

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

21 October 2008

Report of the Chief Internal Auditor

Part 1- Public

Matters for Information

1 INTERNAL AUDIT OUTTURN 2007/08

Summary

This report informs Members of the work carried out by Internal Audit in the last financial year. Members are asked to refer to the Annual Report of the Chief Internal Auditor presented to the Audit Committee meeting of 1 April 2008.

1.1 Role of the Audit Committee

1.1.1 The Audit Committee are required to conduct a review of the effectiveness of the system of internal control within the Authority as part of the Statement of Internal Control process.

1.1.2 The work of Internal Audit is reported to Members and Management and forms part of this process. The audit process includes an annual audit plan that is extracted from a three year plan designed to ensure that the key systems are reviewed on regular basis.

1.1.3 In addition all high level risks identified in the Risk Registers are also reviewed.

1.1.4 This report informs Members of this Committee of the work carried out by the Internal Audit Section. The annual report of the Chief Internal Auditor was used by Members when considering the Annual Governance Statement 2007/08. This report informs Members of the final outcome of the work of the Audit Section.

1.2 Outturn 2007/08

1.2.1 Members are asked to refer to previous reports of the Chief Internal Auditor presented to this Committee for an explanation of the Audit Methodology and the outcome of reports 1-35 07/08 inclusive.

1.2.2 Attached is a summary of the audit reports completed for 2007/08 that have not been previously reported. **[Annex 1]**.

1.3 Levels of Assurance

1.3.1 The levels of assurance used by the Internal Audit Section is derived from definitions used by most Internal Audit sections in Kent.

- Minimal: The authority and/or service is exposed to a significant risk that could lead to failure to achieve key authority/service objectives, major loss/error, fraud/impropriety or damage to reputation. This is because key controls do not exist with the absence of at least one critical control or there is evidence that there is significant non-compliance with key controls.
- Limited: The area/system is exposed to risks that could lead to failure to achieve the objectives of the area/system under review e.g. error, loss, fraud/impropriety or damage to reputation. This is because, key controls exist but they are not applied or there is significant evidence that they are not applied consistently and effectively.
- Substantial: There is some limited exposure to risk of error, loss, fraud, Impropriety or damage to reputation, which can be mitigated by achievable measures. Key or compensating controls exist but there might be some inconsistency in application.
- High: The system/area under review is not exposed to foreseeable risk as key controls exist and are applied consistently and effectively.

1.3.2 During 2007/08 forty-four audits were completed. The levels of assurance given were: -

High - 8

Substantial – 31

Limited - 3

Minimal – 2

1.3.3 It is the Chief Internal Auditor's opinion that the overall the levels of assurance give an indication that there are sound internal controls operating within the Council.

1.3.4 Where there were "limited" and "minimal" assurance levels given recommendations were made and accepted to increase the level of the internal control environment. Even in these areas there were no concerns that there were circumstances that would have a material effect on the financial statements of the Council.

1.3.5 The Chief Internal Auditor had no concerns that he needed to report to Members of this Committee.

1.4 Outcome of Recommendations made

- 1.4.1 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.
- 1.4.2 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.
- 1.4.3 At a previous meeting of the Audit Committee Members requested a summary of the outcomes of the High Priority recommendations. The attached summary provides this information and is taken from the action plans produced during the year. The responses from completed action plans have been used to inform Members of the proposed action and timetable for completion. Each of the recommendations have been subject to a follow up audit and the results of each can be viewed on the summary. **[Annex 2]**
- 1.4.4 There was one area of concern that related to the transfer of the Homelessness function back to the Council. Prior to the transfer taking place it was identified that procedures needed to be drawn up. Following the transfer the Chief Housing Officer left the Council's employment. This has delayed the completion of the required procedure notes. However, there has been significant progress with a majority of the procedures being completed within the timescale identified. Although there is no serious concern this recommendation will be followed again to ensure full compliance.
- 1.4.5 Within the report was also a section on the recovery of Bed and Breakfast outstanding debt inherited from Russet homes and the recovery of new contributions following the transfer back to the Council. Procedures were not put in place to recover these debts therefore no recovery has taken place.
- 1.4.6 This situation has not yet been resolved but it is considered that the amounts involved will not have a material effect on the accounts.
- 1.4.7 As part of the management process a record of all recommendations is kept and when the action plan is returned the information contained is added to the recommendations summary. All high priority recommendations are followed up within six months of their planned implementation date. Lower priority recommendations are followed up as part of the next audit.
- 1.4.8 The following table shows the final outcome of recommendations made during 2007/08 from the action plans received from the relevant services.

