



Report to: Audit Sub-Committee

Subject: The Annual Internal Audit Report 2006-07

Date: 26th June 2007

Author: Manager of Resource Services

1. PURPOSE OF REPORT

To report on the activity of Internal Audit during the 2006-07 financial year.

This report will also provide assurance on the internal control systems within the Authority to support the Statement on Internal Control to be given within the annual Statement of Accounts.

2. BACKGROUND

Previously this report has detailed the activity of internal audit during the course of the previous financial year, explained any variation to the planned work for the year and highlighted any significant findings or anticipated problems. This will continue to be the primary focus of the report.

The Accounts and Audit Regulations 2003 (amended 2006), and the Code of Practice for Internal Audit in Local Government in the United Kingdom make detailed and specific requirements for the Annual Internal Audit report in supporting the Statement on Internal Control. These requirements are:

“The Head of Internal Audit’s formal annual report to the organisation should:

- a) Include an opinion on the overall adequacy and effectiveness of the organisation’s internal control environment,
- b) Disclose any qualifications to that opinion, together with the reasons for the qualification,
- c) Present a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies,
- d) Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the statement on internal control,

- e) Compare the work actually undertaken with the work that was planned and summarise the performance of the Internal Audit function against its performance measures and criteria,
- f) Comment on compliance with these standards and communicate the results of the Internal Audit quality assurance programme.”

The annual audit plan for 2007-08, which previously formed part of this report, was separately approved by the Head of Finance, following consideration by the Audit Sub-Committee, on the 12th April 2007.

3. AUDIT OPINION

3.1 OVERALL

The Code of Practice requires the Head of Internal Audit to report to the Authority an opinion on the overall adequacy and effectiveness of the Authority’s internal control environment, providing any details of weaknesses that qualify this opinion and bringing to the attention of the Authority any issues particularly relevant to the preparation of the Statement on Internal Control.

This opinion is given formally in **Appendix A**.

3.2 AUDIT ISSUES FOR THE STATEMENT ON INTERNAL CONTROL

Issues for the Statement on Internal Control are:

Outstanding Issues Brought Forward:

- The Authority’s Risk Management Strategy has been reviewed and updated. The key enhancements include the introduction of a standard approach (common language) to risk terminology, the formalisation of reporting procedures and the introduction of Key Performance Indicator’s to measure how effectively risks are being managed and the extent to which risk management procedures are embedded across the Authority.
- Implementation of the Satellite Navigation system has been completed during 2006-07. Benefits are being achieved in identifying and providing evidence to support reportable delays with respect to waste disposal.
- Register of Interests. Procedures have been developed across a number of Departments, however, further action is required to ensure that all qualifying interests are disclosed across Departments. Internal Audit will be conducting a review of this area, for both Officers and Members, during 2007-08.
- The Business Continuity Plan has been reviewed and updated. Formal testing procedures will be developed and deployed during 2007-08.

Reportable Issues for Inclusion Within the 2006-07 Statement:

- Register of Interests. Procedures have been developed across a number of Departments, however, further action is required to ensure that all qualifying interests are disclosed across Departments.
- The Business Continuity Plan has been reviewed and updated. Formal testing procedures will be developed and deployed during 2007-08. This will provide a key feed into the development of the Disaster Recovery plan.

Emerging Issues for Consideration:

- Awareness and monitoring of the implications of the outputs from the Comprehensive Spending Review 2007 on the medium and long-term financial strategy.
- LSVT – management of the corporate “overhang” through cost absorption.
- Partnership Risk – the Authority will need to review its approach to Partnership Risk, and consider associated control issues as and when the number and complexity of partnership activity changes.

These issues are detailed within the Assurance Statement in **Appendix A**.

3.3 FINANCIAL SYSTEMS

Internal Audit can provide substantial assurance that the Authority’s financial systems and control procedures are adequate and operating effectively.

Further assurance on the financial systems of the Authority can be evidenced in:

- Audit Commission reports and Annual Letter.
- Results from the Audit of Final Accounts and Grant claims.
- Reports from the Planning Inspectorate.

