

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

07 October 2013

Report of the Chief Internal Auditor

Part 1- Public

Matters for Information

1 HALF YEAR INTERNAL AUDIT UPDATE REPORT 2013-14

Summary

This report informs Members of the work conducted by Internal Audit in the current financial year to 30 September 2013. This includes finalised audits from 2012-13 and work conducted towards the 2013-14 plan.

1.1 Background to Internal Audit

- 1.1.1 The Accounts and 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.*” From the 2013-14 financial year, proper practice is defined by the Public Sector Internal Audit Standards (PSIAS) and CIPFA’s Local Government Application Note to the Public Sector Internal Audit Standards. The PSIAS requires Internal Audit to *report periodically to senior management and the board on the internal audit activity’s purpose, authority, responsibility and performance relative to its plan.*

1.2 Internal Audit Staff Establishment

- 1.2.1 The Internal Audit Team report to the Chief Internal Auditor and consists of the Audit Manager, a Senior Auditor post held by two officers in a job-share, and an Audit Assistant post. The Audit Manager post is shared with Gravesham Borough Council with the officer splitting her time equally between the two Councils.

1.3 Net Staff Out-turn

- 1.3.1 Net staff resources available to 30 September 2013 as detailed at **[Annex 1]** amounted to 297 days.
- 1.3.2 The team has recorded five days of sickness absence in the six months to 30 September 2013; this figure includes time taken by officers to attend medical appointments and is below the Council average.

1.4 Annual Audit Plan

- 1.4.1 The Internal Audit Plan for 2013-14 was presented to Management Team on 12 March 2013, was approved by the Audit Committee on 8 April 2013 and attached at **[Annex 2]**

for Members information. The plan set out the proposed work of the Internal Audit team for the year which can be summarised into two key work types:

- 1.4.2 *Assurance Work* – this relates to audit work which informs the opinion of the control environment given to the Committee by the Chief Internal Auditor. This work focuses on planned audit reviews of key financial systems, other financial systems, operational audits and control environment reviews and also picks up on the follow up of audit recommendations made.
- 1.4.3 *Consultancy Work* – this relates to Internal Audit team members involvement in corporate and other known projects, requests received by the team for consultancy or responsive work, advice or information and involvement in fraud investigation work.

1.5 Assurance Work

- 1.5.1 The Internal Audit team has primarily focused on assurance work. **[Annex 1]** reports that a total of 195 audit days have been spent on the completion of assurance work in the first half of 2013-14. As experienced in previous years, a number of programmed audits relating to the 2012-13 audit plan were not fully completed in that financial year and have required finalisation in 2013-14. Further details of the planned audit work completed during the year are shown in **[Annex 3]**. Where an assurance review has been given an audit opinion, definitions in use during 2013-14 are detailed at **[Annex 4]** of this report.

1.6 Consultancy Work

- 1.6.1 As shown at **[Annex 1]** the Internal Audit team has spent a total of 63 days on consultancy work in the first half of 2013-14.
- 1.6.2 *Specific Consultancy Reviews at the request of the Council's Management Team*
- 1.6.3 The 2013-14 Internal Audit Plan included an allowance of 90 days (inclusive of audit management resources) for conducting Value for Money / Efficiencies work as directed by the Council's Management Team. In the first half of the year the team has supported the Council's Scrutiny Review programme, conducting research and analysis to support two specific reviews which have been reported through the Council's Management Team and Overview and Scrutiny Committee. In addition, the Internal Audit team has continued to maintain a small resource budget to enable the team to respond to management requests for special projects to be completed, outside of the programmed audit work.
- 1.6.4 *Projects, responsive work and Advice & Information*
- 1.6.5 The team offer support to corporate projects and provide ad hoc advice and information as and when requested by Council officers. In 2012-13 the team introduced arrangements to record the nature and volume of requests received to enable more detailed monitoring and reporting in future years. During the first half of the year the team has provided support to a number of projects, primarily through the extraction and analysis of data. Details of the specific items are provided at **[Annex 5]**. This is considered to be a fundamental service provided by the team, enabling officers to

consult with Internal Audit and address control concerns and issues as they arise, helping to maintain the internal control arrangements of the Council.

