

## Annex 2

### 2009/10 Audits Completed and Reports Issued

(A) An overall opinion is given following each audit review. For reports issued after 1 August 2009 these are:

<b>Opinion</b>	<b>Level of Assurance</b>
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Moderate	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

(B) Actions to address issues are agreed with managers where weaknesses in control are identified. For reports issued after 1 August 2009, the following categories have been used to classify agreed actions:

<b><u>Priority</u></b>	<b><u>Long Definition</u></b>	<b><u>Short Definition – for use in Audit Reports</u></b>
1 (High)	Action considered both critical and mandatory to protect the organisation from exposure to high or	A fundamental system weakness, which presents unacceptable risk to the system objectives and

**Priority**

**Long Definition**

**Short Definition – for use in Audit Reports**

catastrophic risks. For example, death or injury of staff or customers, significant financial loss or major disruption to service continuity.

requires urgent attention by management.

These are fundamental matters relating to factors critical to the success of the area under review or which may impact upon the organisation as a whole. Failure to implement such recommendations may result in material loss or error or have an adverse impact upon the organisation's reputation.

Such issues may require the input at Corporate Director/Assistant Director level and may result in significant and immediate action to address the issues raised.

2 (Medium)

Action considered necessary to improve or implement system controls so as to ensure an effective control environment exists to minimise exposure to significant risks such as financial or other loss.

A significant system weakness, whose impact or frequency presents risks to the system objectives, and which needs to be addressed by management.

Such issues may require the input at Head of Service or senior management level and may result in significantly revised or new controls.

3 (Low)

Action considered prudent to improve existing system controls to provide an effective control environment in order to minimise exposure to significant risks such as financial or other loss.

The system objectives are not exposed to significant risk, but the issue merits attention by management.

**Priority**

**Long Definition**

**Short Definition – for use in Audit Reports**

Such issues are usually matters that can be implemented through line management action and may result in efficiencies.

**Draft Reports Issued**

14 2009/10 reports are currently issued in draft and are with management for consideration and comments. Once the reports have been finalised, details of the key findings and issues will be reported to this committee. The draft reports are categorised as follows:

<b>Opinion</b>	<b>Number</b>
“High Assurance”	0
“Substantial Assurance”	8
“Moderate Assurance”	4
“Limited Assurance”	1
“No Assurance”	0
“Not given”	1

The findings from these audits are still being discussed and the actions to be taken being agreed with management and therefore it is not yet appropriate to formally report on the outcomes. However, there are issues from the draft report on ordering and creditor payments which are relevant to the Head of Internal Audit’s Opinion. Weaknesses arising from the implementation of the new financial management system on 1 April 2009 have caused problems and delays in processing payments during the year. While managers of the system are aware of the issues and plan to take action to resolve them, they had not been fully addressed at the time the audit was undertaken.

### Final Reports

The table below shows audit reports finalised during the year. In all cases actions to address identified issues have been agreed with management, and will be subject to follow up by Internal Audit. The table includes reports finalised since the last monitoring report to this committee on 26 April 2010.

Description	Date Final Report Issued	Opinion	Agreed Actions		Work done / significant weaknesses / issues identified
			Total number	Number which are a 'high' priority	
Acomb Primary School	14/1/10	High Assurance	4	0	A school establishment audit. No significant weaknesses were identified. Actions were agreed to address minor issues.
Scarcroft Primary School	16/2/10	High Assurance	2	0	A school establishment audit. No significant weaknesses were identified. Actions were agreed to address minor issues.
Recruitment Process	22/3/10	Substantial Assurance	3	0	There is a need to improve standards of record keeping around recruitment processes. The need for compliance with procedures for authorising the appointment of staff before CRB checks are complete also needs promoting.
Sickness Management	22/3/10	Substantial Assurance	4	0	A review of the effectiveness of the sickness absence pilot scheme in HASS should be undertaken, and the service