During 2004-05 awareness of the need to comply with Financial Regulations was highlighted and the induction programme now makes specific reference to this for all new employees of the authority. The training proposed for Principal Officers during 2006-07 has been largely completed, however, specific training on the new Budgeting procedures has not been delivered. This is planned for completion during 2007-08.

The introduction of the new accounting platform, FMS, in April 2006, resulted in a lapse in controls over control account reconciliations, specifically for the payroll and creditor systems. These control issues have been rectified and are now considered to be working effectively.

Within the assurance process for the 2006-07 Statement it has again been identified that a minority of departments fail to maintain an up to date Register of Interests. Action will be taken to ensure that all qualifying interests will be appropriately recorded.

3.4 NON-FINANCIAL SYSTEMS

Audit work during the year on non-financial systems has found them to be operating satisfactorily.

Work in relation to Risk Management and Corporate Governance has found other activities to also be operating satisfactorily. The Operational Risk Register was initiated in September 2004 through a series of facilitated meetings with departmental and section heads. Departments are reviewing risks on an ongoing basis and significant risks are now reported to the Audit Sub-Committee on a quarterly basis.

During 2005-06, it was recognised that the Risk Management Strategy for the Authority required reviewing and updating. The Risk Management Strategy has been reviewed and updated, building upon the Authority's existing strategy.

The key enhancements include the introduction of a standard approach (common language) to risk terminology, the formalisation of reporting procedures and the introduction of Key Performance Indicators to measure how effectively risks are being managed and the extent to which risk management procedures are embedded across the Authority.

The Risk Management Strategy was formally approved at Cabinet on the 5th April 2007.

During the financial year, the Audit Commission undertook an assessment of the Authority's Data Quality procedures. The report was published in February 2007 and reported to the Audit Sub-Committee in March. The review concluded that overall the Authority was performing adequately at Level 2, and performing well at Level 3 with respect to the use of data.

An action plan has been produced to progress the Authority towards Levels 3 and 4. The action plan includes the formulation of a Data Quality working group to oversee the development of a Data Quality Strategy, which includes formal procedures for checks and controls over data production.

In addition, the Authority is giving consideration to the procurement of a central web based Performance Management system.

3.5 ASSURANCE STATEMENTS

Assurance Statements have been completed by the Chief Executive, Deputy Chief Executive, Chief Financial Officer, Monitoring Officer, and all Heads of Service and by appropriate Heads of Unit. The process included an extended questionnaire drawn directly from the responsibilities within the Authority's Financial Regulations. Departmental Heads were encouraged to involve their section heads in this process especially where day-to-day responsibilities are delegated within departments.

Individual assurance statements were completed by the Chief Executive, Deputy Chief Executive, Chief Financial Officer (s151) and Monitoring Officer for their specific areas of responsibility.

An example of the departmental summary assurance statement is provided in **Appendix B**.

Where any issues raised are considered significant and relevant to the production of the Statement on Internal Control these will be included in the Assurance Statement given in **Appendix A**.

Further assurances in relation to non-financial systems can be evidenced in:

- The review undertaken on Corporate Governance and Strategic Risk profiles.
- The results of the CPA.
- The results of Inspectorate reviews.

4. AUDIT WORK AND PERFORMANCE DURING 2006-07

4.1 THE RESOURCE SERVICES SECTION

The following are the established posts within Resource Services Section:

Manager (37 hours)
Principal Internal Auditor (9.5 hours)
Resource Management Officer (18.5 hours)
Risk Management Administrator (37.0 Hours)
Internal Auditors (2.5 FTE)

The work of the section covers Corporate Governance, Risk Management, Insurance, Business Continuity Planning and Internal Audit. The Auditor posts above specifically focus on the role of Internal Audit and how adequate and effective the systems of internal control operate within the Authority.

The remaining areas of work undertaken by the Manager and Resource Management Officer provide assurance that controls in relation to Corporate Governance and Risk Management are in place and operating effectively.

