

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

23 January 2012

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 provides Members with an update on the progress of the Internal Audit Team against the agreed 2011-12 Annual Audit Plan.

Members are asked to approve the amendment to the plan to defer two audits into 2012-13 and to remove a further two audits from the plan.

1.1 Progress against 2011/12 Annual Audit Plan

- 1.1.1 The Annual Internal Audit Plan for 2011/12 was approved by this committee on the April meeting agenda dealt with on 20 June 2011 and contained 49 audits. **[Annex 1]**. Best practice as set out by the CIPFA Code of Practice for Internal Audit in Local Government 2006 suggests that the Head of Internal Audit should periodically update Members on the work of Internal Audit. The purpose of this report therefore, is to provide Members with an update on the progress of the Internal Audit team in 2011-12 against the internal audit plan.
- 1.1.2 As reported to the Committee in the Internal Audit Update Report in October 2011, the current financial year has seen a number of changes in the way the Internal Audit team work; during the initial stages of the plan the changes required an increased level of management supervision and quality control checking of audit testing and reports completed to ensure all work was consistent in approach and of a high standard. This impacted on the number of audits issued as final and draft reports in the first quarter with output being below planned.
- 1.1.3 During the second and third quarters of the financial year the new arrangements have become 'business as usual' and the team have made good progress with output returning towards planned levels, though the team do not have the required resources remaining to complete all audits on the original plan within the 2011/12 financial year and this is detailed at section 1.3 of this report.
- 1.1.4 Of the 49 audits on the original plan, the team have issued final reports and agreed management action plans in respect of 15 audits; of these 12 have been given opinions of Substantial and three Limited. (See **Annex 2** for definitions of

audit opinions) In addition the team have issued draft reports in respect of three audits with fieldwork having been completed for a further four audits. Nine audits are currently underway. A summary of the current status of all audits on the 2011/12 plan including a summary of findings where finalised is attached to this report. **[Annex 3]**.

1.2 Internal Audit Resources quarters 1 – 3 of 2011/12

- 1.2.1 The Internal Audit Team consists of an Audit Manager who is shared on a part-time basis with Gravesham Borough Council, two part-time Senior Auditors (one full time equivalent post) and one Audit Assistant.
- 1.2.2 The team has remained fully staffed in the first three quarters of the current financial year, however as in previous years, a number of days in quarter one were spent finalising work from the 2010/11 financial year. In addition a number of days have been lost through individual team members' involvement in the local elections, slightly higher levels of sickness absence than anticipated and through more days being spent on training than originally budgeted.

1.3 Proposed amendment to 2011/12 Annual Audit Plan

- 1.3.1 Due to a combination of lower than planned output in the first quarter of the financial year (1.1.2 of this report) and the reduction in audit days available (1.2.2 of this report) the team no longer has enough resources to complete all the audits on the original audit plan. Based on the resources remaining it will be necessary to remove four audits from the original plan.
- 1.3.2 Review of the audits remaining on the plan identified two areas, Bulky Waste Collections and the Leisure Services Catering Units, where new IT systems and processes are being implemented in the current financial year. As such it would be more effective for Internal Audit to provide assurance once the new systems are in place and so it is proposed that these audits be included on the 2012/13 audit plan which will be brought to this Committee for approval on 10 April 2012.
- 1.3.3 In addition the two audits considered to be the lowest risk items remaining on the plan have been identified as Recruitment Procedures and Mobile Telephones; due to the economic climate staff turnover is low and both areas have been subject to recent audits resulting in audit opinions of Substantial in the 2010/11 financial year and so it is proposed that these audits be removed from the 2011/12 audit plan.
- 1.3.4 I am confident that subject to this amendment being approved, the completion of the remaining audits would give sufficient audit coverage for me to deliver my opinion on the council's internal control environment as required for the Annual Governance Statement.

1.4 Legal Implications

- 1.4.1 Section 151 of the Local Government Act 1972 requires the council to "make arrangements for the proper administration of their financial affairs". Further to

this, the Accounts & Audit Regulations 2011 require a relevant body 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.” Proper practice has been defined as that contained within the CIPFA Code of Practice for Internal Audit in Local Government.

1.5 Financial and Value for Money Considerations

- 1.5.1 An adequate and effective internal audit function provides the council with assurance on the proper, economic, efficient and effective use of council resources in delivery of services, as well as helping to identify fraud and error that could have an adverse effect on the financial statements of the council.

1.6 Risk Assessment

- 1.6.1 This report, summarising the work of the Internal Audit function, provides a key source of assurance for the council on the adequacy and effectiveness of its internal control arrangements.

1.7 Equality Impact Assessment.

- 1.7.1 See 'Screening for equality impacts' table at end of report

1.8 Recommendations

- 1.8.1 Members are asked to **CONSIDER** the progress of the Internal Audit Team against the 2011/12 Annual Audit Plan to date and to **AGREE** the proposed amendment to remove four audits.

Background papers:

Contact: Katey Durkin
Audit Manager

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	

Screening for equality impacts:		
Question	Answer	Explanation of impacts
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	No	
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		

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.