

To: POLICY & RESOURCES (FINANCE) SUB COMMITTEE	Subject INTERNAL AUDIT PROGRESS REPORT TO 28 FEBRUARY 2005	
From: AUDIT MANAGER		
Date: 28 February 2005	Ref: KA/P&R	

1 **Purpose of Report**

- 1.1 To report progress in the financial year to 28 February 2005 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 31 December 2004, the date of the most recent progress report to the Committee:

<u>Department</u>	<u>Subject</u>
Corporate	Disposal of Assets (final report)
Corporate	Capital expenditure/contract management (final report)
Corporate	Health and Safety (final report)

<u>Department</u>	<u>Subject (continued)</u>
Corporate	Payroll – regularity (draft report)
Corporate	Debtors – regularity (draft report)
Community Services	Cleansing (final report)
Finance	Follow-up: General Ledger Control and Corporate Financial Planning/Budgetary Control (final report)
Finance	Creditors (final report)
Finance	The Prudential Code (final report)
Housing and Property Services	Follow-up – Council House Sales (draft report)
Housing and Property Services	Follow-up – Housing Allocations (final report)

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

<u>Department</u>	<u>Subject</u>
Corporate	Payroll – manual
Corporate	Best Value
Education	Follow-up – Financial management in schools
Education	Arrangements for achieving and maintaining quality of provision
Housing and Property Services	Rent Arrears

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.

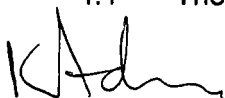
3.4 Where work is rescheduled, Internal Audit seeks, where appropriate, to bring forward other work from future plans within the relevant Departments area of responsibility. The loss of productive time resulting from staff turnover has been greater than planned due to an unsuccessful attempt during the autumn to fill a job share vacancy at qualified auditor level and a recent vacancy arising at audit technician level. 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 the 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, that the results of my follow-up work indicates that management are progressing agreed actions 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 'K Adamson', is written over the text of the signature block.

Audit Manager

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