

## **AUDIT SERVICES UPDATED INTERIM ASSURANCE REPORT NO 2**

**Report By: Audit Services Manager**

### **Wards affected**

County-wide

### **Purpose**

To update Members on work status and to advise on any key internal control issues.

### **Financial Implications**

None.

### **Recommendation**

**THAT the report be noted.**

### **Reasons**

1. Compliance with good practice as set out in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.

### **Considerations**

2. The Interim Assurance Report was presented to The Audit Committee and Corporate Governance Committee on 8<sup>th</sup> December 2006. The first updated Interim Assurance Report was presented on 19<sup>th</sup> January 2007.
3. The work on the completion of eighteen fundamental systems has progressed well with the exception of the Council Tax system, which was not presented to the Audit Commission on time. However this has now been delivered a month after the due date.

### **Audit Opinions**

4. Appendix 1 shows the status of work carried out by Audit Services, with final audits showing an audit opinion. There was an unsatisfactory audit opinion in relation to the CLIX system as it did not meet the functional or security needs of Adult Services, nor did it fulfil central government requirements. Members requested an update on Audit recommendation made and were updated on progress on 19<sup>th</sup> January 2007. In addition resources have been put into the Audit Plan for 2007/08 for further audit work.

5. The ICT FMS and Procurement System (a fundamental System) was given an unsatisfactory audit opinion as there was a need for improved controls over payments, better reconciliation to Cedar and budgets to be set.
6. Following the review of the audit file by the Audit Commission they are of the view that issues identified by Audit Services could have an impact when carrying out their audit of the Council's final accounts. Under the circumstances they have asked that Audit Services carry out additional work on their behalf as part of the planned Audit Services follow up work commencing in April 2007. The outcome will form part of the Annual Assurance Report for 2006/07.
7. The system for Market Fees and Charges was also given an unsatisfactory Audit Opinion due to fundamental system weakness, particularly over the receipt books and supervisory checks to ensure that all income receivable is received. Follow up action is planned for 2007/08.
8. However it was satisfying to report that three fundamental systems were given a good Audit Opinion.

### **Recommendations made**

9. Under current reporting protocols the Audit Services Manager has to bring to the attention of the Audit and Corporate Governance Committee 'Critical 1' recommendations. These are recommendations where non-compliance will be a high risk to the Council and where action is required urgently or within an agreed timescale.
10. Seven critical 1 recommendations were reported previously. Three relate to CRB procedures and one to inventory records. The Audit Services Manager, the Legal Practice Manager and the Human Resources Manager will be developing guidance with regards to CRB procedures. In relation to inventory records, the Head of Financial Services has developed Accounting Guidelines, which are in the process of being finalised and sent out to Key Managers and Headteachers. Three related to the fundamental system ICT FMS and Procurement and cover the need for improved controls over payments, better reconciliation to Cedar, and budgets to be set.
11. The Audit Services Manager has met the Director of Corporate and Customer Services and the Head of ICT and Customer Services and agreed a way forward to meet the recommendations. The Head of ICT has developed an action plan in response to the audit recommendations. It should be noted that a much higher level of controls would have been required if this system was a corporate system. Audit follow up work will commence in April 2007.
12. No additional critical recommendations have been made for audits currently finalised

### **Risk Management**

13. If the Head of ICT and Customer Services does not take action on the critical recommendations made by Audit Services it is likely that the system controls could become a matter of concern. Follow up action in April 2007 will ascertain the up to date position.

14. There is the risk that the level of work required to give an opinion on the Council's Internal Control system is not met. To help mitigate this the Audit Plan is kept under constant review by the Audit Services Manager.

**BACKGROUND PAPERS**

- Code of Practice for Internal Audit 2006