

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

10 April 2012

Report of the Chief Internal Auditor

Part 1- Public

Matters for Information

1 INTERIM CHIEF INTERNAL AUDITOR'S REPORT 2011/12

Summary

This report provides the opinion of the Chief Internal Auditor on the overall adequacy and effectiveness of the organisations control environment as required by the Accounts & Audit Regulations 2011.

1.1 Background

- 1.1.1 The Accounts and Audit Regulations 2011 guidance states that proper internal control practice is set out in The Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 (Code of Practice). The Code requires the Chief Internal Auditor to provide an opinion on the overall adequacy and effectiveness of the organisation control environment to support the Annual Governance Statement.
- 1.1.2 Due to the timing of presentation of the Annual Governance Statement this opinion is based upon the work carried to date in the current financial year. A full annual report will be presented to Members at the June meeting of this Committee. This will meet the requirements of the Code of Practice and will give greater details on the performance of the section.
- 1.1.3 Members also receive reports from the Exchequer Services Manager on the reviews of Risk Registers and any emerging significant risks and these assist in forming an opinion.
- 1.1.4 The audit plan for 2011/12 was agreed by Members of this Committee in June 2011. 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.
- 1.1.5 All of the work carried out by Internal Audit is checked for compliance with the Code of Practice prior to issue and these management reviews have not resulted in any breaches of this code being identified.
- 1.1.6 Details and findings of audits issued as final are attached as **[Annex 1]** and this forms the primary basis of my opinion.

1.2 Control Environment

- 1.2.1 There have been two reported breaches of controls. One was an allegation of misappropriation in a Cafeteria. This could not be proved but additional controls and revised procedures have been introduced to reduce the potential for similar opportunities.
- 1.2.2 The second breach of controls related to the calculation of Single Person Discount (SPD) on cases where Housing or Council Tax Benefit is in payment.
- 1.2.3 The background is that some years ago, the DWP highlighted a (national) issue concerning discrepancies between benefit and council tax databases. As Members know, residents living alone are entitled to a single person discount (SPD), which they are normally expected to claim. Therefore, if a resident did not claim the SPD to which he/she was entitled, and subsequently claimed council tax benefit, the benefit would be calculated against an un-discounted council tax liability. As council tax benefit is (currently) reimbursed by the DWP, the DWP took the view that local authorities should award SPDs, even if not claimed by residents, if they subsequently claimed benefit. The effect of doing so would reduce the national cost of the benefit scheme. The DWP's view was that, by certifying, via their benefit claim, that they were the only resident of the property, they had also claimed the SPD.
- 1.2.4 The Council did, at the time, invest resources into rectifying the position, but regrettably it has now been discovered that this was not maintained, so new benefit claims from single person households have not been processed in the correct way. Effectively, therefore, benefit subsidy has been overclaimed from the DWP.
- 1.2.5 These errors have now been corrected in liaison with the District Auditor and the Department for Work and Pensions.
- 1.2.6 Neither of these events had a material effect on the accounts of the Council.

1.3 Service Assurance Statements

- 1.3.1 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.
- 1.3.2 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]**
- 1.3.3 The deadline for completion of these statements is midday on 10 April 2012. A verbal update will be given to Members at this Audit Committee on the outcome of the statements.

1.4 Legal Implications

- 1.4.1 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”
- 1.4.2 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.
- 1.4.3 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.

1.5 Financial and Value for Money Considerations

- 1.5.1 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.

1.6 Risk Assessment

- 1.6.1 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.

1.7 Equality Impact Assessment

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

1.8 Opinion of the Chief Internal Auditor

- 1.8.1 Based upon the outcome of work undertaken to date this year and supporting evidence. **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