

AUDITS COMPLETED AND REPORTS ISSUED

The following categories of opinion are used for audit reports.

Opinion	Level of Assurance
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.

Actions to address issues are agreed with managers where weaknesses in control are identified. The following categories are used to classify agreed actions.

<u>Priority</u>	<u>Long Definition</u>	<u>Short Definition – for use in Audit Reports</u>
1 (High)	<p>Action considered both critical and mandatory to protect the organisation from exposure to high or catastrophic risks. For example, death or injury of staff or customers, significant financial loss or major disruption to service continuity.</p> <p>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.</p> <p>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.</p>	<p>A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.</p>
2	<p>Action considered necessary to improve or implement system controls so as to ensure an</p>	<p>A significant system weakness, whose impact or frequency presents risks to the system</p>

Priority

Long Definition

Short Definition – for use in Audit Reports

effective control environment exists to minimise exposure to significant risks such as financial or other loss.

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

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.

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

Draft Reports Issued

Seven internal audit reports are currently in draft. These reports 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:

Opinion	Number
High Assurance	0
Substantial Assurance	4
Moderate Assurance	1
Limited Assurance	1
No Assurance	0
Not given	1

Final Reports Issued

The table below shows audit reports finalised since the last report to this committee in September 2012. In all cases the recommendations made have been accepted by management, and will be followed up by internal audit.

Audit	Date Of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
Elvington CE Primary School	20/09/2012	High Assurance	1	0	A school audit. No significant weaknesses were identified.

Audit	Date Of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
Leisure Facilities	22/10/2012	Substantial Assurance	3	0	A review of key systems and controls at the Energise leisure centre. The main area for improvement identified was the need for full stock checks to be undertaken and documented. It was agreed that these will be done on a quarterly basis in the future.
Clifton with Rawcliffe	02/11/2012	Substantial Assurance	5	0	A school audit. No significant weaknesses were identified.
Procurement Cards	05/11/2012	Limited Assurance	7	0	<p>An audit of the arrangements in place for the use of procurement cards. To date only 20 cards have been issued although the intention is for them to be rolled out more widely across the council. It was found that although suitable controls are generally in place, compliance with a number of these controls is currently unsatisfactory. Weaknesses identified include the following.</p> <ul style="list-style-type: none"> • A number of cardholders are not promptly entering transactions onto the purchasing system. • Approving managers are not always authorising

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					<p>transactions within appropriate timescales.</p> <ul style="list-style-type: none"> • VAT receipts are not always being obtained by users, resulting in financial loss to the council estimated at up to £700 per month. • There is a lack of policy on the intended use of cards, and clear guidance setting boundaries on their use. • There are no formal arrangements for approving the issue of cards to new users. <p>Actions have been discussed and agreed with the finance and procurement departments to address these weaknesses.</p>
Anti-Money Laundering Arrangements	28/09/2012	Moderate Assurance	6	0	<p>A review of arrangements in place across the council to prevent, detect and report potential money laundering. It was found that the risks of direct money laundering activity taking place within the council are limited due to the low (and reducing) levels of cash income received.</p> <p>However, to ensure the residual risks are properly</p>

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			Total	Priority 1	
					<p>managed, improvements need to be made to:</p> <ul style="list-style-type: none"> • policies and procedures • arrangements for raising staff awareness, and training and • monitoring transactions.
Dringhouses Primary School	08/11/2012	Substantial Assurance	3	0	A school audit. No significant weaknesses were identified.