

**Internal Audit Report
Executive Summary****CONFIDENTIAL**

To: Head of Finance, Gedling Borough Council
Subject: Direct Services – Budgetary Control
Report reference: IAR0607-22(A)
Date: 2nd May 2007

1 Introduction

- 1.1 The attached report sets out the findings and recommendations arising from a recent review of Budgetary Control in Direct Services.
- 1.2 The total budget for 2006/07 for Direct Services was approximately £8.25m, managed by five budget holders.

2 Objectives and scope of the audit

- 2.1 The objective of the audit was:
- To document the systems and evaluate the controls in operation to ascertain their adequacy and effectiveness.
- 2.2 The following control objectives were examined within the scope of the audit:
- There is an appropriate Manager who is responsible for each budget.
 - Budgets are properly planned, compiled and approved.
 - Income and expenditure is accurately and promptly recorded against budget headings.
 - Variances are reported, investigated and addressed.
 - Amendments to budgets (virements) are properly controlled.

3 Main Findings

- Appropriate staff, are responsible for setting budgets and training has been provided for them on a number of occasions.
- Budgets are prepared and presented to Cabinet and Full Council for approval as per the 'Budget and Service Plan Process Guidance Notes'.
- Some transactions are left in the suspense account for large periods of time which means income and expenditure is not always recorded promptly against the correct account.
- Variances are reported monthly.
- There are clear guidelines and rules for processing virements. However, although the correct approvals are sought for virements by Direct Services, the virements themselves are not always presented correctly.

4 Audit opinion

- 4.1 In our opinion, most of the arrangements for financial management are satisfactory. However there are some areas of concern in particular, the lack of regular checking and clearing of the suspense account, and the poor control over virements. We have made recommendations to bring the financial controls up to the standards required by Gedling Borough Council's Standing Orders.
- 4.2 Internal Audit can provide **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed.

**Audit conducted by:
Diane Ryder - Auditor**

**Audit supervised by:
Roger Smith - Assistant Audit Manager**

**J K Nash CPFA
Assistant Treasurer**