

# TONBRIDGE & MALLING BOROUGH COUNCIL

## AUDIT COMMITTEE

11 October 2011

### Report of the Chief Internal Auditor

#### Part 1- Public

#### Matters for Information

#### 1 UPDATE ON THE WORK OF INTERNAL AUDIT 2011/12

##### Summary

**This report informs Members of the work that is being taken by the Internal Audit Section in the current year.**

#### 1.1 Audit Plan

- 1.1.1 Members will be aware that Internal Audit have moved from a three-year plan to working from a one-year plan formulated from a risk based assessment. This plan was adopted by this Committee at the meeting of 20 June 2011.
- 1.1.2 This year has seen a number of changes in the way that the Section works. All senior managers received formal notice of the audits scheduled for their service areas with individual audits assigned to the quarter of the financial year in which were planned to take place.
- 1.1.3 The audit brief has been re-designed and now focuses upon significant risks identified by the auditor; the brief is circulated to the manager prior to the commencement of an audit and agreement is sought of the audit coverage. This also gives the client the opportunity to highlight any additional risks or areas of coverage that were not identified by the auditor.
- 1.1.4 The team have revised all audit working papers including the template for the report issued to clients following an audit review. The new report template is designed to focus on giving more positive assurance to clients where controls are found to be operating effectively as well as identifying any control weaknesses or opportunities to introduce or improve compliance with existing controls or improve efficiency. The team have also introduced draft report meetings with clients following reviews as an opportunity for clients and the auditors to discuss findings, risks identified and agree any necessary action.
- 1.1.5 While the team have responded positively to the changes in working practices and are making good progress with carrying out audit testing, during the initial stages of the plan the changes have required an increased level of management supervision and quality control checking of testing and reports completed to

ensure all work is consistent in approach and of a high standard. This has impacted on the number of audits issued as final and draft reports in the first quarter with output being below planned. Arrangements have been put into place to manage this situation and the fieldwork for all audits planned has now commenced with the team making good progress with preparing and issuing draft reports for planned audits.

- 1.1.6 It was agreed at the Audit Committee meeting of 20 June 2011 that the format for reporting audit fieldwork undertaken would be revised so that Members are provided with a summary of the risks considered and the audit opinion on the testing carried out. This summary is attached for work carried from the 2011/12 Audit Plan. **[Annex 1]**.

## **1.2 Quarter 1 Resources**

- 1.2.1 The section has a partnership arrangement with Gravesham for the provision of an Audit Manager on a part-time basis and this arrangement continues to work well. As noted at 1.1.5 however the changes in working practices and the adjustment of this officer to her new split role had initially resulted in some delay to audit reports being issued but it is anticipated that the team will be able to complete the annual audit plan as previously agreed with Members.
- 1.2.2 The rest of the section has remained fully staffed during the period however a number of audit days have been lost through individual team members' involvement in the local elections and through slightly higher levels of sickness absence than anticipated. As in previous years it has been necessary to spend some time early in the 2011-12 year finalising audits completed in the 2010-11 year. It should also be noted that the amount of audit days available and progress against the plan in the second quarter of the financial year is reduced through high levels of annual leave both in the team and with clients.

## **1.3 Legal Implications**

- 1.3.1 The Council has a legal obligation under the Accounts and Audit (England) Regulations 2011 to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. Previous guidance has identified compliance with the CIPFA Code of Practice for Local Government Audit as fulfilling this requirement.

## **1.4 Financial and Value for Money Considerations**

- 1.4.1 Failure to provide an adequate internal audit could result in a breach of the Accounts and Audit (England) Regulations 2011 with the potential result of additional inspection by external audit or Government intervention for which the authority would have to fund.

1.4.2 A sound internal control environment will minimise the risk of fraud and error and reduce the potential cost of such events happening. The internal audit process will also attempt to identify potential efficiency savings as part of its inspection process.

## 1.5 Risk Assessment

1.5.1 As stated above a sound internal control system will contribute to minimising the potential for fraud and error.

## 1.6 Equality Impact Assessment

1.6.1 See 'Screening for equality impacts' table at end of report

Background papers:

contact: David Buckley

Internal Audit Working Papers

David Buckley

Chief Internal Auditor

Screening for equality impacts:		
Question	Answer	Explanation of impacts
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	No	This is an information item, however, all audits are undertaken on an impartial basis.
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	No	This is an information item
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		During all audit investigations compliance with policies is considered including Equality and Diversity issues.

*In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.*