1.6.6 *Anti-Fraud Activity*

1.6.7 The Internal Audit team plays a key role in the Council's anti-fraud activity and have spent 27 days on this type of work in the first half of 2013-14.

1.6.8 The team has led on the investigation of the matches received through the 2013-14 National Fraud Initiative (NFI) reported elsewhere on this Committee agenda. The team have continued to play a key role in the Council's corporate approach to the prevention and investigation of allegations of fraud, corruption and misconduct where appropriate. In September 2013, a Fraud Awareness e-learning package has been distributed to all staff which is designed to enhance awareness of fraud risks and the reporting arrangements across the Council and further details are provided at **[Annex 5]**. In addition Internal Audit resources were spent carrying out a proactive fraud-proofing review of the Council's Recruitment Vetting Arrangements and details of this are provided within **[Annex 3]** of this report.

1.7 **Other Audit Duties**

1.7.1 The time spent on other audit duties was devoted to planning and controlling the work of the section, internal audit development, general administration and the provision of support to wider Council activities.

1.7.2 The team has continued to be represented on the Kent Audit Group and has responsibility for organising the 2013 Kent Audit Group Conference.

1.8 **Training**

1.8.1 A total of two days has been spent on formal training in the first half of 2013-14 including attendance on Emergency Planning and Individual Elector Registration sessions.

1.8.2 In addition to formal training, the Chief Internal Auditor and the Audit Manager continue to provide each team member with specific training during the course of each audit undertaken in response to each auditor's particular needs. It is considered that this approach has been effective in practice and has contributed to the continuation of the quality of audit reviews carried out by the team.

1.9 **Internal Audit Performance to 30 September 2013**

1.9.1 The Internal Audit team is measured against a set of seven performance measures which are intended to assess the effectiveness and efficiency of the team in achieving a quality Internal Audit Service.

1.9.2 Performance has been measured against each of the seven performance measures and an update on performance is provided for Members information at **[Annex 6]**.

1.10 Partnership Working

- 1.10.1 Since 1 December 2010 the Council has operated a partnership arrangement whereby operational management responsibility for the Internal Audit team at Tonbridge & Malling Borough Council is provided by the Audit Manager employed by Gravesham Borough Council.
- 1.10.2 A formal review of the partnership was carried out in July 2013 by the two Councils; this found the partnership to be working well and achieving the objectives identified within the original business case for the partnership.

1.11 Public Sector Internal Audit Standards

- 1.11.1 From 1 April 2013 the team have worked to the Public Sector Internal Audit Standards (PSIAS) for the UK Public Sector and CIPFA's Local Government Application Note to the Standards; together forming proper practice for Internal Audit in Local Government.
- 1.11.2 In July 2013 the Chief Internal Auditor conducted a self-assessment against the Standards; this is reported elsewhere on this Committee Agenda.

1.12 Internal Audit Charter / Internal Audit Manual

- 1.12.1 The Internal Audit Charter sets out the purpose, role and responsibilities of the Internal Audit function of the Council. The Internal Audit Manual provides Internal Auditors with a key point of reference for the procedures and practices operated by the team.
- 1.12.2 The Internal Audit Charter has been updated to reflect the PSIAS and is presented elsewhere on this Committee Agenda. Internal Audit will work to update the Manual and address the remaining actions to ensure compliance with the PSIAS over the second half of the financial year.

1.13 Legal Implications

- 1.13.1 The Accounts and Audit Regulations 2011 place a statutory requirement on authorities 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 relative to the 2013-14 financial year is defined as that contained within the Public Sector Internal Audit Standards (PSIAS) and CIPFA's Local Government Application Note to the Public Sector Internal Audit Standards.

1.14 Financial and Value for Money Considerations

- 1.14.1 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.

1.15 Risk Assessment

1.15.1 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.

1.16 Equality Impact Assessment

1.16.1 See 'Screening for equality impacts' table at end of report.

Background papers:

contact: Katey Durkin
Audit Manager

None

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. 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?		N/A

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.