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					established on a more formalised basis if appropriate. There is also a need to promote the use of return to work interviews to effectively to manage sickness absence.
Housing Rents	1/4/10	Substantial Assurance	10	0	There were issues in a number of areas including system access controls, production of management information, and the need to further develop procedures for collecting arrears.
Treasury Management	26/4/10	Substantial Assurance	2	0	The service needed to undertake a procurement exercise, which was overdue.
Petty Cash Project	27/4/10	None Given	NA	NA	This was a special assignment rather than a full assurance review. The work involved analysis of petty cash expenditure, identification of breaches of policy (eg financial regulations), and an assessment of future petty cash requirements. The assignment identified poor practice in the use of petty cash across the council. Further work is now being undertaken by

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					CBSS staff to address the problems identified.
Pool Cars	27/4/10	Moderate Assurance	15	0	<p>A number of problems were identified, including:</p> <ul style="list-style-type: none"> <li>• No overall responsibility for pool cars, or management of the fleet</li> <li>• A lack of consistency in checks to ensure that only authorised drivers use cars and that users have a valid licence</li> <li>• A lack of procedures to ensure drivers understand their responsibilities when using pool cars</li> <li>• A lack of systems for carrying out regular basic safety checks and recording vehicle defects</li> </ul>
Nursery Education Grants	27/4/10	Substantial Assurance	2	0	The service needs to undertake checks to ensure providers hold documentation to support all children they are claiming for.
Canon Lee Secondary School	28/4/10	High Assurance	5	0	A school establishment audit. No significant weaknesses were identified.

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			Total number	Number which are a 'high' priority	
					Actions were agreed to address minor issues.
Cashiers	29/4/10	High Assurance	1	0	The service needed to undertake a procurement exercise, which was overdue.
Financial Planning and Budget Setting	30/4/10	High Assurance	0	0	No significant issues were identified.
Customer Accounts	7/5/10	Substantial Assurance	5	0	Minor improvements to procedures were required including a review of access and authorisation permissions for system input and a need to remind service departments to raise invoices promptly.
Lakeside Primary School	11/5/10	Moderate Assurance	8	0	A school establishment audit. Generally controls were good although actions were agreed to address issues in a number of areas. These included the need to formally review a contract let a number of years ago, a lack of checks on the adequacy of contractors public liability insurance, and the need to regularly change passwords to access the IT

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			Total number	Number which are a 'high' priority	
					system.
Information Security	13/5/10	Substantial Assurance	5	0	There is a need to review, update and publish a revised information systems security policy.
Housing and Council Tax Benefits	13/5/10	Substantial Assurance	7	0	Minor changes to systems are required eg processes for managing changes of circumstances. There was also a need to improve compliance with procedures for quality assurance checks and issuing decision notices.
Performance Management	19/5/10	Substantial Assurance	6	0	There is a need to further clarify reporting arrangements, and to develop systems to promote consistency.
Tang Hall Primary School	19/5/10	High Assurance	3	0	A school establishment audit. No significant weaknesses were identified. Actions were agreed to address minor issues.
Payroll	28/5/10	Substantial Assurance	13	0	Improvements to record keeping and administrative procedures were required. It was also found that the reconciliation of



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			Total number	Number which are a 'high' priority	
					payroll to the general ledger was not up to date at the time of the audit.
Derwent Federation	3/6/10	High Assurance	4	0	A school establishment audit. No significant weaknesses were identified. Actions were agreed to address minor issues.

Other Work Completed during 2009/10 includes

- Report of the Head of Internal Audit for 2008/09 prepared and presented to A&G in June 2009
- Assessment of compliance with the Financial Management Standard in Schools for all York schools
- Development of an audit strategy, and preparation of the annual audit plan
- A review and update of the council's policies for countering fraud and corruption
- Ongoing support and advice to departments across the council on control issues, and support in relation to specific projects eg disabled blue badges, HR transformation, and procurement cards
- Ongoing review of progress made to implement actions agreed following internal and external audit reviews, and the preparation of reports for Audit and Governance Committee
- Chargeable work including grant claim audits (LAA, Supporting People, DTI grant) and certification of LPSA 2 indicators
- Completion of 8 internal investigations in conjunction with the Counter Fraud Team
- A review of the councils policy and procedures for whistleblowing