



Report to: Audit Sub-Committee

Subject: Follow-Up of Audit Recommendations

Date: 8th April 2008

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1. PURPOSE OF REPORT

To monitor departmental progress in implementation of Internal Audit recommendations.

To identify to members where additional action needs to be considered in relation to any outstanding recommendations.

2. BACKGROUND

Internal Audit follow-up on the implementation of recommendations on a quarterly basis. The results of the initial follow-up are reported to the Head of Finance, who requests any outstanding recommendations are actioned immediately.

Any recommendations remaining outstanding following this instruction are reported to this committee.

3. SUMMARY FINDINGS

Recommendations made in the following audit reports were followed-up during the period January – March 2008.

- IAR0607-06 Bank Accounts
- IAR0607-09 Capital Procedures
- IAR0607-10 Council Tax
- IAR0607-11 Non Domestic Rates (NDR)
- IAR0607-20 Payroll
- IAR0607-21 Financial Management System (FMS)
- IAR0607-24 Licensing

IAR0607-06 Bank Accounts

The report, issued in March 2007, provided **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed. One low risk recommendation was made. A review of progress of management action against this recommendation was undertaken in January 2008. The review confirmed that the recommendation had been fully implemented.

IAR0607-09 Capital Procedures

The report, issued in August 2006, provided **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed. A total of 5 low risk recommendations were made.

RSM Bentley Jennison Auditors reviewed progress of management action against these recommendations in January 2008. The review confirmed that 4 recommendations had been fully implemented. The remaining recommendation required contract details to be entered onto the contracts register in a timely basis. This action has been superseded by the introduction of revised financial procedures, which identifies capital expenditure separately within the finance system, replacing the dependence on the contracts register as a control over capital payments.

IAR0607-10 Council Tax

The report, issued in November 2006, provided **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed. A total of 11 recommendations were made, 1 medium and 10 low risk.

RSM Bentley Jennison Auditors reviewed progress of management action against these recommendations in December 2007. The review confirmed that all 11 recommendations had been fully implemented. The 2007-08 review of Council Tax (provided later on the Audit Sub Committee agenda) outlines 5 low risk recommendations. This represents a significant improvement in the control environment.

IAR0607-11 Non Domestic Rates (NDR)

The report, issued in November 2006, provided **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed. A total of 8 recommendations were made, 1 medium and 7 low risk.

RSM Bentley Jennison Auditors reviewed progress of management action against these recommendations in December 2007. The review confirmed that all 8 recommendations had been fully implemented.

IAR0607-20 Payroll

The report, issued in March 2007, provided **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed. A total of 5 recommendations were made, 2 medium and 3 low risk.

RSM Bentley Jennison Auditors reviewed progress of management action against these recommendations in December 2007. The review confirmed that all 5 recommendations had been fully implemented. The 2007-08 review of Payroll (provided later on the Audit Sub Committee agenda) outlines 1 low risk recommendations. This represents a significant improvement in the control environment.

IAR0607-21 Financial Management System (FMS)

The report, issued in March 2007, provided **limited assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed. A total of 12 recommendations were made, 6 medium and 6 low risk.

RSM Bentley Jennison Auditors reviewed progress of management action against these recommendations in January 2008. The review confirmed that all 8 recommendations had been fully implemented and 4 recommendations had been partially implemented.

Progress against the partially implemented is outlined below:

Recommendation 1 (Low Risk): required the production of a formalised set of procedure notes. It was confirmed that procedure notes have been produced for individual tasks, however, these still require formulating into a single document. This action is re-iterated in recommendation 1 of the 2007-08 review of the Financial Management System (provided later on the Audit Sub Committee agenda).

Recommendation 6 (Medium Risk): required that year-end closing balances are brought forward in a timely basis and evidence is shown of an independent review. The 2007-08 review of the Financial Management System (provided later on the Audit Sub Committee agenda) confirmed that closing balances are brought forward on a timely basis and subject to independent review. However, the reviewing officer had not evidenced this review. This action is reiterated in recommendation 2 of the 2007-08 review and has been downgraded to low risk to reflect the management action completed.

Recommendation 7 (Medium Risk): required that the main control account reconciliations are produced on a monthly basis, signed and dated by the preparer and the reviewer. The 2007-08 review of the Financial Management System (provided later on the Audit Sub Committee agenda) confirmed that the control account reconciliations had been completed on a monthly basis, however, had not been adequately evidenced by the preparer or subject to adequate review. This was due to the long-term maternity absence of 2 staff members and long-term sickness absence of another. The outstanding action is reiterated in recommendation 3 of the 2007-08 review, and has been downgraded to low risk to reflect the management action completed.

Recommendation 8 (Low Risk): required that feeder system control sheets are fully completed and evidence of an independent check provided. The 2007-08 review of the Financial Management System (provided later on the Audit Sub Committee agenda) confirmed that reconciliation control sheets had been completed, however, had not been subject to evidenced review. The outstanding action was reiterated in recommendation 4 of the 2007-08 review, however, it was later confirmed that a check sheet system had been implemented to review the control feeder sheets during the week of the review. This recommendation has subsequently been discharged as fully implemented.

The 2007-08 FMS review makes four low risk recommendations, all of which are based on the outstanding action highlighted above. No additional areas of concern were identified during the review and **substantial assurance** was provided, representing a significant improvement in the control environment.

IAR0607-24 Licensing

The report, issued in May 2007, provided **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed. Two medium risk recommendations were made. A review of progress of management action against these recommendations was undertaken in January 2008. The review confirmed that both recommendations had been fully implemented.

4. RECOMMENDATION

Members are requested to note the report.