

### AUDIT 'UNIVERSE' Summary

This is a summary version of a list that is designed to provide guidance to the Head of Internal Audit Service on where to concentrate audit time and staff. The “universe” sets out the main headings of audit interest because of the risks involved. It should therefore cover the areas where controls need to be considered and where appropriate implemented by managers. The risk may be either in the form of a direct loss or an indirect loss. In the summary version only the main heading, the general form of the loss associated with the risk and a brief explanation of coverage is given.

1. **GOVERNANCE (poor or unauthorised governance leads to the loss of its monetary or physical assets or brings loss or misfortune to citizens, staff, the environment or its reputation.)**

This heading includes decision making, budget preparation and control, conduct standards, legality and corporate risk management. It includes governance arrangements for community involvement and of partnerships. It concentrates on management at member, chief officer and departmental management team level.

2. **PERSONNEL (the waste or loss of its staff’s paid time, their knowledge and their skills.)**

This heading includes all aspects of staffing other than making the payments and includes for example the arrangements for post grading and recruitment, attendance management as well as staff safety and CRB checking.

3. **OPERATIONAL (failure to meet the required performance levels in term of cost, quality, quantity and timeliness.)**

This heading includes consistency of service provision, performance measurement, efficiency initiatives, quality assurance (including over information used), timeliness controls and operational risk management. It concentrates on management at an individual senior manager and middle management level.)

4. **FINANCIAL ASSETS (their complete or partial loss of expected value.)**

This heading covers the security, recording and performance of cash and other financial investments as well as documents that have a cash value such as passes.

5. **PHYSICAL ASSETS (destruction of value, unavailability when needed or below capacity usage.)**

This heading covers the security, recording and usage made of land, buildings, equipment, material stocks and software and the procedures for measuring their usage, their upkeep or disposal.

6. **PROCUREMENT/AMOUNTS PAYABLE** [including service agreements with in-house, independent sector and partners] **(poor value [cost, quality, quantity, timeliness] from works, goods or services obtained.)**

This heading covers “make or buy” decisions, specifications and contract clauses, invitations to tender, use of ESPO and approved suppliers, evaluation of tenders, contract monitoring, variation approvals, claims and final accounts. It covers voluntary organisation as well as private sector suppliers. It also includes the application of grants and concessions policies.

7. **FINANCIAL LIABILITIES (loss of financial assets used to meet higher than expected liabilities)**

This heading includes loans taken out, leases and financing school deficits. It also covers the financial settlement of tax and other liabilities such as fines for delayed discharges from hospitals.

8. **POTENTIAL LIABILITIES (loss of financial assets to cover liability and loss of reputation.)**

This heading includes risks management measures to identify and reduce potential liability as well as insurance cover. It includes the authority’s liabilities under partnerships and caring for service users’ property.

9. **PAYMENTS TO “INSIDERS” (over [under] payment of financial assets.)**

This heading includes the payment process for staff, councillors and pensioners. It covers the notification of what is due through to the individual’s payment as well as those to 3<sup>rd</sup> parties such as HMRC. It includes expenses and pension transfers and lump sums.

10. **PAYMENTS TO “OUTSIDERS” (over or unnecessary payment of financial assets.)**

This heading covers all other payments made including taxes. It covers from requisitioning through to payment. It includes allowances paid, for example to foster carers and grants paid, for example to community groups.

11. **CREDITORS (accounts misrepresentation and misinformed decision making.)**

This heading covers the recording of payments due by the authority and the basis for carry forward requests. It includes the accurate inclusion of a creditor’s figure in the balance sheet.

12. **INCOME RECEIVED (payments due fail to become financial assets.)**

This heading covers the on site receipt of cash, cheques, vouchers or electronic card payments to settle debts due without raising a debtor’s account.

13. **DEBTORS (financial loss, as debts due fail to be recorded or are improperly released, or their misrepresentation in accounts and misinformed decision making.)**

This heading covers the raising of a debt, its settlement or follow up and if authorised its write off. It also covers the monitoring of debt levels and trends, the reconciliation of outstanding debt and its inclusion in the balance sheet. It includes internal debts raised

14. **AMOUNTS DUE (financial loss)**

This heading covers the making of charging decisions and their subsequent review. It includes one-offs such as planning agreements and services not currently charged for. It also covers the authorisation of reduced rate or free use of charged for services.

15. **GRANTS, FUNDING FORMULAE AND PRECEPTS (financial loss and inequitable fund distribution)**

This heading covers the identification and application for potential grant sources, the associated provision of information and the legitimate maximisation of claims and their prompt payment. It also covers precept receipting arrangements and the accuracy of internal funding distribution systems.

16. **ACCOUNTING/GENERAL LEDGER (including school based systems) (accounts misrepresentation and misinformed decision making.)**

This heading covers the reconciliation of feeder systems, the correct classification of expenditure between revenue and capital, the use of journal entries and the clearance of holding and suspense accounts. It also covers stock and depreciation methods, year end arrangements and the accurate translation of the accounts onto the statement of accounts.

17. **CASH AND BANK RECONCILIATION (financial loss.)**

This heading covers the checking of cash and cheques against what has been receipted, their accurate recording for banking and reconciliation that the bank has duly credited the account. It also includes the reconciliation of expenditure to bank statements and the reconciling of imprest accounts.

18. **STORAGE and TRANSPORTATION/TRANSMISSION OF FUNDS (financial loss and staff safety.)**

This heading covers the safe storage and movement of funds, either physically as cash or cheque or by electronic transfer. It also includes the safe keeping of unused cheques and other forms of controlled stationery.

19. **LOANS GIVEN (loss of financial and physical assets.)**

This heading covers the loaning of money or assets to employees or service users

20. INFORMATION [especially computer based] **(loss of, unavailability of or alteration to information, waste of staff time and physical assets, unauthorised access to sensitive data and damage to reputation, exposure to claims and legal action.)**

This heading covers the arrangements for the storage, security, back up, access, amendment, transfer, retention and deletion or destruction of information. In addition it covers misuse of information and information facilities such as unauthorised access to the internet and the downloading of personal information onto the authority's equipment. It also covers outside electronic 'attack' on the authority's site.

21. DEVELOPMENTS **(waste during development of staff time and physical assets, cost of interim arrangements, poor value and loss exposure from finished development.)**

This heading is intended to pick up major changes in services and objectives. It covers both changes to establishment and service locations as well as systems, particularly e government developments. Included under this heading would be the project management and the risk analysis of these developments.

22. CONTINGENCY PLANNING **(failure to provide services, wasted staff time and financial losses.)**

This heading covers the arrangements in place for continuation of key operations and systems in the event of a major failure of the normal arrangements.

23. FINANCIAL AUDITING FOR 3<sup>rd</sup> PARTIES **(financial loss to authority or linked organisations and because of link, damage to reputation.)**

This heading records areas of work outside the normal internal auditing arrangements such as auditing accounts or grant claims on behalf of a third party and auditing funds belonging to service users or bodies closely associated with the authority. It may be simply ensuring proper auditing arrangements are in place.

Neil Jones

Head of Internal Audit Service

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