

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

12 April 2011

Report of the Chief Internal Auditor

Part 1- Public

Matters for Information

1 CHIEF INTERNAL AUDITOR'S REPORT 2010/11

Summary

This report informs Members of this Committee on the work carried out by Internal Audit during the financial year 2010/11 and forms part of the 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 The Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 (Code of Practice) requires the Chief Internal Auditor to provide a written report to those charged with governance in order to support the Annual Governance Statement.
- 1.1.2 As part of this process Members receive interim reports on the work of Internal Audit including audit assurance opinions and recommended improvements to any areas. The reviews also ensure a check that Risk Registers are completed and up to date.
- 1.1.3 The Code of Practice refers to specific areas that require reporting and these are covered in the following paragraphs.

1.2 Control Environment

- 1.2.1 The Chief Internal Auditor is required to give an opinion on the overall adequacy and effectiveness of the control environment. In reaching this opinion the work carried out by Internal Audit and other bodies is considered. Members receive regular reports on Internal Audit reviews as well as regular updates on risk management.
- 1.2.2 In addition the Council is subject to external inspection by the Audit Commission and this Committee also receives reports on the work undertaken by them.

- 1.2.3 In forming this opinion the Chief Internal Auditor has considered any reported weaknesses in systems and has considered what impact on the organisation these weaknesses could result in. There have not been any areas reviewed where there has been any evidence of any weaknesses that would result in a material loss to the Council.
- 1.2.4 Based upon the evidence available **the opinion is that the Council has maintained an adequate and effective internal control environment.** There are no qualifications to this opinion.

1.3 Audit work undertaken

- 1.3.1 Members have been given regular updates of the work undertaken by Internal Audit. A summary of work carried out and not previously reported to this Committee is attached. **[Annex 1]**
- 1.3.2 To date there have been no minimal opinions given on the reviews carried out by Internal Audit.
- 1.3.3 There are still some audits that are in draft stage or are being completed at the time of preparing this report. However, there are no matters that have been raised during this work that require specific attention of Members.
- 1.3.4 There have been 35 audits completed at the time of writing this report. A summary of the assurance opinions given are shown in the following table: -

Opinion	Description	No. of Audits
High	Strong controls are in place and complied with	10
Substantial	Controls are in place but improvements would be beneficial.	19
Limited	Improvements in controls or in the application of controls are required.	6
Minimal	Urgent improvements in controls or in the application of controls are required.	0

- 1.3.5 There have not been any significant issues raised by the Audit Commission that would affect the opinion on the control environment.

1.4 Audit Recommendations Made

- 1.4.1 At the end of each audit an action plan is issued with that sets out the recommendations made. Responsible Officers are requested to complete the

action plan stating whether or not they accept the recommendations and planned implementation dates.

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 There is a time delay between issuing the action plan and receiving the completed return. A summary of all recommendations made will be reported to the next meeting of this Committee. The following table shows the position of completed action plans received at the time of writing this report: -

Recommendations Made	127	
High	41	
Medium	60	
Low	26	
Recommendations Accepted	127	100%
High	41	
Medium	60	
Low	26	
Recommendations Rejected	0	0%
Recommendations Implemented	91	71.65%
High	34	
Medium	41	
Low	16	
Recommendations Action In Progress	36	28.35%
High	7	
Medium	19	
Low	10	

1.5 Audit Plan

1.5.1 The audit plan for 2010/11 was agreed by Members of this Committee at the April 2010 meeting. It was designed to ensure that all high risk areas were covered in order to be able to form an opinion on the overall governance environment. All of the work planned in order to give this opinion has been covered and the audit plan has been met.

1.5.2 The audit plan for 2011/12 has been prepared and is presented to this meeting on a separate report.

1.5.3 All of the work carried out by Internal Audit is checked for compliance with the Code of Practice and these management reviews have not resulted in any breaches of this code being identified.

1.6 Resources

- 1.6.1 Members will be aware that the Audit Manager left the organisation in August 2010. In December 2010 the Council entered into a partnership arrangement with Gravesham Borough where the Audit Manager from Gravesham would spend half of her time at Tonbridge & Malling. This arrangement has been very successful and a number of best practices between the two authorities have been identified and implemented.
- 1.6.2 The remainder of the team has not changed throughout the year.

1.7 Survey of Internal Clients

- 1.7.1 As part of the process to align the Internal Audit sections of Gravesham and Tonbridge & Malling a survey of all senior officers who were likely to have had contact with Internal Audit in the last two years was conducted.
- 1.7.2 The same survey was conducted at both authorities in order to identify strengths and weaknesses. A full analysis of the results has not been undertaken but the initial review of the results indicated very few areas of dissatisfaction with the service provided. More details of the survey will be provided to Members at the next Audit Committee meeting.

1.8 Audit Questionnaires

- 1.8.1 Each audit report is accompanied by an audit satisfaction questionnaire. These are designed to give feedback on the performance of the audit.
- 1.8.2 At the time of writing this audit report there had been no negative responses returned to any of the questions.

1.9 Service Assurance Statements

- 1.9.1 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.
- 1.9.2 This statement is reviewed annually and is intended to provide assurance from Chief Officers on all areas that they are responsible for. A copy of the latest version of this statement is attached. **[Annex 2]**
- 1.9.3 The deadline for completion of these statements is midday on 8 April 2011. A verbal update will be given to Members at this Audit Committee on the outcome of the statements.

1.10 Legal Implications

- 1.10.1 The Accounts and Audit Regulations (2006) require that “relevant bodies conduct an annual review of the effectiveness of its system of internal audit and for a committee of the body to consider the findings”
- 1.10.2 The Regulations also require that “proper practices in relation to internal control” exist. They also identify that proper practices in relation to internal audit for relevant bodies may be found in the “Code of Practice for internal audit in local government in the United Kingdom, issued by CIPFA.
- 1.10.3 This report provides evidence for Members of the Audit Committee to assist their consideration of the Annual Governance Statement as per the Regulations. In addition it confirms that Internal Audit conform to the Code of Practice.

1.11 Financial and Value for Money Considerations

- 1.11.1 The Chief Internal Auditor is required to prepare an annual audit plan that meets the requirements of the Code of Practice and balances resources to ensure an adequate level of coverage. This plan is agreed with Members and managers in order to meet those objectives.

1.12 Risk Assessment

- 1.12.1 The audit plan is risk based and is intended to add to the overall risk management system of the authority. The relatively low levels of fraud and error suggest that this objective is being successfully met. A failure to provide a service that meets the requirements of the Accounts & Audit Regulations would lead to additional external inspection and additional costs to the Council.

1.13 Equality Impact Assessment

- 1.13.1 No equality impact issues have been identified through this report.

1.14 Opinion of the Chief Internal Auditor

- 1.14.1 **The opinion of the Chief Internal Auditor is that the Council has maintained an adequate and effective internal control environment.**

Background papers:

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Internal Audit Files

David Buckley
Chief Internal Auditor