Recommendations Made	164	
High	48	
Medium	77	
Low	40	
Recommendations Accepted	147	89.63%
High	43	
Medium	65	
Low	36	
Recommendations Rejected	1	0.61%
High	0	
Medium	1	
Low	0	
Recommendations Unresolved	13	7.93%
High	5	
Medium	7	
Low	1	
Recommendations Implemented	108	73.47%
High	30	
Medium	45	
Low	33	
Recommendations Action In Progress	8	5.44%
High	1	
Medium	6	
Low	1	
Recommendations Action Planned	35	23.81%
High	12	
Medium	18	
Low	5	

1.4.9 Since the outcome of the action plans were recorded there will have been further progress from planned to implementation. There is a set programme for following up audit recommendations and all recommendations accepted will be subject to further review to ensure compliance.

1.5 Audit Satisfaction

1.5.1 With every audit report issued a satisfaction questionnaire is sent to the Chief Officer. The questionnaire is designed to assess satisfaction with the content of the audit and the way that it was carried out.

1.5.2 The Kent Audit Group have agreed three standard questions to benchmark against and we have achieved the required standard in each of these for 2007/08.

1.5.3 The Internal Audit Cost Centre Performance Plan contains a target of a 90% satisfaction level to be achieved.

1.5.4 A total of 30 completed questionnaires were returned. These have been analysed to produce the following table showing responses to date: -

2007/08		No.	%age
1. Did the audit cover the topics detailed in the audit brief?	YES	30	100%
2. During the audit, was the Auditor approachable and responsive to your queries and comments?	YES	30	100%
3. Did the Auditor give a true and fair view of the systems currently in place?	YES	30	100%
4. Was the report constructive and realistic?	YES	30	100%
5. Do you agree with the opinions expressed by the Auditor in the conclusions of the report?	YES	30	100%
6. Were you or your staff given the opportunity to discuss the recommendations during the audit or following the issue of the draft report?	YES	28	93%
	N/A	2	7%
7. Will the content of the report assist with the management of resources/systems within the service?	YES	29	97%
	N/A	1	3%

Source: - Completed Audit Questionnaires

1.6 Audit Plan Coverage

1.6.1 The extent to which the audit plan is covered will have an impact on the amount of assurance that is provided to Members.

1.6.2 The operational plan submitted to Members for 2006/07 identified 49 areas of audit review. 45 audits were completed in the year.

1.6.3 There were two areas where the audit was deferred until 2008/09 audit year due to requests from the relevant services. These were as follows: -

- Development control 106 agreements – It was stated that this would not be a productive time for an audit to be carried out.
- Car Parks – This was due to a request from the service as they were under going a number of system changes which put pressure on the staff resources.

1.6.4 During the year there was a vacancy in audit for a period of four months. The audit section worked hard and managed to achieve the majority of the plan. There were only two low priority areas that were not covered which were:

- Workstations and stocks
- Children's playgrounds

1.7 Legal Implication

1.7.1 The Director of Finance is required under s151 of the Local Government Finance Act 1972 and the The Accounts and Audit (Amendment) (England) Regulations 2006 S.I. 564 to ensure that the Council has an adequate system Internal Audit in place and that the accounting practices of the Council have adequate internal controls.

1.7.2 The reviews carried out by Internal Audit support that this is the case and that this obligation is being fulfilled.

1.8 Financial and Value for Money Considerations

1.8.1 During the conduct of internal audit reviews the auditor considers the financial risk to the Council and where appropriate considers Value for Money. Each audit considers the efficiency and effectiveness of the internal controls within the system.

1.9 Risk Assessment

1.9.1 Internal Audit does not replace the Management responsibility to ensure that adequate internal controls exist but it does provide an independent review of these internal controls and a level of assurance to their effectiveness.

Background Papers

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Internal Audit Files

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