow Up Audits



Audit & Risk Section

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Audit Report	Department	Audit Title	Conclusions
04/21	Law & Admin	Creditors	The majority of the original agreed actions had been discharged and, although four points were not complete, there was evidence that the department were being pro-active in addressing the actions.
04/32	Environment & Consumer Protection	Landfill Tax (2 nd follow-up)	This was a second follow-up at the request of the Audit Sub-Committee and found that one of the three remaining recommendations had been taken forward with work commenced on the other two. It should be noted that the computer system is now being replaced.
04/28	Information Technology	Information Security (2 nd follow-up)	This was a second follow up at the request of the Audit Sub-Committee. Four of the seven remaining recommendations have been discharged with work on the remaining three not commenced at the date of the follow-up. It is recognised that some of the recommendations detailed in the second follow-up report have been superceded by ongoing work in relation to Freedom of Information and Records Management and a revised action plan is currently being developed with Information Technology and the Records Manager.
04/16	Property Services	Estates Management	All level 1 and 2 recommendations have been discharged with only two level 3 recommendations to be completed at the time of the audit
04/36	Leisure Services	Leisure Centres – Till Closure	The results of the audit indicated the action points have been implemented.
04/22	Law & Admin	Cash Receipting (2 nd follow-up)	This was a second follow up at the request of the Audit Sub-Committee. The follow-up indicated that all but one of the agreed points had either been fully completed or progress has been made to improve the internal controls. Subsequent to the issue of the report work has commenced on the outstanding recommendation relating to reconciliations.
04/35	Leisure Services	Carnoustie Leisure Centre	Proforma 04/15 to the Audit Sub-Committee meeting of 26 October 2004 discussed the result of the original review of the ordering and certification process. The follow up indicates that marked improvements have been made in adherence to the internal controls although time delays were still evident in authorising orders over £500. Additionally it is recommended the practice of holding invoices for part deliveries cease.