

AUDIT COMMITTEE

26 SEPTEMBER 2012

INTERNAL AUDIT WORK PROGRAMME

Report from: Internal Audit

Author: Alison Russell, Audit Services Manager

Summary

To advise Members of progress in delivering the approved 2011/12 and 2012/13 work programme, and probity and follow up work undertaken since the last Audit Committee Meeting.

1. Budget and Policy Framework

- 1.1 It is within the remit of the Audit Committee to take decisions regarding accounts and audit issues.

2. Background – 2012/13 Programme

- 2.1 Members approved the internal audit 2012/13 work programme on 29 March 2012 for year ending 31 March 2013. 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 Audit work on the key financial systems, work carried out on behalf of the external auditor, corporate governance, risk management and prevention of fraud and corruption are considered key activities and are given priority when resources are allocated. The aim is that all of the key assurance audits will be completed to meet the needs of the governance statement and external audit.
- 2.3 Progress to date on the 2012/13 plan is set out at **Annex A**. Progress on follow-ups is recorded in **Annex C**.

- 2.4 The Audit Programme is reviewed in year to reflect any changes of priority in year. Any proposed changes are presented to the Audit Committee for approval. Proposed amendments to the 2012/13 plan are detailed at **ANNEX E** and include a revision of the approach to one audit, and the proposal to remove three audits from the programme. The Annex outlines the reasons for the proposals for each audit area. The proposed reduction in the number of audit deliverables in year is caused by the additional resources required to address the increased number of fraud referrals and the additional time required to address some probity issues identified through the planned reviews of schools. These amendments do not impact on the overall level of assurance that can be provided through delivery of the Annual Programme.

3. Progress on 2011/12 Plan

- 3.1 **Annex B** records the final outstanding audit output from the 2011/12 Plan.

4. Progress on Probity Audit Programme

- 4.1 The probity audit programme has progressed well. Details of progress are recorded at **Annex D**. We have found that the time needed to complete these audits varies significantly depending on the nature and complexity of the school's financial arrangements. The overall audit and assurance opinion on the financial and governance arrangements in Medway's Schools based on these probity reviews will be provided to the Audit Committee in March 2013.

5. Risk Management, Financial and Legal implications

- 5.1 There are no risk management, financial or legal implications arising directly from this report.

6. Recommendations

- 6.1 Members are asked to note the progress in completing the 2011/12 programme and delivering the 2012/13 audit plan and that all key assurance work will be completed to support the needs of the annual governance statement and external audit.
- 6.2 Members are asked to approve the proposed revisions to the 2012/13 audit programme.

Lead officer contact

Name Alison Russell
Job Title Audit Services Manager
Telephone: 01634 332355
Email: alison.russell@medway.gov.uk

Background papers

Internal Audit Work Programme 2012/13, 29 March 2012

<http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=121&MId=2321&Ver=4>

Internal Audit Programme 2012/13					Annex A
Activity ↓	Authority Wide	Children and Adults	Regeneration Community and Culture	Health	Business Support Department
Key Financial Systems					
Council Tax (Quarter 4 2011/12 under new arrangements)					AC 09/12
Housing Benefit (Quarter 4 2011/12 under new arrangements)					AC 09/12
NNDR (Quarter 4 2011/12 under new arrangements)					AC 09/12
Council Tax					Q4
Housing Benefits					Q4
Housing Rents					Q4
NNDR					Q4
Other Financial Systems					
Procurement					Q4
Grant Management					F
Bank Account Management/School Academies					
Creditor Payments					Q4
Risk Assessed Work					
Waste Management Contracts			F		
Partnerships					
CRB	P				
IT External Assurances					F
HR Data Security					F
Events			P		
Capital Projects					
Parking					

Internal Audit Programme 2012/13					Annex A
Activity ↓	Authority Wide	Children and Adults	Regeneration Community and Culture	Health	Business Support Department
Data Quality – one risk schedule	F				
Health				P	
Maintenance Contracts					
Asset Management - Divestments					
Governance Audits					
Corporate Governance					Q4
Risk Management					Q4
Prevention of Fraud and Corruption					Q4
Carbon Reduction			F		
Probity Reviews					
Schools Programme		10 reviews in progress or completed			
Schools Final overall report		Q4			

Internal Audit Programme 2011/12				Annex B
Activity ↓	Authority Wide	Children and Adults	Regeneration Community and Culture	Business Support Department
Key Financial Systems				
Debtors Income				AC 09/12
Foster Payments		DR		
Payroll processes in satellite sites				DR
Controls over local bank accounts - Schools				AC 09/12
Personal Budgets		F		

Key

AC = month & year reported to Audit Committee

DR = draft report issued

F = fieldwork in progress

P = audit in planning stage

Bold = audits are reported to this Audit Committee

Follow Ups Undertaken		Annex C
Follow Ups Undertaken	Date to Audit Committee	
Transport Procurement Unit	07/12	
Blue Badges (Interim)	07/12	
Rochester Christmas Market	03/12	
Markets Income	03/12	
Halling Primary School – Financial Controls	03/12	
Business Continuity (Progress Update)	07/12	
Temple Mill Primary School (as part of probity review)	07/12	
Housing Rents	09/12	
Markets Income 2nd Follow up	09/12	
Rochester Christmas Market - update	09/12	

Follow Ups Pending for “Uncontrolled” and “Insufficient” Audit Opinions	
Follow Up	Status
Temple Mill Primary School post probity audit	Not Due – planned for October 2012
Civic Centre Fuel Pumps	Fieldwork
Business Continuity (Final)	Interim follow up completed. Full follow up not due.
Blue Badges (Final)	Interim follow up completed. Full follow up not due.
Corn Exchange – financial controls	Fieldwork

Probity Reviews 2012/13		Annex D
Review	Status	
Schools		
All Saints	AC 07/12	
St Margarets	AC 07/12	
Temple Mill Primary	AC 07/12	
St Peter’s Infant	AC 09/12	
Sherwin Knight Junior	AC 09/12	
Sherwin Knight Infant	AC 09/12	
Woodlands Primary	Draft Report	
Woodlands Primary - Capital Work	Draft Report	
The Howard	Fieldwork	

Proposed Amendments to the 2012/13 Audit Plan

Audit	Intended Audit	Proposed Change	Reason for Change
Bank Account Management	The management of Medway's bank accounts	Amendment to Scope - Audit to focus on the management of the close down of bank accounts when Schools move to Academy status. Also to review what assurances Medway need once School attains Academy status	Significant numbers of Medway Schools have or will be moving to Academy status.
ICT Asset Management	Procedures for purchase of hardware to ensure all equipment is procured via ICT and has been recorded appropriately in the ICT inventory	Removal of this audit from the Audit Programme	Strategic ICT purchasing issues will form part of the audit of Category Management planned for 2012/13
Better for Less Improvements achieved	Assessment of management monitoring and reporting of delivery of planned benefits	Deferral of this audit from 2012/13 to 2013/14	To provide sufficient time for the new arrangements to "bed in"
Energy	Utilities procurement, monitoring and payment	Removal of this audit from the Audit Programme	By undertaking the audit of Carbon Reduction these systems will have been subject to audit review