

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

01 April 2008

Report of the Chief Internal Auditor

Part 1- Public

Matters for Information

1 ANNUAL REPORT OF THE CHIEF INTERNAL AUDITOR

Summary

This report informs Members of the work carried out by the Internal Audit Section during 2007/08 as evidence to assist Members consideration of the Annual Governance Statement. In the opinion of the Chief Internal Auditor the Council has maintained an adequate and effective internal control environment.

1.1 Background

1.1.1 As part of the evidence supporting the conclusions of the Annual Governance Statement the Chief Internal Auditor is required to provide an annual report to Members of the Audit Committee on the overall adequacy and effectiveness of the Council's control environment.

1.1.2 This opinion is based upon the work carried out by the Internal Audit Section and subsequent action on recommendations made.

1.2 Audit Resources

1.2.1 The CIPFA Code of Practice requires the Chief Internal Auditor to on the resource levels available to complete the Internal Audit Plan.

1.2.2 The section had a vacant post of Internal Auditor from January 2007 until July 2007 when the post was filled. The audit plan for 2007/2008 took this vacant post into consideration for a short period but the post was filled later than anticipated. The new Internal Auditor is currently studying for his Accounting Technician qualification on day release and is already producing work, under supervision, of a high quality.

1.3 Audit Plan 2007/08

1.3.1 The annual Audit Plan is extracted from a three year cyclical plan and is presented annually to Members of this Committee. The proposed plan for 2008/09 is the subject of a separate report to this Committee.

1.3.2 The plan for 2007/08 was presented to and agreed by Members of this Committee in the meeting of 3 April 2007.

1.3.3 All of the main accounting systems will have been covered within this year as planned. Members have been informed of the outcome of audits during the year and any audits not yet finalised will be reported on at a later meeting of this Committee.

1.4 Matters arising from previous audit year

1.4.1 I reported to Members in my last annual report that there were a number of files missing from the Benefits Section. A majority of these files were found to have been stored externally without a record being kept and have since been retrieved and catalogued. There were six files that could not be found but evidence to support the claims has since been sought and this matter has been resolved to the satisfaction of Internal and External Audit.

1.5 Outcome of Audits carried out during 2007/08

1.5.1 Members will be aware that previous meetings of this Committee have received updates of audits on a regular basis. Attached as **[Annex 1]** is a further update of audits not previously reported to this Committee.

1.5.2 There are still some audits continuing at the time of preparing this audit however there have not been any concerns raised that are considered material to the accounts.

1.5.3 The following table shows the outcome of the 33 reports completed and the 2 reports issued in draft form so far in this financial year: -

Opinion	Description	No. of Audits
High	Strong controls are in place and complied with.	6
Substantial	Controls are in place but improvements would be beneficial.	24
Limited	Improvements in controls or in the application of controls are required.	3
Minimal	Urgent improvements in controls or in the application of controls are required.	2

1.5.4 The first minimal opinion related to internet usage. There were concerns regarding the monitoring procedures in place. However, new procedures have

been introduced where Chief Officers are given regular reports of internet usage and can monitor usage more closely.

- 1.5.5 The second minimal opinion related to the refuse contract but specifically to a database that had been introduced to control additional works requests. Concerns were raised because the system could not be fully reconciled to the Auditor's satisfaction. However, this did affect a small area of a large contract and was considered not have a material effect on the individual contract or accounts of the authority. Negotiations are currently in place with the Council's contractors to introduce a bespoke system during the current year.
- 1.5.6 There are no instances that have been reported upon that it is considered could have a material affect on the accounts.

1.6 Outcomes of recommendations made

- 1.6.1 Upon the conclusion of the audit the auditor will complete an audit report detailing the work carried out, the conclusions arrived at and any recommendations made.
- 1.6.2 The recommendations will be given a priority as follows: -

High – A fundamental weakness in the system that puts the Council at risk.

Medium – A weakness within the system that leaves the system open to risk.

Low – Desirable improvement to the system.

Table showing position of recommendations made as at 17 March 2008.

Recommendations Made	122	
High	47	
Medium	52	
Low	23	
Recommendations Accepted	100	81.97%
High	40	
Medium	43	
Low	17	
Recommendations Rejected	1	0.82%
High	0	
Medium	1	
Low	0	
Recommendations Unresolved	21	17.21%
High	7	
Medium	8	
Low	6	
Recommendations Implemented	69	69.0%
High	28	
Medium	27	
Low	14	
Recommendations Action In Progress	1	1.00%
High	1	

Medium	0	
Low	0	
Recommendations Action Planned	30	30.00%
High	11	
Medium	16	
Low	3	

- 1.6.3 Although every audit examines the outcome of recommendations made in the previous audit report for a topic those that are given a high priority rating are followed up within three months.
- 1.6.4 Members can use this information as an indication of the effectiveness of the audit reviews. A high acceptance and implementation rate of audit recommendations indicates that the internal controls of the organisation are being constantly improved.
- 1.6.5 The recommendations unresolved are due to the fact that the action plans relating to these audits are still within the response time for return and are not yet outstanding.

1.7 Quality Assessment Questionnaires

- 1.7.1 As part of the audit process a quality assurance questionnaire is sent with the report. The objective of the questionnaire is to monitor the level of satisfaction with the work undertaken by Internal Audit.
- 1.7.2 There were 17 questionnaires completed and returned to Internal Audit. There was one negative response where the auditee felt that the recommendations were not discussed fully following the audit report. The auditor had issued a draft report with an invitation to discuss the recommendations but no discussion took place. It was felt that this was an issue with the wording of the questionnaire rather than a failure to respond. The second negative response was where the question "Will the content of the report assist with the management of resources / systems within the Service?" was not answered but there was no comment given.

1.8 Service Assurance Statements

- 1.8.1 Each year Chief Officers are required to sign a service assurance statement to provide evidence that they believe that the internal control environment has operated satisfactorily within their service.
- 1.8.2 The deadline for completion of these statements is midday on 1 April 2008. A verbal update will be given to Members at the Audit Committee meeting of that date on the outcome of the statements.

1.9 Outcome of Key Lines of Enquiry 2007/08

- 1.9.1 Members will be aware that the Audit Commission undertake an annual review of the Internal Control Environment as one of the elements of the above exercise. The results for 2007/08 have been given to the Council and this element has remained at Level 3.
- 1.9.2 The Accounts and Audit Regulations 2006 require the Council to have an adequate and effective control environment. The work carried out by Internal Audit gives evidence that this is being achieved.

1.10 Financial and Value for Money Considerations

- 1.10.1 There are no direct financial or VFM considerations arising from this report. However, one of the objectives of internal audit reviews is to examine economy and effectiveness.
- 1.10.2 A failure to provide an adequate internal audit service could result in additional inspection regimes being imposed.

1.11 Risk Assessment

- 1.11.1 A failure to operate an adequate and effective control environment could lead to a poor performance being recorded in the Key Lines of Enquiry inspection.

1.12 Opinion of the Chief Internal Auditor

- 1.12.1 **It is the opinion of the Chief Internal Auditor that an adequate and effective internal control environment has been in place during the financial year 2007/08.**

Background papers:

contact: David Buckley

Audit Files

David Buckley
Chief Internal Auditor