

AUDIT COMMITTEE
25 SEPTEMBER 2008
INTERNAL AUDIT ANNUAL REPORT

Report from: Internal Audit

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Summary

To inform this committee of the overall opinion on control for 2007/08 based on internal audit's work. This report assists this committee when considering the annual governance statement.

1. Budget and Policy Framework

1.1 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.

2. Background

2.1 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 annual governance statement.

2.2 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.

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

3. Summary of audit work

3.1 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.

- 3.2 Corporate Governance – Our audit work has confirmed that a sound system of corporate governance exists and that improvements continue to be made in the risk management process.
- 3.3 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.
- 3.4 A summary of all audit work carried out is at Annex A. Where control was assessed as “Unsatisfactory”, the final audit report included an agreed management action plan to address and correct the issues identified.

4. Financial and legal implications

- 4.1 There are no financial or legal implications arising directly from this report.

5. Recommendations

- 5.1 Members are asked to endorse internal audit’s opinions contained in this report and to consider the comments at paragraph 3 when considering the annual governance statement.

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Background papers

All reports to this committee on 2007/08 internal audit activity.

Summary of internal audit activity

Activity ↓	Directorate →	Opinion	Authority Wide	Community Services	Regeneration & Development	Children's Services	Business Support Department
Main Financial Systems – System Controls (Assurance Audits)							
Council Tax		S					S
Creditors		S					S
Housing and Council Tax Benefit		G					G
Housing Rents		A		A			
Business rates (NNDR)		S					S
Payroll		S					S
Revenue Budgetary Control		S		S		S	
Treasury Management		S					S
Financial Control in Schools comprising:-							
• Primary Schools (pre FMSiS – budget management)		S				S	
• Primary Schools (pre FMSiS – salary payments, travel & subsistence)		G				G	
Financial control in secondary schools (reflecting changes following the introduction of FMSiS)							
• Financial Management		S				S	
• Payroll		S				S	
• Purchasing		S				S	
• Income Received		S				S	
• Banking Arrangements		S				S	
• Petty cash		S				S	
• Taxation		G				G	
• Assets & information security		A				A	
Financial control in special & primary schools (Fmsis tranche 1)							
• Financial Management		S				S	
• Payroll		S				S	
• Purchasing		S				S	
• Income Received		S				S	
Main Financial Systems – Monitoring Controls (Assurance Audits)							
Capital Budgetary Control		A					A

Summary of internal audit activity

Activity ↓	Directorate →	Opinion	Authority Wide	Community Services	Regeneration & Development	Children's Services	Business Support Department
Council Tax		G					G
Creditors		S					S
Housing and Council Tax Benefit		G					G
Housing Rents		S		S			
Business rates (NNDR)		G					G
Payroll		G					G
Treasury Management		S					S
Fraud and Corruption assessments (Assurance Audits)							
Council Tax		●					●
Creditors		●					●
Housing and Council Tax benefits		●					●
Housing Rents		●		●			
Business rates (NNDR)		●					●
Payroll		●					●
Treasury Management		●					●
Corporate Governance Audits							
Annual review (compliance with 2007 published Cipfa/Solace requirements) 2007/08		S	S				
Risk Management 2007/08		S	S				
Prevention of Fraud and Corruption - overall arrangements 2007/08		A	A				
Other Financial Audits							
Creditors – duplicate payments check		S					S
Client financial affairs		A		A			
Operational Audits							
Loss of Key staff		A			A		A
Violent abuse of staff		A	A				
Recruitment Vetting – Schools		A				A	
Recruitment Vetting – non		A	A				

Summary of internal audit activity

Directorate →	Opinion	Authority Wide	Community Services	Regeneration & Development	Children's Services	Business Support Department
Activity ↓ schools						
Agency/consultant staffing	Substantial assurance	Substantial assurance				
Non Webreq purchasing • Effectiveness & Efficiency • Economy	Minimal assurance Limited assurance	Minimal assurance Limited assurance				
Direct Payments	S		S			
Licensing	S					S
Section 106 Agreements • Framework • Contributions received • Contributions used appropriately	S U S			S U S		
Procurement of goods and services – Housing	U		U			
Adult disability care – service planning	A		A			
Extended school services	S				S	
Follow up audits (an earlier audit had raised concerns over the control environment)						
Events – financial control	U		U			
Medway Tunnel – management of operational risks	U			U		
Imprest Accounts - financial control	U		U			
Mobile phones - management of operational risks	●	●				
Disabled Facilities Grants – council house adaptations	S		S			

Key: G = Good, S = Satisfactory, A = Adequate U = Unsatisfactory
● = Work carried out but no opinion provided in that area