

AUDIT COMMITTEE

25 JUNE 2009

INTERNAL AUDIT PROGRAMME 2008/2009

Report from: Internal Audit

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Summary

To allow Members to monitor progress in delivering the 2008/2009 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 2008. 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. All key assurance audits have been completed to meet the needs of the annual governance statement and external audit.

3. Risk Management, Financial and Legal implications

3.1 There are no risk management, financial or legal implications arising from this report.

4. Recommendations

4.1 Members are asked to note that all key audit assurance work set out in the 2008/09 programme has been completed.

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Background papers

None

Internal Audit Programme 2008/09					Annex A
Directorate →	Authority Wide	Children and Adults	Regeneration Community and Culture	Business Support Department	
Activity ↓					
Main Financial Systems (System Controls) – Assurance audits					
Bank reconciliation					AC 06/09
Cash Control					AC 06/09
Cash receipting					AC 03/09
Council Tax					AC 06/09
Creditors					AC 06/09
General Ledger					AC 06/09
Housing Benefits					AC 06/09
Housing Rents					AC 06/09
NNDR (Business Rates)					AC 06/09
Payroll					AC 06/09
Sales ledger					AC 06/09
Fraud and Corruption assessments – Assurance audits					
Council Tax					AC 06/09
Creditors					AC 06/09
Housing Benefits					AC 06/09
Housing Rents					AC 06/09
NNDR (Business Rates)					AC 06/09
Payroll					AC 06/09
Sales ledger					AC 06/09
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 Examination to establish the extent of corporate credit and trade cards	AC 06/09				

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Directorate → Activity ↓	Authority Wide	Children and Adults	Regeneration Community and Culture	Business Support Department
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.				AC 06/09
Internet Bankline Examination and assessment of the control exerted by proposed arrangements for operating this new facility.				AC 03/09
Schools Assurance work Assessment of schools, using control self assessment technique, to assist CFO in forming opinion whether schools are meeting DCSF FMSIS standard.		AC 06/09		
Interreg 4 grant claim process* Audit of claim	AC 06/09			
Urbact grant claim process* Audit of claim	AC 06/09			
Youth Opportunity and Youth Capital Fund Examination of processes for approving grant allocations and monitoring its subsequent use by recipient groups.		AC 06/09		
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.	AC 03/09			
Corporate Governance Audits				
Annual review (compliance with 2007 published Cipfa/Solace requirements)	AC 06/09			

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Directorate →	Authority Wide	Children and Adults	Regeneration Community and Culture	Business Support Department
Activity ↓				
Risk Management	AC 06/09			
Prevention of Fraud and Corruption - overall arrangements	AC 06/09			
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.			AC 03/09	
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.				AC 03/09
Grounds Maintenance – contract monitoring Examination of arrangements for monitoring contract compliance and performance, including the recording and processing of defaults.			AC 03/09	
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.	AC 06/09			
Workforce Planning Examination of arrangements for identifying future workforce requirements arising from known future loss and changing priorities /service requirements; and	AC 03/09			

Annex A				
Internal Audit Programme 2008/09				
Directorate →	Authority Wide	Children and Adults	Regeneration Community and Culture	Business Support Department
Activity ↓				
establishing means of fulfilling them.				
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.				AC 06/09
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,

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 effectively to mitigate the strategic and operational risks affecting individual corporate or directorate activities. For the 2008/09 audit programme, operational risks were 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
<p>Parking Income</p> <p>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.</p>	Defer to 09/10	Owing to staff shortages, this audit will be completed in 09/10.
Other Financial Audits		
<p>RAISE system payments – residential care and fostering.</p> <p>Examination of arrangements for paying amounts due to external providers of residential, nursing and domiciliary care and foster carers, via the new RAISE system.</p>	Defer to 09/10	Work overlapped with an existing audit. To be considered as part of risk assessment exercise for 09/10 work programme.
<p>Homelessness-Rental Income</p> <p>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.</p>	Defer to 09/10	Insufficient audit resources. To be considered as part of risk assessment exercise for 09/10 work programme.
<p>Building Control Income</p> <p>Examination of arrangements for processing, monitoring and controlling the collection of income due from applications for building control approval.</p>	Defer to 09/10	Insufficient audit resources. To be considered as part of risk assessment exercise for 09/10 work programme.
Operational Audits		
<p>Performance Indicators 2008/09 verification checks</p> <p>Review of the accuracy of the reported outturns for selected “high-risk” performance indicators and the robustness of supporting documentation.</p>	Defer to 09/10	Interim work not requested. Review of full year outturn to be considered as part of 09/10 plan
<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>	Defer to 09/10	Owing to staff shortages, this audit will be completed in 09/10.

Audits removed from Internal Audit Programme 2008/09

Activity ↓	Status	Reason
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 agreements	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.