

AUDIT COMMITTEE
24 MARCH 2009
INTERNAL AUDIT PROGRAMME

Report from: Internal Audit

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Summary

To allow Members to monitor progress in delivering 2008/09 programme.

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 – 2008/09 Programme

2.1 Members approved the internal audit 2008/09 work programme on 25 September 2009. The programme is derived from a number of sources, which are:-

- the Council's risk identification process, identified through the risk register, business and service plans,
- internal audit's view of risk,
- work requested by Members, Chief Executive, Chief Finance Officer, directors and other officers,
- predetermined audits that form part of an agreed arrangement with the external auditor.

2.2 The programme and progress to date is set out at Annex A. Additions to the plan are shown at Annex A whilst items removed from this year's programme are shown at Annex B. Staff vacancies have contributed to some audits being removed from the programme.

2.3 Audit work on main financial systems, work carried out on behalf of the external auditor, fraud and corruption, corporate governance and the annual assurance programme for schools are considered key activities and are given priority when resources are allocated. The plan is that all of the key assurance audits will be completed to meet the needs of the annual governance statement and external audit.

3. Financial implications

3.1 There are no financial implications arising directly from this report.

4. Legal implications

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

5. Recommendations

5.1 Members are asked to note the progress in delivering the 2008/09 programme and that all key assurance work will be completed to support the needs of the annual governance statement and external audit.

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Background papers

None

Annex A				
Internal Audit Programme 2008/09				
Directorate →	Authority Wide	Children and Adults	Regeneration Community and Culture	Business Support Department
Activity ↓				
Main Financial Systems (System Controls) – Assurance audits				
Bank reconciliation				DR
Cash Control				DR
Cash receipting				AC 03/09
Council Tax				DR
Creditors				DR
General Ledger				DR
Housing Benefits				F
Housing Rents				DR
NNDR (Business Rates)				DR
Payroll				DR
Sales ledger				F
Fraud and Corruption assessments – Assurance audits				
Council Tax				F
Creditors				F
General Ledger				F
Housing Benefits				F
Housing Rents				F
NNDR (Business Rates)				F
Payroll				F
Sales ledger				F
Other Financial Audits				
Supporting People Examination of arrangements for providing and recording the “supporting people” services supplied to qualifying clients and ensuring compliance with specified guidance and available funds.		AC 03/09		
Corporate Credit & Trade Cards	DR			

Annex A				
Internal Audit Programme 2008/09				
Directorate →	Authority Wide	Children and Adults	Regeneration Community and Culture	Business Support Department
Activity ↓				
Examination to establish the extent of corporate credit and trade cards and arrangements for identifying and controlling their use.				
Theatres (financial & asset management) A “health check” examination of the main financial and asset management systems operating at the Brook and Central theatres.			AC 03/09	
Commercial Property Income Examination of arrangements for identifying and charging for properties designated for commercial letting to ensure occupation and income is maximised.				DR
Internet Bankline Examination and assessment of the control exerted by proposed arrangements for operating this new facility.				AC 03/09
Parking Income Examination of arrangements for processing, monitoring and controlling the collection of income from car park machines and the issue of excess charges and penalty notices.			F	
Schools Assurance work Assessment of schools, using control self assessment technique, to assist CFO in forming opinion whether schools are meeting Dfes FMSIS standard.		On-going		
Interreg 4 grant claim process* Audit of claim	F			
Urbact grant claim process* Audit of claim	F			
Youth Opportunity and Youth Capital Fund Examination of processes for approving grant allocations and monitoring its subsequent use by recipient groups.		DR		

Internal Audit Programme 2008/09

Directorate →	Authority Wide	Children and Adults	Regeneration Community and Culture	Business Support Department
Activity ↓				
<p>Council tax arrears*</p> <p>To ensure that individuals on Medway Council's payroll, who are also in arrears of council tax, have suitable payment plans in place.</p>	AC 03/09			
Corporate Governance Audits				
Annual review (compliance with 2007 published Cipfa/Solace requirements)	F			
Risk Management	F			
Prevention of Fraud and Corruption - overall arrangements	P			
Operational Audits				
<p>Deangate Ridge – VFM</p> <p>Examination of arrangements for recording, monitoring and controlling expenditure and income transactions at this facility and an assessment of the income-generating capability of operating arrangements currently applied to its various activities.</p>			AC 03/09	
<p>Private Sector Housing Grants</p> <p>Examination of arrangements for quantifying and assessing entitlement to home renovation and empty property grants; and ensuring payment of only satisfactorily-completed and qualifying works and grant recovery, in the event of post payment non-compliance with specified grant conditions.</p>				AC 03/09
<p>Highways Maintenance Contract</p> <p>Examination of arrangements for ensuring works ordered via this contract are comprehensively specified, effectively procured and monitored and accurately paid.</p>			DR	
<p>Grounds Maintenance – contract monitoring</p> <p>Examination of arrangements for monitoring contract compliance and performance, including the recording and processing of defaults.</p>			AC 03/09	

