

AUDIT COMMITTEE

25 JUNE 2009

INTERNAL AUDIT ANNUAL REPORT

Report from: Internal Audit

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Summary

To inform this committee of the overall opinion on control for 2008/09 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". All of the key financial systems audited 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. Risk Management, Financial and Legal implications

- 4.1 There are no risk management, financial or legal implications arising 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 2008/09 internal audit activity.

Summary of internal audit activity

Activity ↓	Directorate →	Opinion	Authority Wide	Children and Adults	Regeneration Community and Culture	Business Support Department
Main Financial Systems – System Controls (Assurance Audits)						
Bank reconciliation		G				G
Cash Control		G				G
Cash receipting		S				S
Council Tax		S				S
Creditors		S				S
General Ledger		S				S
Housing Benefits		S				S
Housing Rents		S				S
NNDR (Business Rates)		S				S
Payroll		S				S
Sales ledger		S				S
Fraud and Corruption assessments (Assurance Audits)						
Council Tax		•				•
Creditors		•				•
Housing Benefits		•				•
Housing Rents		•				•
NNDR (Business Rates)		•				•
Payroll		•				•
Sales ledger		•				•
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.		A		A		

Summary of internal audit activity

Directorate →	Opinion	Authority Wide	Children and Adults	Regeneration Community and Culture	Business Support Department
Activity ↓ Corporate Credit & Trade Cards Examination to establish the extent of corporate credit and trade cards and arrangements for identifying and controlling their use.	A	A			
Asset and financial management – Brook and Central Theatres • Income and Expenditure • Asset Management .	S U			S U	
Commercial Property Income Examination of arrangements for identifying and charging for properties designated for commercial letting to ensure occupation and income is maximised.	A				A
Internet Bankline Examination and assessment of the control exerted by proposed arrangements for operating this new facility.	G				G
Schools Assurance work Assessment of schools, using control self assessment technique, to assist CFO in forming opinion whether schools are meeting DCSF FMSIS standard.	•		•		
Interreg 4 and Urbact grant claim process* Audit of claims	•				•
Youth Opportunity and Youth Capital Fund Examination of processes for approving grant allocations and monitoring its subsequent use by recipient groups.	A		A		
Council tax arrears To ensure that individuals on Medway Council's payroll, who are also in arrears of council tax, have suitable payment plans in place.	•				•

Summary of internal audit activity

Directorate →	Opinion	Authority Wide	Children and Adults	Regeneration Community and Culture	Business Support Department
Activity ↓					
Corporate Governance Audits					
Annual review (compliance with 2007 published Cipfa/Solace requirements)	S	S			
Risk Management	S	S			
Prevention of Fraud and Corruption - overall arrangements	A	A			
Operational Audits					
Deangate Ridge – VFM 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.	Limited Assurance			Limited Assurance	
Private Sector Housing Grants 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.	A				A
Grounds Maintenance – contract monitoring Examination of arrangements for monitoring contract compliance and performance, including the recording and processing of defaults.	U			U	
PSA2 pre-outturn verification Examination of specified performance indicators that contribute to PSA targets, reviewing 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.	S	S			

Summary of internal audit activity

Directorate →	Opinion	Authority Wide	Children and Adults	Regeneration Community and Culture	Business Support Department
Activity ↓ 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.	A	A			
BVPI 2007/08 outturn check • Waste Services • Housing and Homelessness Services • Private Sector Housing.	S U S			S	U S
Customer First Examination of performance management processes.	A				A
A228 Part One Claims Examine the operation of controls to manage the risks of: • 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.	•			•	•
Follow up audits (an earlier audit had raised concerns over the control environment)					
Events – financial control	G			G	
Medway Tunnel – management of operational risks	•			•	

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

Value For Money Audits

High assurance Objectives being achieved efficiently, effectively and economically.

Substantial assurance Objectives are largely being achieved efficiently, effectively and economically, but there are areas for further improvement.

Limited assurance Objectives are not being achieved through an appropriate balance of economy, efficiency and effectiveness. Improvements could be made in more than one of the 3E's.

Minimal assurance Objectives are not being achieved either economically, effectively or efficiently.