

REPORT OF DEPUTY CHIEF EXECUTIVE & CORPORATE DIRECTOR FOR  
RESOURCES

INTERNAL AUDIT REPORT SELECTED FOR EXAMINATION

1. REASON FOR EXEMPTION AND PUBLIC INTEREST TEST

This report contains an appendix, which is exempt from publication under paragraph 3 of Schedule 12A to the Local Government Act 1972 because it contains information relating to operation of the to the financial or business affairs of the authority which, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. It is not in the public interest to disclose this report because it contains information relating to business affairs which could expose the Council to increased financial risk.

2. PURPOSE OF REPORT

This report presents the Internal Audit report selected for detailed examination at the November 2010 meeting. The Audit Committee is asked to appraise the quality and scope of this piece of Internal Audit work and to determine whether the action taken by the audited service has been sufficiently robust and prompt in response to the audit findings. Colleagues from both Internal Audit and the reviewed service will be present at the meeting to assist the Committee with this activity.

3 RECOMMENDATIONS

To critically appraise the Internal Audit report at **Appendix A** (Creditors 2010/11) to:

- determine whether the audit work was of an appropriate quality and scope;
- determine whether the service response was sufficient robust and prompt;
- make any further observations and/or comments considered relevant;
- determine any further action.

4 REASONS FOR CONSIDERATION

The critical appraisal of selected Internal Audit reports is an important aspect of the Audit Committee's governance work. This helps the Committee to fulfil its responsibility to receive reports on the work undertaken by Internal Audit and to monitor its performance. In doing this, the Committee is testing and contributing to the robustness organisation's audit and other governance arrangements. This in turn facilitates a deeper understanding of the Council's internal control environment and Internal Audit working practices. Issues to consider might include:

- how the audit was selected – for example the risk assessment, the potential for fraud, previous track record of the service, frequency of the audit;
- whether the audit coverage was appropriate, adequate and correctly focussed;
- the time spent on the audit against the outcomes and findings;
- the quality of the Internal Audit report;
- the actual findings and the impact on the service and the Council overall;
- the service’s response to the audit recommendations;
- the speed and robustness of the actions taken to address the recommendations;
- whether there are any learning points or principles that could be applied in future audit or governance work.

The above list is not exhaustive and the Committee should explore any other governance issues it feels are relevant.

#### **4 OVERVIEW OF WORK UNDERTAKEN**

**Appendix A** is the final report, issued in February 2011, focussing on Creditors 2010/11. An outline of the audit work and a summary of the key issues are set out in Table A.

<b>TABLE A – Draft Audit Report – Creditors 2010/11</b>	
<b>Reason for audit</b>	
The review was completed as part of the Audit Plan for 2010/11. The objective was to identify and assess the controls in place within the system, and to provide management with an independent opinion on their effectiveness.	
<b>Assurance level:</b>	Limited
<b>Key findings</b>	
<ul style="list-style-type: none"> <li>• The work of the Payments &amp; Remittances Team in processing payment runs and distributing payments is well managed and controlled.</li> <li>• Payments to suppliers are processed through the OneWorld system. Access to the system is adequately controlled by the OneWorld system administrators</li> <li>• Although there has been some progress since last year’s report problems were found due to the failure of many service areas across the council to follow the council’s procure-to-pay process and financial regulations including instances included: <ul style="list-style-type: none"> <li>▪ not raising purchase orders</li> <li>▪ not receipting purchase orders</li> <li>▪ certifying without appropriate authority</li> <li>▪ slow response to Accounts Payable requests for payment authorisation</li> </ul> </li> <li>• Duplicate payment levels were estimated at between £350,000 and £450,000, although in our sample we found 33% (by number) of actual duplicate payments had already been recovered</li> <li>• Un-recovered credit notes were logged in the system</li> <li>• Some budget codes over-committed or not input</li> </ul>	

<b>Recommendations</b>					
<b>Total:</b>	8	<b>High Priority:</b>	4	<b>Medium Priority:</b>	2
<b>Time taken</b>					
<b>Actual days:</b>	21	<b>Planned days:</b>	21		
<b>Implementation of recommendations</b>					
The ownership of Internal Audit recommendations is the responsibility of the auditees. However, Internal Audit will also follow up the recommendations as part of the Creditors audit in 2011/12.					

5. **BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION**

None

6. **PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT**

Minutes and report for the Audit Committee dated 26 November 2010

Carole Mills-Evans  
Deputy Chief Executive & Corporate Director for Resources

**Author and contact colleague**

Shail Shah

Head of Internal Audit

☎ 0115-8764245

✉ [shail.shah@nottinghamcity.gov.uk](mailto:shail.shah@nottinghamcity.gov.uk)