With the transfer of the Highways Agency to the County specific tasks such as Highways Claims Administration and Business Continuity Planning are undertaken by the section. The post of Risk Management Administrator was created in 2005-06 to assist with this additional work.

Over the past three years the section has had a partnership arrangement, with the County Council, for the provision of Internal Audit work to ensure that the annual plan is achieved. The cost of this partnership arrangement has been met from vacancy savings in relation to the part time Principal Internal Auditor and 0.5 FTE Internal Auditor posts.

The agreement for 2006-07 with the County was for 65 days of audit work to be undertaken. In addition, a vacancy at Internal Auditor level arose during the year. Delivery of the Audit Plan within financial budgetary limits was achieved by engaging Bentley Jennison to provide 90 days of audit activity.

This approach to co-sourcing audit resource will continue during 2007-08, as it provides the Authority with greater flexibility to meet the challenges ahead and access to a greater skill and knowledge base to utilise.

The Authority has met its commitment to Internal Audit by continuing to train suitably qualified staff through an arrangement with East Midlands Region Local Government Association (EMRLGA). This arrangement means that the Authority benefits from the work of a Chartered Institute of Public Finance and Accountancy (CIPFA) trainee whose training costs are being met by the Office of the Deputy Prime Minister (ODPM).

4.2 COMPLIANCE WITH THE CODE OF PRACTICE FOR INTERNAL AUDIT

In 2003 CIPFA published a new Code of Practice for Internal Audit in Local Government in the United Kingdom. This publication was updated in 2006.

The new code took into account the significant changes in the nature, scope and practice of internal audit that has taken place since 1990. This includes the Turnbull Guidance for Listed Companies (1999), with the appropriate modifications for the public sector, and the Accounts and Audit Regulations 2003 (amended 2006).

The revised Code of Practice defines Internal Audit as follows:

“Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation’s objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic and efficient use of resources.”

The Code then consists of standards in two groupings. The first encompasses the organisational and structural aspects of internal audit; the second encompasses the activity and operation of internal audit.

| Organisational Standards | | Operational Standards | |
|---------------------------------|---|------------------------------|---------------------------------|
| 1. | Scope of Internal Audit | 7. | Audit Strategy & Planning |
| 2. | Independence | 8. | Management of audit assignments |
| 3. | Ethics for Internal Auditors | 9. | Due Professional Care |
| 4. | Audit Committees (or equivalent) | 10. | Reporting |
| 5. | Relationships with management, other auditors and other review bodies | 11. | Performance & Effectiveness |
| 6. | Staffing, training and development | | |

In addition to this the Code introduces a new section on ethics for Internal Auditors. This sets minimum standards for the performance and conduct of all Internal Auditors.

4.3 REVIEW OF THE SYSTEMS OF INTERNAL AUDIT

During the financial year, the Audit planning and reporting processes have been enhanced to provide a greater emphasis on risk. Audit reports now give a formal opinion on the level of assurance provided against the risk areas identified and reviewed. This approach facilitates an integrated approach to risk management, with audit activity providing a direct and key feed into the risk management process.

The Audit Commission undertakes an annual review of the Internal Audit function and the quality of its work. When undertaking the review they ensure compliance with the Code of Practice and, where relevant, make recommendations on how compliance can be improved or developed further.

In addition, the Audit Commission undertakes a detailed review of Internal Audit work every 3-4 years. This was completed in July 2006, no issues of concern were identified.

The Accounts and Audit (Amendment) (England) Regulations 2006 came into force on the 1st April 2006. Whilst many of the amendments clarify or correct elements of the 2003 Regulations, two of the amended regulations have an impact on the process for preparing the SIC.

Regulation 6 requires the Authority to undertake an annual review of the effectiveness of their system of Internal Audit, and (under Regulation 4) for the findings of the review to be considered by a committee of the Authority (or by the Authority as a whole).

