



**FINAL**

**Internal Audit Report**

**Chief Executive**

**Budget Preparation and Control**

**March 2012**

## **1 INTRODUCTION**

This report has been prepared as a result of the Internal Audit review of Budget Monitoring and Control –within Strategic Finance, Chief Executives Unit. This audit is part of the 2011/2012 Internal Audit programme. The Audit will review the budgetary control process.

## **2 AUDIT SCOPE AND OBJECTIVES**

The specific objectives of the audit will assess and report on whether:

- To review existing Budget Monitoring procedures and assess whether it provides budget holders with the necessary information required to monitor and control income and expenditure;
- To ensure that budget holders are given timely and relevant information regarding budget monitoring;
- Evaluate whether risk based reporting requirements are relevant and meet the needs of the service.

## **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 area identified was:

- SR16 Failure to have a robust internal control process and system

## **4 CORPORATE GOVERNANCE**

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

## **5 MAIN FINDINGS**

- 5.1 A new Budget Monitoring process was introduced from 2010/2011 onwards with approval from SMT.
- 5.2 A risk based approach to budget monitoring whereby a cost centre has been risk assessed using two criteria and classified as high, medium and low is currently used.

- 5.3 Budget Monitoring Reports are produced in accordance with a planned timetable. Budget holders are expected to be involved in the budget monitoring return to finance.
- 5.4 Transaction reports are no longer issued to Budget Holders. Budget Holders or operational contacts have direct access to the General Ledger Reporting tool – Discoverer Viewer.

## 6 RECOMMENDATIONS

Three recommendations were identified as a result of the audit all are classed as low priority. The recommendation is 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 recommendation should be implemented in accordance with the agreed action plan. Management have set an achievable implementation date and will be required to provide a reason to the Audit Committee for failure to implement within the agreed timescale. Where management decides not to implement a recommendation it must evaluate and accept the risk 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 appropriate controls and procedures in place to ensure that detailed financial monitoring reports are made available to Budget Holders.

Recommendations arising from the audit work should be implemented by the nominated responsible officer within the agreed timescale. A recommendation 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 the Corporate Accounting Staff and the System Administrator 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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