

To: POLICY & RESOURCES (FINANCE) SUB COMMITTEE	Subject INTERNAL AUDIT PROGRESS REPORT TO 23 DECEMBER 2004
From: AUDIT MANAGER	
Date: 23 December 2004	Ref: KA/P&R

## 1 Purpose of Report

- 1.1 To report progress in the financial year to 23 December 2004 against the Internal Audit Plan for the year 2004-2005.

## 2 Background

- 2.1 The Committee approved the 2004-2005 Internal Audit Plan in March 2004. The plan detailed a planned programme of activity to be undertaken during the year. Between Committee cycles, progress against plan is reported to the Director of Finance.
- 2.2 The scope of each Internal Audit assignment is agreed with senior management prior to the commencement of each exercise. Most internal audit assignments will consider the adequacy and effectiveness of controls and arrangements put in place by management to achieve agreed control objectives. The results of these assignments inform the annual opinion on internal control presented by the Audit Manager to the Committee in June each year.
- 2.3 Internal Audit reports containing overall conclusions on the control environment, and a summary of detailed findings, together with recommendations for improvements are issued, initially in draft form, for all internal audit assignments. The reports highlight any weaknesses identified and management is given four weeks to consider the issues raised and to prepare a response to audit recommendations which is expected to contain details of any proposed actions, the officer(s) responsible and the timescale for implementing the proposed action. Upon receipt, Internal Audit assesses the adequacy of responses and where necessary discuss these with management before issuing the final report that incorporates the agreed actions.
- 2.4 As part of each year's activity, Internal Audit also undertakes follow-up activity to review that actions agreed to in previous audit reports have been implemented.

## 3 Audit reviews completed and/or underway since the previous progress report

- 3.1 The following reports have been produced since 30 September 2004, the date of the most recent progress report to the Committee:

<u>Department</u>	<u>Subject</u>
Corporate	Corporate Governance (draft report)
Corporate	Capital expenditure/contract management (draft report)
Community Services	Cleansing (draft report)

<b><u>Department</u></b>	<b><u>Subject (continued)</u></b>
Finance	Follow-up: General Ledger Control and Corporate Financial Planning/Budgetary Control (draft report)
Finance	IT Project Management and Development Control (draft report)
Finance	The Prudential Code (draft report)
Housing and Property Services	Housing Benefit – verification policies and procedures (final report)
Housing and Property Services	Housing Benefit – calculation of wards (draft report)
Housing and Property Services	Follow-up – Housing Allocations (draft report)
Planning and Environment	Street Lighting (draft report)
Social Work	Social Work Information System (final report)
Social Work	Follow-up – Joint equipment store (final report)

3.2 Work is also underway on a number of significant audit exercises including:

<b><u>Department</u></b>	<b><u>Subject</u></b>
Corporate	Payroll – manual
Education	Arrangements for achieving and maintaining quality of provision
Finance	Creditors

3.3 Internal Audit work is progressing broadly in accordance with the approved annual plan, although some re-scheduling of work has occurred partly due to staff turnover and partly due to request from Departments.

3.4 Where work is rescheduled, Internal Audit seeks, where appropriate, to bring forward other work from future plans within the relevant Departments area of responsibility. The loss of productive time resulting from staff turnover has been greater than planned due to an unsuccessful attempt during the Autumn to fill a job share vacancy at qualified auditor level. This post remains vacant reflecting the ongoing difficulty of attracting suitable qualified and experienced candidates for such posts. This loss of productive time has been offset by a lower than expected input relating to frauds and irregularities and some slippage in audit work required following delays in the transfer from Communities Scotland to the Council of responsibility for the Management of Development Funding. Subject to any other unexpected events and based on current progress, it is expected that the annual programme of work will again be substantively completed by the year-end.

3.5 The detailed nature of internal audit reviews mean that Internal Audit exercises invariably find some evidence of control weaknesses, either in the form of inadequate or ineffective controls, and generally, therefore, contain recommendations for improvements. I am pleased to confirm, however, that during the period covered by this report, there were no systems of control that I required to assess overall as either inadequate or ineffective.

3.6 I am also pleased to report that management continue to respond promptly and appropriately to the recommendations contained in Internal Audit reports and that there are no significant issues arising from the work of Internal Audit during the period that I require to bring to the attention of the Committee.

4 **Recommendation**

4.1 The Committee is invited to note this report.

A handwritten signature in black ink, appearing to read 'KA', with a long horizontal flourish extending to the right.

**Audit Manager**

*For further information please contact Ken Adamson, Audit Manager on Ext. 2188*