A review of the Authority's system of Internal Audit was completed during April/May 2007. The review comprised a self-assessment against the standards outlined in the CiPFA Code of Practice detailed above in section 4.2. The individual criteria within the standards were prioritised into 4 levels to provide a formal conclusion and a benchmark comparator to monitor future progress.

The review was completed by the Authority's Chief Financial Officer, Chair of the Audit Committee and via an external peer review conducted by the Audit Manager at Mansfield District Council.

The review concluded that:

"Following completion of the self-assessment and peer review process, it is considered that the system of Internal Audit is operating to a good professional standard and is providing a good level of effectiveness for the Authority. Overall performance is considered to be good, with robust plans in place to achieve an excellent rating".

Specific key actions from the review include:

- Review of training requirements for Audit Sub-Committee members.
- Development and introduction of client satisfaction surveys for individual audit assignments and overall outputs of the Audit team.
- Alignment of corporate risks, reported within the corporate risk scorecard, to the organisations objectives and performance management process. The planned procurement of a Performance Management system will provide a key enabler to delivering this planned action.

4.4 SUMMARY OF AUDIT ACTIVITY DURING 2006-07

During the year 31 reviews were undertaken, 3 of which did not produce formal audit reports, but provided information for management consideration. Of the 28 reviews generating audit reports, 27 have been issued with the remaining review having been issued in draft format awaiting management response. In addition, 11 audit reports emanating from the 2005-06 audit plan were issued during the year.

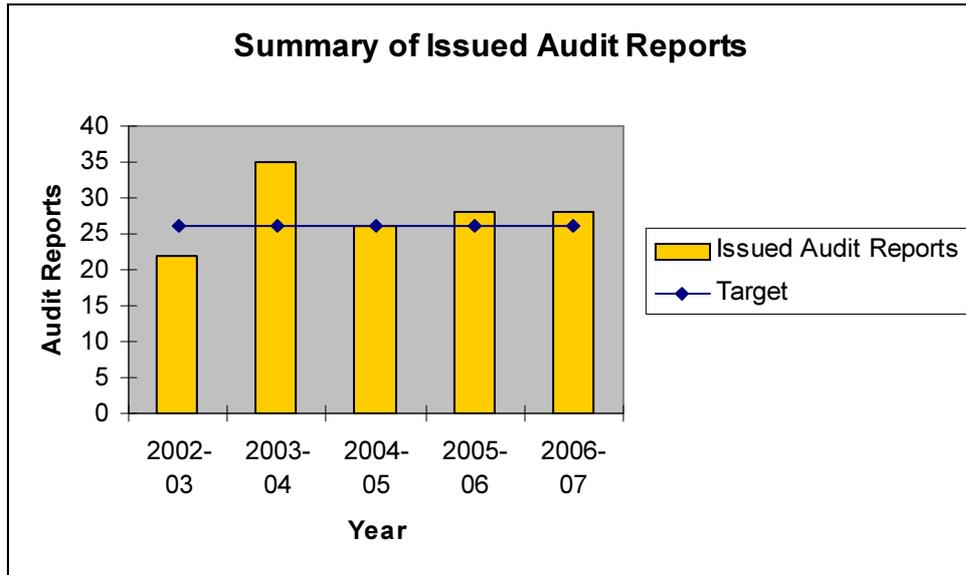
There is 1 review being carried forward to 2007-08, namely the review of Insurance & Inventory. This is due to additional work being carried out during the year within Direct Services relating to Budgetary Control and Performance Management.

25 days have been carried forward to the 2007-08 annual audit plan to complete this review and finalise the reports still at draft stage.

4.5 REPORTS ISSUED

Within the Authority's Aims and Objectives, the Internal Audit Section has a performance target of 26 audit reports to be published during the year. In 2006-07 the section produced 28 audit reports, with a further 11 reports being issued relating to the 2005-06 audit plan.

