

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

08 April 2103

Report of the Chief Internal Auditor

Part 1- Public

Matters for Information

1 REVISED INTERNAL AUDIT OPINIONS

Summary

This report informs Members of the revised Internal Audit opinions to be used from 1 April 2013.

1.1 Background

- 1.1.1 Since December 2011 the Internal Audit team of the council has been operating a partnership arrangement with Gravesham Borough Council. One of the objectives of establishing the partnership was to seek to align policies and procedures and institute common working practices at both sites as an aid to improving efficiency and resilience, taking best practice from each authority.
- 1.1.2 Over the last two years the teams have successfully developed and adopted common working practices and reporting arrangements. This has led to more efficient and effective audits with auditors on both sites being able to contact counterparts to discuss working practices and experiences. The one outstanding area of work is the convergence of internal audit opinions used by each authority.

1.2 Current Audit Opinions

- 1.2.1 Internal Audit at Tonbridge & Malling Borough Council currently issue an opinion for each assurance review completed against a different four point scale, ranging from High, Substantial, Limited to Minimal. The opinion issued is based on the level of assurance that can be provided based on the findings of audit testing. The full definitions are attached. **[Annex 1]**
- 1.2.2 Internal Audit at Gravesham currently issue an opinion for each assurance review completed based on a four-point scale ranging from Good, Satisfactory, Adequate to Unsatisfactory. The opinion issued is based upon the existence and adequacy of controls in place as evidenced by audit testing.
- 1.2.3 At both sites, Internal Audit will seek feedback from clients following the finalisation of each audit review and biannually through client satisfaction surveys. Both teams have received client feedback on the opinions currently in use and in

support of revising the audit opinions used; in particular the following issues have been experienced at Tonbridge & Malling:

- There is a common misunderstanding as to which of the opinions indicates the lowest level of assurance; 'Limited' or 'Minimal'.
- There is some confusion caused by the term 'High' being used both in the positive as the most favourable overall audit opinion given, and also in the negative as the most significant category of recommendation.
- There are frequent disagreements with clients on the boundaries for each opinion, with a perceived overlap between opinions. This perception is compounded by the current opinion definitions which are not as clear as they could be.
- Given the current financial position of the council and its reducing resources, the audit opinion of 'High' could be seen as encouraging services to seek a 'gold plated' standard rather than being 'fit for purpose'.

1.3 Proposed Internal Audit Opinions

1.3.1 Internal Audit has carried out extensive research, seeking to confirm professional guidance on audit opinions and identifying audit opinions used by other Internal Audit Services. Based on this research a set of new, proposed internal audit opinions and definitions have been developed for use by the partnership and these are attached. **[Annex 2]**

1.3.2 The proposed opinions have been discussed by the Heads of Audit at each site, and have been shared and discussed with members of both Internal Audit teams. The proposed opinions have also been tested alongside the existing opinions used by both teams.

1.3.3 The new opinions were presented to Management Team at their meeting of 19 March 2013 where they were asked to accept them from 1 April 2013. Management Team approval was given.

1.4 Impact of new opinions on the reporting Internal Audit work

1.4.1 As stated these new opinions will be in use for assurance work carried out from 1 April 2013. As such, the opinion of the Chief Internal Auditor on the overall control environment for the 2013-14 Annual Governance Statement will be based on these new opinions.

1.4.2 Regular updates of the outcomes of audits will continue to be provided to the Audit Committee with the new opinions being used. Members will continue to be able to question Internal Audit on the individual audits.

1.5 Legal Implications

1.5.1 The Accounts & Audit Regulations 2011 require the council 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.”

- 1.5.2 From 1 April 2013, proper practice for Internal Audit in Local Government will be defined as the Public Sector Internal Audit Standards (PSIAS). The PSIAS require the communication of the results of internal audit work to include *the overall opinion, judgement or conclusion reached*. The PSIAS also require the chief audit executive to *identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinions and other conclusions*.

1.6 Financial and Value for Money Considerations

- 1.6.1 The new opinions will not affect the findings reported within Internal Audit reports and recommendations will continue to be in the same format. There are no adverse financial factors that have been identified from the change.

1.7 Risk Assessment

- 1.7.1 The new opinions are easier to understand and Internal Reports will continue to highlight any concerns relating to risk management. The use of the red opinion will highlight those areas where it is considered that risks are not being managed effectively or require additional attention.

1.8 Equality Impact Assessment

- 1.8.1 This is an information item where there are no equality impact issues.

Background papers:

contact: David Buckley

Audit Journals

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	Information item

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	Information item
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.