

meeting

**AUDIT COMMITTEE**

date

**12 SEPTEMBER 2011**

agenda item number

## **REPORT OF THE SERVICE DIRECTOR (FINANCE)**

### **UNSATISFACTORY FOLLOW UP AUDIT REPORT – NATIONAL WATER SPORTS CENTRE**

#### **Purpose of the Report**

1. To inform Members of a follow up audit where the audit opinion remained “unsatisfactory” because insufficient progress had been made in implementing agreed Internal Audit recommendations.

#### **Information and advice**

2. Internal Audit work is carried out in accordance with an agreed Annual Plan. On completion of the audit, the findings and recommendations are discussed with the relevant manager. A draft report is then issued to the manager, who is asked to provide a formal response to the recommendations. Once this response has been received, the final audit report is issued which includes the response to all recommendations and a date by which they will be implemented.
3. In each report, an opinion on the controls in place is included, and is one of three standard opinions, as follows:-
  - Sound – there are no weaknesses or only minor weaknesses
  - Satisfactory – most of the arrangements for financial management are effective, but some weaknesses have been identified
  - Unsatisfactory – there is an unacceptable level of risk which requires the prompt implementation of the recommendations to correct the weaknesses identified

If the audit opinion is sound or satisfactory, then the implementation of the recommendations concerned is followed up the next time the system is audited. However, if the audit opinion is unsatisfactory a follow up audit is carried out approximately six months after the final report has been issued, to determine whether the agreed recommendations have been implemented.

4. A follow up audit has recently been completed on the National Water Sports Centre. The audit concluded that although a lot of progress had been made, there remained a number of areas where control was unsatisfactory. In particular a division of duties needs to be established for the roles relating to income analysis, banking and reconciliation. A copy of the report is attached as Appendix A.
5. The Head of Service for Sports, Arts and Tourism has management responsibility for the National Water Sports Centre, and will be attending the meeting to explain the issues involved in improving controls at the Centre and the progress made since the report was issued.

### **Statutory and Policy Implications**

6. This report has been compiled after consideration of implications in respect of finance, equal opportunities, personnel, crime and disorder, human rights and those using the relevant service. Where such implications are material, they have been described in the text of the report.

### **Recommendation**

7. That Members note the proposed actions to be taken to fully implement the outstanding Audit Recommendations.

**PAUL SIMPSON**  
**SERVICE DIRECTOR (FINANCE)**

### **Legal Services Comments**

The proposals in this report are within the remit of the Audit Committee (KK 11<sup>th</sup> August 2011)

### **Financial Comments of the Service Director (Finance)**

The work of Internal Audit is designed to ensure that efficient and effective systems are in place to minimise the risk of loss through error or fraud. This report highlights an area where further work is required to achieve these aims and reduce the risk of financial loss. (JMB 9<sup>th</sup> August 2011)

**Background papers available for inspection - nil**