The graph below summarises the number of audit reports issued over the last five years:



4.6 AUDIT TIME (MAN DAYS)

The actual number of days worked was 516, against a planned total within the 2005-06 audit plan of 540. The variance is due to the review of Insurance & Inventory being carried forward to 2006-07 and a slight reduction in days required by the external providers to complete the Computer Audit review.

Appendix C details the days spent against each audit category.

4.7 AUDIT RECOMMENDATIONS

There has, in general, been a positive response by management to the issues raised by Internal Audit, and acceptance of the recommendations made.

The Audit Commissions report issued during 2004-05, identified that not all Internal Audit recommendations were being implemented. An agreed action to monitor and report on all High and Medium risk recommendations on a quarterly basis to the Audit Sub-Committee was agreed and implemented. This process has continued throughout 2006-07 for all audit recommendations (Low, Medium and High).

The last report to the Audit Sub-Committee, in March 2007, was a nil report reflecting the impact of these monitoring and reporting procedures.

4.8 AREA ACTIVITY DURING 2006-07

Audit work is split over the following four categories:

- Key Financial Systems.
- Other Financial Systems.
- Departmental Systems.
- Specialist Audit Systems.

The Key Financial System reviews at Gedling meets the requirements of the Managed Audit Status, for the Audit Commission. This means that the Audit Commission can rely on the work of the Internal Audit section when evaluating the Statement of Accounts.

Appendix D summarises the work undertaken for each of the four categories.

Key Financial Systems

Key financial system audits follow the system processes from departments through to the central financial system and supporting records, ensuring accuracy and efficiency.

Overall the systems of internal control for the Key Financial Systems operate efficiently and effectively. However, there are outstanding issues in relation to:

- Training on Standing Orders and Financial Regulations.
- Maintenance of Departmental Register of Interests.

Of the Key Financial System reviews planned for 2006-07, one (Insurance & Inventory) is to be carried forward to 2007-08. This is due to the additional work undertaken within Direct Services with respect to Budgetary Control and Performance Management.

Other Financial Systems

This area of audit activity covers smaller financial systems that are either required to have a probity audit check, such as cash-ups, or required audit verification but not on an annual basis (e.g. Mortgages).

All planned audit activity in relation to other financial systems was completed during the year. And systems were found to be operating satisfactorily.

Departmental Systems

This area of audit work provides assurance on the effectiveness of systems not covered within key financial systems or specialist audit areas. Departmental audit time is also used to benefit the departmental managers that are requested to suggest suitable areas for audit to review and advise on.

Where there has been, or intended to be, a Best Value review internal audit time can be utilised to advise on how to prepare or create departmental action plans to address the issues raised within a Best Value review report.

This area of audit activity provides the Corporate Governance assurance required in support of the Authority's Framework document. Linked closely with this area of audit is the sections role in relation to Risk Management and Risk Profiling.

During the year some departmental reviews have been undertaken relating to the Housing Maintenance Contracts, Stocks (Fuel), Budgetary Control and Performance Management all within Direct Services, and also an Authority wide review of Sickness Absence procedures. Audit findings are, where appropriate, included in the overall Assurance Statement in **Appendix A**.

Specialist Audit Systems

This area of audit activity includes:

- Contract Audit,
- Computer Audit,
- Contingency/Special Investigation Audit,
- New Financial Systems,
- Other Specialist Areas (e.g. Data Protection).

During the year an IT Health-check was completed, using specialist technical expertise procured from Bentley Jennison. This approach provides the Authority with access to a greater skill and knowledge base than could be afforded internally.

The review concluded that the Authorities IT arrangements are effectively managed and also provided a detailed action plan for consideration to develop the infrastructure further. Specific issues included the development of a formal Disaster Recovery plan.

The report also provided the Authority with a detailed risk based plan for future audit activity in this specialist area. It is proposed to undertake the planned areas for review utilising a combination of internal audit resource (where skills permit) and, for areas of specific technical expertise, external resource.

5 RECOMMENDATIONS

Members are asked to note the contents of this report and the Assurance Statement provided in **Appendix A**.