Internal Audit Programme 2008/09

Directorate → Activity ↓	Authority Wide	Children and Adults	Regeneration Community and Culture	Business Support Department
PSA2 mid year verification Examination of specified performance indicators that contribute to PSA targets, which will review the accuracy of calculated performance indicators, the robustness of the arrangements to produce them and controls over the quality of data from which they are derived.	DR			
Workforce Planning Examination of arrangements for identifying future workforce requirements arising from known future loss and changing priorities /service requirements; and establishing means of fulfilling them.	AC 03/09			
BVPI 2007/08 outturn check Review of the accuracy of the reported outturns for performance indicators related to waste services and the robustness of supporting documentation.			AC 03/09	AC 03/09
Customer First Examination of performance management processes.				DR
A228 Part One Claims* Examine the operation of controls to manage the risks of: <ul style="list-style-type: none"> • potential commitments are not adequately funded, and • financial exposure to Part 1 compensation claims on highways schemes is not effectively and promptly identified, quantified and reported. 			AC 03/09	
Follow up audits (an earlier audit had raised concerns over the control environment)				
Events – financial control			AC 03/09	
Medway Tunnel – management of operational risks			AC 03/09	

Key * = addition to plan, AC = month and year reported to audit committee, DR = Draft Report issued F = Fieldwork in progress, P = audit at Planning stage

Notes

1. Assurance audits

These audits provide the S151 officer with an annual assurance of the operation of key controls within the main financial systems. This category also includes work carried out on behalf of the external auditor. Other systems in this category are audited on a risk/cyclical basis, unless the previous year's assessment was unsatisfactory.

2. Corporate Governance

This covers key work required to support the annual governance assurance statement, although all audit work contributes in some way to the governance statement.

3. Other financial audits

This category includes audits on financial activities, which have been identified as:

- High risk by the council's risk management system and/or internal audit's own risk analysis.
- Generating specific concerns by directorates and /or internal audit.

4. Operational Audits

These audits provide assurance that appropriate controls are in place and operating to mitigate the strategic and operational risks affecting individual corporate or directorate activities. For the 2008/09 audit programme, operational risks have been identified and selected from the following sources:

- Risks identified by the corporate risk management system.
- Risks identified by internal audit's own scored audit risk analysis.
- Risks and areas of concern identified by CMT or directorates

Audits removed from Internal Audit Programme 2008/09

Activity ↓	Status	Reason
Main Financial Systems (System Controls) & Fraud and Corruption assessment – Assurance audits		
Debtors (RAISE)	Defer to 09/10	System not fully operational in 2008/09
Other Financial Audits		
RAISE system payments – residential care and fostering. Examination of arrangements for paying amounts due to external providers of residential, nursing and domiciliary care and foster carers, via the new RAISE system.	Defer to 09/10	Work overlapped with an existing audit. To be considered as part of risk assessment exercise for 09/10 work programme.
Homelessness-Rental Income Examination of arrangements for charging and collecting top-up contributions and payments from clients not on housing benefit and ensuring receipt of the latter from those clients that are.	Defer to 09/10	Insufficient audit resources. To be considered as part of risk assessment exercise for 09/10 work programme.
Building Control Income Examination of arrangements for processing, monitoring and controlling the collection of income due from applications for building control approval.	Defer to 09/10	Insufficient audit resources. To be considered as part of risk assessment exercise for 09/10 work programme.
Operational Audits		
Performance Indicators 2008/09 verification checks Review of the accuracy of the reported outturns for selected “high-risk” performance indicators and the robustness of supporting documentation.	Defer to 09/10	Interim work not requested. Review of full year outturn to be considered as part of 09/10 plan
Follow up audits		
Imprest Accounts - financial control	Defer to 09/10	Insufficient audit resources. To be considered as part of risk assessment exercise for 09/10 work programme.
Mobile phones - management of operational risks	Defer to 09/10	
S106 agreement	Defer to 09/10	
Procurement of goods and services – Housing	Cancelled	Proposed restructuring of service differs significantly from previous method of working as to negate the value of a re-review. Audit of operation of new structure will be included in 09/10 plan.