



REPORT TO: AUDIT AND PERFORMANCE REVIEW COMMITTEE ON 21st OCTOBER 2009

SUBJECT: REPORT ON THE WORK OF THE INTERNAL AUDIT SECTION IN THE PERIOD FROM 1st JULY 2009 TO 30th SEPTEMBER 2009

BY: CHIEF FINANCIAL OFFICER

1. REASON FOR REPORT

- 1.1 This report advises committee on the work of the Internal Audit section for the period 1st July 2009 to 30th September 2009.
- 1.2 This report is submitted to Committee in terms of Section I (1 and 6) of the Council's Administrative Scheme relating to monitoring delivery of the audit service by Internal Audit.

2. RECOMMENDATION

- 2.1 That Committee consider the contents of the report, seek clarification on any points arising, and otherwise note the report.**

3. BACKGROUND

- 3.1 Internal Audit sets out its planned programme of work on an annual basis, the programme being designed to provide assurance to Committee and Chief Officers of the Council that effective internal controls are introduced and maintained within the Council's systems and procedures.
- 3.2 In line with the audit plan approved at the meeting of this Committee on 8 April 2009, Internal Audit has continued its review of a range of topics at both strategic and operational levels, which will inform the annual controls assurance opinion to be provided by the Team Leader (Audit) at the end of the financial year.
- 3.3 The focus of the audit work during this period was on two main financial systems; Housing Rents which generates income of approximately £12 million per annum and Housing Benefits which pays out some £17 million per annum to eligible claimants. The audit of Housing Rents involved a comprehensive review of systems for calculating and collecting rents due, including rent arrears. On Housing Benefits, the audit involved an in-depth study of a sample of cases over a full year period to confirm the accuracy of the benefits subsidy claim the Council submits to the Department for Work and Pensions.

- 3.4 Both of these audits supported the work of the external auditor in the validation of the annual accounts and in respect of the benefits review involved populating a recently introduced database developed by Audit Scotland for use in all councils. There was a learning curve attached to this process which was quite time consuming but it was encouraging given the complexity of the benefits system and the variability of claimants' circumstances that only one minor error was disclosed.
- 3.5 Executive Summaries of the reports together with an Action Plan for the Housing Rents audit are attached as **APPENDIX 1**.
- 3.6 The annual review of statutory performance information was also undertaken. This is the final year when all published performance indicators are prescribed by Audit Scotland. From 2009/10, performance information reported will be drawn from a much smaller set of prescribed indicators plus information taken from the Council's own performance management framework. The key findings from the audit together with observations on the indicator results are given in **APPENDIX 2**.
- 3.7 Work on risk management during the period has been limited following the early retirement of the auditor undertaking this work. The post will remain unfilled for the remainder of this financial year. The initial 'push' to raise awareness of risk management practices across senior managers of the Council is effectively complete. The focus now is to maintain the momentum in terms of ensuring managers prepare the necessary evidence in the form of risk registers to demonstrate that the management of risk is now embedded in day to day decision making processes. Links with the Business Continuity Officer who supports managers in the development of plans to mitigate identified risks are being reviewed to see if synergies can be achieved in this area of work.

4. SUMMARY OF IMPLICATIONS

- (a) Single Outcome Agreement / Service Improvement Plan**
- (b) Policy and Legal**
- (c) Resources (Financial, Risks, Staffing and Property)**

In relation to (a) to (c) above the work of Internal Audit contributes towards ensuring plans are achieved, policies are consistently applied, and resources are used to best effect in the areas under review.

- (d) Consultations**

Service managers responsible for areas being audited are involved throughout the audit process in relation to their services. There have been no direct consultations in respect of this report.

5. CONCLUSION

- 5.1 **Audit work during the period has seen the completion of extensive and detailed audits of key financial systems and an independent review of information collected to support of the Council's statutory performance information for the 2008/09 year.**

Author of Report: Atholl Scott, Team Leader (Audit)
Background Papers: Internal Audit files
Ref: AS/LMS/683386/683388/683390

Signature: Margaret Wilson Date: 13 October 2009

pp. Designation: Chief Financial Officer Name: Mark Palmer