2006-07 Assurance Statement

The Manager of Resource Services

This formal assurance statement on the Authority's system of Internal Control is based upon the systems audited by Internal Audit, both financial and non-financial during the year 2006/2007.

In addition to this the assurance statements provided by the Chief Executive, Deputy Chief Executive, Chief Financial Officer (s151), Monitoring Officer, Heads of Service and Heads of Unit support the conclusions being made within this statement.

In our opinion and to the best of our knowledge the Authority's system of Internal Control in the main operates satisfactorily. This is further evidenced by external evaluators such as CPA inspection, which classified the Authority as a "Good" Authority, the Audit Commission, in their annual audit letter and other inspectorate reports such as the Planning Inspectorate.

However, during 2006-2007 certain issues arose which we believe relevant to the preparation of the Statement on Internal Control, within the Statement of Accounts.

These issues being:

Outstanding Issues Brought Forward:

- The Authority's Risk Management Strategy has been reviewed and updated. The key enhancements include the introduction of a standard approach (common language) to risk terminology, the formalisation of reporting procedures and the introduction of Key Performance Indicator's to measure how effectively risks are being managed and the extent to which risk management procedures are embedded across the Authority.
- Implementation of the Satellite Navigation system has been completed during 2006-07. Benefits are being achieved in identifying and providing evidence to support reportable delays with respect to waste disposal.
- Register of Interests. Procedures have been developed across a number of Departments, however, further action is required to ensure that all qualifying interests are disclosed across Departments.
- The Business Continuity Plan has been reviewed and updated. Formal testing procedures will be developed and deployed during 2007-08.

Reportable Issues for Inclusion Within the 2006-07 Statement:

- Register of Interests. Procedures have been developed across a number of Departments, however, further action is required to ensure that all qualifying interests are disclosed across Departments. Internal Audit will be conducting a review of this area, for both Officers and Members, during 2007-08.
- The Business Continuity Plan has been reviewed and updated. Formal testing procedures will be developed and deployed during 2007-08. This will provide a key feed into the development of the Disaster Recovery plan.

Emerging Issues for Consideration:

- Awareness and monitoring of the implications of the outputs from the Comprehensive Spending Review 2007 on the medium and long-term financial strategy.
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- Partnership Risk – the Authority will need to review its approach to Partnership Risk, and consider associated control issues as and when the number and complexity of partnership activity changes.

It should however, be noted that action plans to address the weaknesses have been implemented and when fully incorporated will ensure that the control in relation to these issues operate efficiently and effectively.

Internal Audit will monitor the progress of the action plans and evaluate the effectiveness of the actions in addressing the issues identified.

The Authority's system of Internal Control can only provide reasonable (not absolute) assurance that assets are safeguarded and that errors or irregularities are prevented or detected within a reasonable period.

This statement is given to the best of my knowledge.

Mr V Rimmington
Manger of Resource Services
Gedling Borough Council
June 2007

STATEMENT ON INTERNAL CONTROL 2006-07
1. Fulfilment Of Corporate Responsibilities

This statement is given in respect of the Council's 2006-2007 final accounts.

I acknowledge my responsibility in maintaining and operating in accordance with the Council's procedures and practices that uphold the internal control and assurance framework.

The information provided in this section of the document is given to the best of my knowledge in connection with the service areas for which I have responsibility. Where I am unable to confirm all, some or any of the following, I have provided details in the column "Exceptions".

| Reference | Area of Responsibility | Confirmed (Yes/No) | Exceptions |
|-----------|--|--------------------|------------|
| 1.1 | <p>I can confirm that:</p> <ul style="list-style-type: none"> The key controls over systems and arrangements are in place to ensure Council assets are safeguarded from error or irregularity I keep the key controls under review and that I take action to address internal control weaknesses identified. | | |
| 1.2 | <p>I can confirm that:</p> <ul style="list-style-type: none"> All resources at my disposal are deployed in achievement of Council business objectives That I keep the use of resources under review and take action to address any instances of ineffective, inefficient and uneconomical use. | | |

