

AUDIT COMMITTEE

28 JUNE 2007

INTERNAL AUDIT ANNUAL REPORT

Report from: Internal Audit

Author: Richard Humphrey, Audit Services Manager

1 Summary

1.1 To inform this committee of the overall opinion on control for 2006/07 based on internal audit's work.

2 Decision issues

2.1 Following the Council's decision to establish this committee, it is within the remit of this committee to take decisions regarding accounts and audit issues.

3 Background

3.1. The Chartered Institute of Public Finance and Accountancy's publication "Code of Practice for Internal Audit in Local Government in the UK" recommends that internal audit should report annually on the operation of control. This is to assist Members when considering the Statement on Internal Control (SIC).

3.2. All audit work is either risk based using the Council's own identification of risks, internal audit's own risk assessment processes or work carried out on behalf of the external auditor.

3.3. This Committee receives regular reports on the outcomes of all internal audit activity which covers audit work and the results of irregularity investigations.

4. Summary of audit work

4.1 Financial Systems - The overall operation of financial control is assessed as "Satisfactory". The majority of the key financial systems were assessed as "Satisfactory" or above. None of the irregularity investigations are considered to have a material impact on the overall assessment.

4.2 Corporate Governance – Our audit work has not identified any failures in corporate governance. The ongoing work on Risk management identified "The council has changed its procurement approach to a risk based method approach and rolled out training to all directorates. However, risk

identification and evaluation continues to be disjointed, fragmented and inconsistent across the Council. Although progress has been made with the risk register being an integral part of the service planning module, consistent identification of risk remains a challenge. It is acknowledged that managers may be managing risks as part of their day-to-day activities, but there is a lack of formal evidence to support this activity.” On the prevention of fraud and corruption, the audit identified ”The Council actively investigates allegations of fraud and corruption and these have resulted in court convictions and although various ‘standards related’ policies are in place, we found that some staff lack awareness or understanding of them, and therefore may fail to comply with their requirements. Publicising the recently updated policies to staff and contractors is required.”

- 4.3 The operational audit activity does not lend itself to the formation of an overall opinion, owing to the size and complexity of the nature of the activities carried out by the Council when compared with the extent of the audit coverage. However, we can state that the operational audit work has not identified any authority wide control issues. Furthermore, no individual operational audit identified any issues that need to be noted in the SIC.

5. Financial Implications

- 5.1. There are no financial implications arising directly from this report.

6 Legal implications

- 6.1 There are no legal implications arising directly from this report.

7 Recommendations

- 7.1 Members are asked to consider internal audit’s overall opinion and the comments at paragraph 4.3 when considering the Statement on Internal Control.

8 Background papers

- 8.1 None

Lead officer contact

Richard Humphrey, Audit Services Manager

Telephone: 01634 332355

Email: richard.humphrey@medway.gov.uk