

AUDIT & RISK COMMITTEE

20 January 2015

UPDATE ON AUDIT REPORTS GIVING LIMITED ASSURANCE

Report of the Head of Welland Internal Audit Consortium

STRATEGIC AIM	All
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1. PURPOSE OF THE REPORT

- 1.1 When audit assignments give rise to Limited (or No) Assurance ratings, the Committee requires assurance that Officers have taken appropriate and effective steps to address the areas of concern identified by the audit. This report provides Members with an update on the two assignments which have resulted in Limited Assurance ratings since the last Committee meeting.

2. RECOMMENDATIONS

- 2.1 That Members note the report.

3. PROGRESS TO DATE

- 3.1 Two of the ten assignments which have been finalised since the last Committee meeting resulted in Limited Assurance ratings. These were in relation to: the Agresso system and Client Finances: Deputyships and Court of Protection. In both areas, the conclusion was reached that control arrangements needed to be improved but in both areas Internal Audit did not identify any evidence of misappropriation of assets/funds by officers.
- 3.2 The findings of each of these reviews are summarised within this report, including updates on the current status of the agreed management actions. Appendix A provides the Executive Summaries for the two audit assignments, including details of all recommendations and the agreed management actions.

Agresso

- 3.3** The Agresso system delivers the Council's main accounting system (general ledger), payroll, HR, debtors, creditors and cash receipting functions. As this represents one of the Council's key systems, an audit of system's access rights and updates was included in the Audit Plan for 2014/15.
- 3.4** At the time of the audit testing, some control weaknesses were identified which resulted in a Limited Assurance opinion. Internal Audit was informed that action was promptly taken to address the high priority findings.
- 3.5** A key control weakness identified during the audit related to the ability of members of the Performance and Application Support team to log into the system under any existing user account or using 'back up accounts'. Both of these access rights undermined the effectiveness of the audit trail and the system security. On notification of these findings, management immediately removed these functionalities, thereby eliminating the associated risks.
- 3.6** The audit highlighted the need for formalised arrangements for approving changes to access rights on the system. Internal Audit have been advised that a formal procedure has since been discussed and agreed.
- 3.7** All agreed actions will be subject to formal review by Internal Audit as part of the standard audit process and reported to Members in the regular progress report.

Client Finances: Deputyships and Court of Protection

- 3.8** The Court of Protection has appointed the Council as a Deputy responsible for taking financial decisions on behalf of clients who are assessed, under the Mental Capacity Act, as unable to administer their own affairs. The Council is currently the Deputy for five clients. As such, the systems in place to manage this responsibility, and the associated risks, were included in the Audit Plan for 2014/15.
- 3.9** At the time of audit testing, formal policies and procedures were not in place for the management and administration of client finances. This had led to inconsistencies in how supporting documentation for each client had been retained. Since the audit review, management

have prepared procedure notes to clarify the processes that must be followed in properly managing the clients' monies. A copy of these procedure notes has been provided to Internal Audit.

- 3.10** Records are maintained for each service user which itemise all income and expenditure incurred. However, at the time of the audit, supporting documentation for all expenditure was not readily available. It was recommended within the audit report that all evidence must be retained and stored in a logical way to enable the Council to clearly demonstrate fair and appropriate use of the monies. Processes for record keeping have since been clarified within the procedure notes and will be implemented by the team. It has also been agreed that the Assistant Director (Finance) will undertake spot checks of the records and supporting documentation – this should act as a deterrent to any potential fraud and provide assurance that procedures are being adhered to.
- 3.11** A further issue identified, was in relation to monies given to third parties, such as care homes, to be spent on the client. The audit trail for this expenditure at the time of testing was weak and a recommendation was made to ensure that evidence to support the probity of the expenditure by these third parties was obtained and reviewed by the Council. The evidence required and checks to be conducted have now been documented within the procedure notes and relate to the various possible circumstances such as clients in permanent residential care and clients in the community.
- 3.12** Again, all agreed actions will be subject to formal review by Internal Audit as part of the standard audit process and reported to Members in the regular progress report.

4. RISK MANAGEMENT

RISK	IMPACT	COMMENTS
Time	Low	The report does not prompt or require any time-bound response.
Viability	Low	There are no resourcing issues arising directly from this report
Finance	Low	There are no financial issues arising directly from this report
Profile	Medium	The report demonstrates that the Committee is taking action to satisfy itself that audit reports are driving improvements in the Council's control framework.
Equality and Diversity	Low	EIA screening indicates no issues arising therefore full Impact Assessment has not been carried out.

Background Papers

None

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A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.