| Reference | Area of Responsibility | Confirmed (Yes/No) | Exceptions |
|-----------|---|--------------------|------------|
| 1.3 | <p>My service plan contributes to the Councils wider business priorities and is reflective of existing policies and strategies. This can be demonstrated through:</p> <ul style="list-style-type: none"> • Key performance targets and indicators • Budget setting and allocation of resources • Identifiable improvements in service, including achievement of explicit outputs and /or milestones • Action plans prepared to assist with achievement of objectives, further improvements in service delivery and performance, or, to overcome service delivery and performance failures. | | |
| 1.4 | <p>With regard to business risk management:</p> <ul style="list-style-type: none"> • I seek to identify, assess and keep under review business risks • I take action to manage business risks • I have a record of business risks to assist with above in connection with the services and activities that I am responsible for. | | |
| 1.5 | <p>I ensure that both myself and staff have access to, are familiar with and work in accordance with the following and that I take action where non-compliance is identified:</p> <ul style="list-style-type: none"> • Financial Regulations • Employee Code of Conduct • Contract Standing Orders <p>The Authority's Approved Scheme of Delegation</p> | | |
| 1.6 | <p>I ensure that the decisions I take and the activities that my</p> | | |

| Reference | Area of Responsibility | Confirmed (Yes/No) | Exceptions |
|-----------|--|--------------------|------------|
| | <p>service is involved in are done so with due regard for:</p> <ul style="list-style-type: none"> • The Authority's aims and objectives • Best Value and Service Improvement • Legality • Financial implications • Staffing implications • Sustainable development implications • Equal Opportunities implications • Community Safety implications • Health improvement implications • Property implications • Risk Management implications | | |

2. Statement of Accounts – Financial and Legal Implications

This statement is given in respect of the Authority's 2006-2007 final accounts.

The information provided in this section is given to the best of my knowledge in connection with the service areas for which I have responsibility. I have made appropriate enquiries with other officials of the Council and of information systems and records maintained and can confirm the following statements as detailed in the column "Accounts – Financial and Legal Implications". However, where I am aware of such circumstances, I am able to provide further relevant information in the column headed "Details".

| Reference | Accounts- Financial and Legal Implications | Confirmed (Yes/No) | Details |
|-----------|---|--------------------|---------|
| 2.1 | <p>There are no contingent liabilities that are likely to have a significant effect on the finance or operations of the Authority.</p> <p>Please refer to the definition of Contingent liabilities provided in the note at the end.</p> | | |
| 2.2 | <p>There are no instances of non-compliance with laws or regulations that are likely to have a significant effect on the finance or operations of the Authority.</p> | | |
| 2.3 | <p>There are no post-balance sheet events that have occurred that are likely to have a significant effect on the finance or operations of the Authority.</p> | | |
| 2.4 | <p>There are no pending claims, proceedings or litigation that are likely to have a significant effect on the finance or operations of the Authority.</p> | | |

| Reference | Accounts- Financial and Legal Implications | Confirmed (Yes/No) | Details |
|-----------|---|--------------------|---------|
| 2.5 | There are no other significant transactions with related parties other than those already disclosed. | | |
| 2.6 | No instances of known error, irregularity, including fraud, which are likely to have a significant effect on the finance or operations of the Authority. | | |

| |
|---------------|
| Certified by: |
| Title: |
| Date: |

Note: Contingent Liabilities **can be defined as either:**

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the Authority's control; or
- b) A present obligation that arises from past events but is not recognised in the accounts because:
 - it is not probable that the transfer of economic benefits will be required to settle the obligation; or
 - the amount of obligation cannot be measured with sufficient reliability

In this context Contingent Liabilities are any significant financial commitments that the Council may incur in the future, for example, items currently under dispute or negotiation (as at 31st March), for which no adequate provision has been made in the final accounts.

Contingent Assets can be defined as a possible asset that may arise from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the Authority's control. An example is a claim that an authority is pursuing through legal processes, where the outcome is uncertain.

