

<b>REPORT TO THE FINAL ACCOUNTS AND AUDIT COMMITTEE</b>		Report No. 8
<b>Date of Meeting</b>	09/03/2009	
<b>Title of Report</b>	Annual Audit Report 2008/2009	
Link to Corporate Priorities	No links to corporate priorities.	
Public Report	Yes	

<p><b>Summary of Report</b></p> <p>This annual report details the level of assurance given on all finalised internal audits undertaken during 2008/2009 and gives an overall assurance opinion.</p>
<p><b>Officer Recommendations</b></p> <p>1. That the report is noted.</p>

Other than those implications agreed with the relevant Officers and referred to below, there are no other implications associated with this report.				
Financial Implications	Legal Implications	Community & Environmental Implications	Human Resources Implications	Equality & Diversity Implications
None	None	None	None	None

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## 1. Introduction

1.1 This report covers the Internal Audit opinion on the control environment of North Wiltshire District Council and the outcomes of the internal audits carried out in 2008/2009.

## 2. Summary

2.1 This annual report details the level of assurance given on all finalised internal audits undertaken during 2008/2009 and gives an overall assurance opinion.

2.2 The overall opinion on the operation of the control framework of the Council is a **Good (2)**. (Appendix 1 details the control assurance definitions.)

2.3 At the time of this report internal audit had completed all but one of the planned audits for 2008/2009.

### **Summary of Internal Audits for 2008/9**

Below is a brief summary of each major audit carried out within the year. Each one includes the original audit opinion as described in Appendix 1 the major risks identified, what management are doing to address the issues and a new audit opinion, if applicable, based on a follow up review or follow up audit.

### **Financial Control Audits**

#### **Main Accounting System.**

The audits for the last 3 years have pointed out the failings of the Forte computer system and these are well documented. In addition to these failings a number of recommendations were made to address more general control issues. There was a lack of staff training, the fact that archiving of old data was not being carried out and that reconciliations between systems was not taking place.

The failings of the Forte system were agreed by management over the last 3 years and it was decided to replace the system. This was abandoned when the unitary decision was made and work commenced on making the best of what we had. Over the last year staff training has taken place, archiving old data has been successfully achieved and reconciliations are now being carried out on a regular basis. With these measures in place the audit opinion is that the system is running to the best of its capability and therefore a Satisfactory (3) rating of assurance has been given.

### Debtors

Previous audits have highlighted significant control weaknesses of this in house written system. Following these audits most of the issues that could be addressed have been and the problems that still exist would require a major overhaul of the software. One of the main risks is that invoice numbers are not unique and consecutive, as periodic invoices contain the same invoice number as the last time they were issued. Issues such as insufficient record keeping and lack of reconciliations have been addressed and as such the audit opinion is Satisfactory (3).

### VAT

The VAT audit concluded that there were no major problems with the way in which VAT was calculated and reported to HMRC. Extensive substantive testing of income and expenditure transactions revealed no major issues and as a result the audit opinion was Satisfactory (3). Recommendations were made to address the lack of VAT information available to other Officers and the lack of procedure manuals within the Finance Team. These issues have subsequently been addressed and the audit assurance opinion is now considered to be Good (2).

### Budgetary Control

The audit was carried out in September 2008. The audit opinion given was Good (2). The audit concentrated on the way in which the budget was calculated, ensuring that effective consultation took place between Members and Officers so that a robust budget was archived that took into account the Council's goals and objectives. An effective robust system was found to be in place and only two minor wording issues were found with the Financial Regulations. The recommendations have now been addressed and the audit assurance opinion is now considered to be Excellent (1)

### Cash Collection and Banking

The audit opinion for cash collection and banking is Satisfactory (3). Ten recommendations were made, most of which have been addressed or are no longer applicable due to the decision to stop taking cash payments at reception. One risk remaining is that following on from a self assessment NWDC do not comply with the Payment Card Industry Data Security Standard (PCI DSS) voluntary code of practice. It is possible but unlikely that NWDC could lose the ability to take payments by credit and debit cards. Another risk is that not all post (including cash and cheques) is opened in the secure post area. Improvements have been made but post is still distributed around the building before it is opened and logged. The Audit assurance opinion remains as Satisfactory (3) until these recommendations are addressed in full.

### Creditors

The audit assurance opinion has risen from Satisfactory (3) to Good (2) in the last couple of years as improvements have been made to the system. In the last audit no significant areas of concern were identified. Due to system limitations it is not possible to 3 way match orders to receipts and then to invoices, and in most cases purchases

orders are not used at all. Without these controls full assurance of the system can not be given.

## **Service Audits**

### Contract Monitoring

An audit was carried out to identify the way in which contracts were issued to suppliers. It was initially thought that it would be possible to obtain all the information from the Legal Team as they should be involved in every contract raised, at the very least in a reviewing capacity. This was not the case and the audit quickly spread to all Teams as it was found that although adhering broadly to the procurement procedures each Team was effectively raising, negotiating and signing off their own contracts. The Legal Team was only aware of contracts that were either complex in their nature or were over £50k in value.

The main risks identified were that contracts were signed after the work had commenced and some were signed after the work had been completed also at the time of the audit there was no easy way of knowing how many contracts had been issued, and to who, as there was not a central list being maintained.

Some of these issues have been addressed and the CAMS Team has a list of the contracts in place. Work is now concentrating on the contracts handover to Wiltshire Council and a lot of work has taken place to gather information and to shape the new procedures. The audit assurance remains as Limited (4) as there are still significant control issues with regards to the NWDC system.

### Facilities Management Jarvis.

The Jarvis contract and the way in which the contract is managed was reviewed. Two areas were identified for improvement the first was the lack of information received from Jarvis on a monthly basis, the second was interaction with users of the building to identify where improvements could be made, Jarvis are now supplying additional information to the ADR Team and a staff questionnaire has been devised. The original assurance level was Good (2) but following the review the assurance level is now considered to be Excellent (1).

### Depot

The depot was audited in December 2008 and although 15 recommendations were made the majority of these were small procedural changes. The main risk areas identified were the lack of any periodic stocktaking in the stores, segregation of duties issues regarding ordering of vehicle parts, the lack of controls in place to monitor the efficiency of the workshop, problems in processing invoices in time for payment and the failure to monitor fuel usage. All of the issues raised received positive management responses and as such the audit opinion is considered to be Satisfactory (3). A follow up audit will be carried out in March 2009.

### Overall Assurance rating.

Based on the audits carried out in 2008/9 the overall Internal audit assurance level is considered to be Good (2)

The graph below shows the average audit opinion based on the audits carried out in 2008/9. Only 9% of audits were deemed to have a rating of Limited or less, while 91% had a rating of Satisfactory or above.

