

# TONBRIDGE & MALLING BOROUGH COUNCIL

## AUDIT COMMITTEE

28 January 2013

### Report of the Chief Internal Auditor

#### Part 1- Public

#### Delegated

#### **1 UPDATE ON THE WORK OF INTERNAL AUDIT DURING 2012-13**

**This report provides Members with an update on the progress of the Internal Audit Team against the agreed 2012-13 Annual Internal Audit Plan. Members are asked to approve the amendments to the plan detailed at section 1.2 of this report.**

#### **1.1 Progress against the 2012-13 Internal Audit Plan**

- 1.1.1 The Annual Internal Audit Plan for 2012-13 was approved by this Committee on the 10 April 2012 and contained 41 items. **[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 2012-13 against the Internal Audit Plan.
- 1.1.2 The plan reflects all work undertaken by the team during the financial year, containing both assurance work and consultancy work. Of the 41 items on the original plan, 29 were audit reviews that would result in an assurance opinion; the remainder being consultancy items or allowances for follow up, provision of control advice etc.
- 1.1.3 Of the 29 assurance opinion reviews, the team have issued final reports and agreed management action plans in respect of 14 audits; of these two have been given opinions of High, nine Substantial and three Limited. (See **Annex 2** for definitions of audit opinions) In addition the team have issued draft reports to client management for consideration in respect of three audits and five audits are currently underway. Work has not yet commenced on the remaining seven audits. A summary of the current status of all audits on the 2012-13 plan including a summary of findings where finalised is attached to this report. **[Annex 3]**.
- 1.1.4 It is anticipated that the team will be able to complete the remainder of the plan within the available resources by the end of the 2012-13 financial year.

## **1.2 Proposed amendments to 2012-13 Annual Internal Audit Plan**

- 1.2.1 The Annual Internal Audit Plan for 2012-13 included a review of the No Use Empty Loans Scheme. During the initial preparation for this review to commence, it was identified that the council has a very limited role in the scheme and initial discussions confirmed arrangements are suitably controlled. As such it is considered that more effective use could be made of the resources allocated to this review. It is proposed therefore that the No Use Empty Loans Scheme audit is removed from the audit plan.
- 1.2.2 The Annual Internal Audit Plan for 2012-13 also included a review of the Council's new Human Resources System; however while the system is in operation, the self service functionality will now not be implemented until the 2013-14 financial year and as such it has been agreed to include some consultancy days to assist with this project in the coming financial year, deferring the full control audit until the 2014-15 financial year.
- 1.2.3 As the team have sufficient resources to complete all audits on the original plan, it is proposed to include two additional audit reviews in the place of those removed. It is proposed that Internal Audit will undertake a compliance check that all council application forms contain the required Data Protection Statement/Declaration, and review the compliance of the council's counter fraud arrangements with the government's Fighting Fraud Locally Strategy.

## **1.3 Consultancy work**

- 1.3.1 As agreed by this Committee in January 2012, the Internal Audit plan this year reflects the Council's focus on identifying financial savings and opportunities for generating income and efficiencies in services and includes a specific allowance of days allocated to Corporate Consultancy Work directed by Management Team.
- 1.3.2 The results of this work have been presented to members of the Council's Management Team. Since the original agreement of this Committee was given to carry out consultancy work it has been decided to present the outcomes of the work to the Overview and Scrutiny Committee; this work will be discussed with a sub-group of this Committee in January 2013.

## **1.4 Legal Implications**

- 1.4.1 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.

## 1.5 Financial and Value for Money Considerations

- 1.5.1 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.
- 1.5.2 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.

## 1.6 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

Members are asked to **CONSIDER** the progress of the Internal Audit Team against the 2012-13 Annual Audit Plan to date and to **AGREE** the proposed amendments to the Annual Audit Plan detailed at section 1.2 of this report.

Background papers:

contact: Katey Durkin  
(Audit Manager)

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	

<b>Screening for equality impacts:</b>		
<b>Question</b>	<b>Answer</b>	<b>Explanation of impacts</b>
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.*