

INTERNAL AUDIT - ABRIDGED MANAGEMENT LETTERS

a **Housing Department**
Systems Review of Petty Cash (01/01)

Introduction

The review was part of the planned internal audit work. The amount of expenditure processed through petty cash during 2000/2001 was of the order of £5,000.

Scope and Objective

The scope of this assignment was to examine the systems being operated for the administration of petty cash by the various locations within the Housing Department.

The key objectives of the review was to provide an opinion on the adequacy of the controls in these systems particularly in relation to the security of cash, recording of transactions, adequacy of receipts, accounting for VAT, adequacy of control checks and reconciliation procedures.

Key Findings

Overall it was concluded that there were adequate systems in place but there were certain areas where improvements could be made.

The principal areas commented upon were as follows:

- VAT is not being accounted for on purchases processed through petty cash which results in the Authority not maximising the amount of VAT which can be reclaimed.
- Weaknesses in the administrative procedures relating to security and reconciliation of the petty cash were highlighted at some of the locations visited.

Management Responses to Recommendations

The audit findings and recommendations were formally reported to the Director of Housing and it was confirmed appropriate action would be taken.

b **Finance Department**
Systems Review of the Council's Asset Register (01/02)

Introduction

A review of the above system was included as part of the 2000/2001 Internal Audit Plan. In broad terms the Asset Register underpins the fixed assets which are included in the Council's Consolidated Balance Sheet. As at 31 March 2000 these assets had a value of £665.4m.

Scope and Objective

The scope of this review focussed on the Council's Asset Register but excluded the Council's Housing Stock.

The principal objective of this review was to provide an opinion of the adequacy of AIRS, the computerised system currently used to administer the Asset Register. The areas examined included the reliability of the raw data, data input, the quality and reliability of data output, system security, the role of the Valuation Officer in the valuation of fixed assets and new developments which will impact on the Asset Register.

Key Findings

From the audit fieldwork and tests it was concluded that, overall, reliance can be placed on the system and accurate information, which is required by the Council as part of the accounting process is provided. There were, however, areas where it was considered improvements could be made.

The principal areas commented upon were as follows:

- Ensuring adequate staff resources are assigned to meet the obligations placed on the Council under Capital Accounting Requirements.
- Reviewing and rationalising the assets held on the fixed asset database which have a zero net book value.
- Formalising procedures to capture information on assets subject to impairment (impairment is a material change in asset values during the period under review).

Management Responses to Recommendations

The audit findings and recommendations were formally reported to the Director of Finance (who has responsibility for the operation of day-to-day system) and the Director of Economic Development (who has responsibility for the Valuation Officer). These were broadly accepted and appropriate action is to be taken.

c Various Departments

Systems Review of the 2000/2001 Accounts Commission Performance Information (01/03, 01/04 and 01/05)

Introduction

As part of the planned internal audit work, a review of the systems underpinning the compilation of the 2000/2001 Accounts Commission Performance Information was undertaken. The areas included in the review were all of the Social Work indicators, the new Council-wide indicator relating to the Authority's Equal Opportunities Policy and the new Roads and Lighting Indicator for Street Lighting.

Scope and Objective

The scope of these reviews were discussed and agreed with the Council's External Auditor.

The prime objective was to ensure that there was adequate systems in place to collect the raw data and to also provide an opinion on the reliance that can be placed on the indicator submitted. It should be noted that the work undertaken by Internal Audit is subsequently reviewed by the Council's External Auditor as part of their year end work on Performance Information.

Key Findings

Overall it was concluded that for the areas reviewed, the systems used to collect the performance information were adequate and that reliance could be placed on the principles used as the basis for compiling the indicators submitted for 2000/2001.

Management Responses to Recommendations

The audit reviews were formally reported to the relevant Directors and appropriate action has been taken to address specific issues raised.

d Dundee Contract Services Year End Stocks 2000/2001 (01/06)

Introduction

The 2000/2001 year end stock counts at Dundee Contract Services Joiners Workshop was included as part of the planned internal audit activity. The total stock value as at 31 March 2001 was of the order of £50,000.

Scope and Objective

The scope of the review included attendance at the year end stock checks and audit tests to confirm that the procedures as laid down had been followed and that the subsequent reconciliation procedures were satisfactory.

Key Findings

Overall it was concluded that the value of stocks detailed in the year end Statement of Stocks and Work in Progress was fair and reasonable.

Management Responses to Recommendations

The Director of Contract Services was formally notified of the audit outcomes. As in the previous financial year there were no material issues raised which required to be addressed.

e Environmental and Consumer Protection Department Year End Stock Checks 2000/2001 (01/07)

Introduction

The review of the 2000/2001 year end stock at the Marchbanks Store was included as part of the planned audit work. The total value of the DSO and Client stocks as at 31 March 2001 was of the order of £64,000 and £19,000 respectively.

Scope and Objective

The scope of the review focussed on the Marchbanks Store and the key objectives were to assess the adequacy of the methodology of the physical stock checks and the subsequent reconciliation procedure.

Key Findings

Overall it was concluded that the value of the stocks detailed in the year end Statement of Stocks and Works in Progress was fair and reasonable.

Management Responses to Recommendations

The Director of Environmental and Consumer Protection was formally advised of the audit outcomes. There were no material issues raised which required to be actioned.