



**Internal Audit Report**

Final

Chief Executive - Strategic Finance

**Review of Budget Monitoring**

March 2011

## **1 INTRODUCTION**

This report has been prepared as a result of the Internal Audit review Budgetary Preparation and Control, Chief Executives Department as part of the 2010/2011 Internal Audit programme. The specific focus on this Audit was the Budget Monitoring process.

## **2 AUDIT SCOPE AND OBJECTIVES**

Strategic Finance undertook a review of budgetary preparation and control in 2009 and rolled out a new format for the financial year for 2010 – 2011. A new budget monitoring procedure was implemented and rolled out across all services in the Council in 2010. The specific focus of the Audit will be on the new Budget Monitoring procedure.

## **3 RISK ASSESSMENT**

As part of the audit process and in conjunction with our CIPFA Systems Based Audit (SBA), ICQ approach, the risk register was reviewed to identify any areas that needed to be included within the audit. The areas identified were:

SR11 Failure to meet capital/revenue spending targets

## **4 CORPORATE GOVERNANCE**

There are no Corporate Governance issues to be reported as a result of this audit.

## **5 MAIN FINDINGS**

- 5.1 Revenue Budget monitoring was one of the issues highlighted in the Strategic Finance, Best Value Review Action Plan; with the recommendation being to redesign the arrangements in place for budget monitoring, in order to improve quality and effectiveness and release resources. A new budget monitoring procedure has now been implemented and rolled out across all departmental services in the Council.
- 5.2 Information/guidance on the new budget monitoring arrangements was issued to all budget holders and operational contacts in June 2010, along with a budget monitoring timetable for the financial year 2010 - 2011.

5.3 A Strategy and Business Case regarding the purchase of the Oracle Purchasing has been submitted. Oracle Purchasing will enhance budgetary control with the introduction of commitment accounting.

## 6 RECOMMENDATIONS

Three recommendations were identified as a result of the audit, they are all low priority. The recommendations are shown in the action plan attached at Appendix 2 and has been compiled with the co-operation and agreement of the Supervisor/Manager.

Internal Audit considers that, in an effort to improve the quality of information, monitoring and control, the recommendations should be implemented in accordance with the agreed action plan. Management have set achievable implementation dates and will be required to provide reasons to the Audit Committee for failure to implement within the agreed timescale. Where management decides not to implement recommendations it must evaluate and accept the risks associated with that decision.

A system of grading audit findings, which have resulted in an action, has been adopted in order that the significance of the findings can be ascertained. Each finding is classified as fundamental, material or minor. The definitions of each classification are set out below:-

**High** - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;

**Medium** - observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified;

**Low** - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.

## 7 AUDIT OPINION

Based on the findings we can conclude that there are robust processes in place for budget monitoring.

Recommendations arising from the audit work should be implemented by the nominated responsible officer within the agreed timescale. Recommendations not implemented will require explanation to the Audit

Committee. This could lead to findings being reported in the Internal Control Statement produced by the Council in support of the Annual Accounts.

## **8 ACKNOWLEDGEMENTS**

Thanks are due to Strategic Finance Staff, their staff and budget holders for their co-operation and assistance during the Audit and the preparation of the report and action plan.

Argyll & Bute Council's Internal Audit section has prepared this report. Our work was limited to the objectives in section 2. We cannot be held responsible or liable if information material to our task was withheld or concealed from us, or misrepresented to us.

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