DETAILED AUDIT ACTIVITY**2006-07**

| | | Planned Days | Actual Days |
|----|--|-------------------------|------------------------|
| | KEY FINANCIAL SYSTEMS | | |
| 1 | Capital | 10 | 10 |
| 2 | Cash Receipting | 10 | 10 |
| 3 | Creditors | 10 | 20 |
| 4 | Debtors | 10 | 10 |
| 5 | Insurance and Inventory | 10 | 0 |
| 6 | Officers Disbursements | 10 | 13 |
| 7 | Payroll | 10 | 20 |
| 8 | Leisure Income | 15 | 15 |
| 9 | Housing Rents | 15 | 15 |
| 10 | Housing Repairs | 15 | 15 |
| 11 | Bank Accounts | 5 | 6 |
| 12 | Lending and Borrowing | 5 | 8 |
| 13 | Council Tax | 15 | 15 |
| 14 | FMS | 10 | 10 |
| 15 | Housing Benefits | 30 | 30 |
| 16 | NNDR | 15 | 15 |
| 17 | Carry Forward from 2005-06 | 20 | 20 |
| | | | |
| | TOTAL KEY FINANCIAL SYSTEMS | 215 | 232 |
| | | | |
| | OTHER FINANCIAL SYSTEMS | | |
| 18 | Housing Benefits – Performance Standards | 20 | 10 |
| 19 | Cash Up - Leisure | 3 | 5 |
| 20 | Cash Up - Finance | 2 | 2 |
| 21 | Licensing | 15 | 15 |
| 22 | New Systems | 10 | 10 |
| | | | |
| | TOTAL OTHER FINANCIAL SYSTEMS | 50 | 42 |
| | | | |
| | DEPARTMENTAL AUDITS | | |
| 23 | Personnel & Organisational Development | 30 | 30 |
| 24 | Housing | 15 | 20 |
| 25 | Leisure | 15 | 10 |
| 26 | Direct Services | 20 | 30 |
| 27 | Planning & Environment | 10 | 5 |
| 28 | Legal & Democratic Services | 10 | 5 |
| 29 | Finance | 10 | 5 |
| 30 | Cabinet Office | 5 | 3 |
| | | | |
| | TOTAL DEPARTMENTAL AUDITS | 115 | 108 |
| | | | |

| | | | |
|----|--|------------|------------|
| | SPECIALIST AUDITS | | |
| 31 | Computer Audit | 30 | 14 |
| 32 | Contract Systems | 15 | 5 |
| 33 | Performance Indicators | 10 | 10 |
| 34 | Contingency | 45 | 50 |
| 35 | Contract Final Account | 15 | 15 |
| 36 | Data protection | 5 | 0 |
| 37 | Risk Management / Corporate Governance | 5 | 5 |
| 38 | Carry Forward from 2005-06 | 35 | 35 |
| | | | |
| | TOTAL SPECIALIST AUDITS | 160 | 134 |
| | | | |
| | GRAND TOTAL | 540 | 516 |

INTERNAL AUDIT

ACTIVITY IN 2006-07

| | <u>PLANNED DAYS</u> | <u>ACTUAL DAYS</u> |
|--------------------------------|---------------------|--------------------|
| DAYS AVAILABLE | 799 | 759 |
| LESS: | | |
| Bank Holidays and Annual Leave | 100 | 94 |
| Sickness | 14 | 1 |
| Training | 59 | 34 |
| Vacancies | 0 | |
| Meetings/Admin | 54 | 50 |
| Management | 32 | 40 |
| | <u>(259)</u> | <u>(219)</u> |
| AUDIT DAYS AVAILABLE | <u>540</u> | <u>540</u> |
| PLANNED ACTIVITY | | |
| Key Financial Systems | 215 | 232 |
| Other Financial Systems | 50 | 42 |
| Departmental Audits | 115 | 108 |
| Specialist Audits | 160 | 134 |
| Total Planned Activity | <u>540</u> | <u>516</u> |