

AUDIT COMMITTEE

30 JUNE 2010

INTERNAL AUDIT ANNUAL REPORT

Report from: Internal Audit

Author: Richard Humphrey, Audit Services Manager

Summary

To inform this committee of the overall opinion on control for 2009/10 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 Key Financial Systems - The overall operation of the key financial control is assessed as "Satisfactory". All but one of the key financial systems audited were assessed as "Satisfactory" or above. The exception was Housing Rents where control was assessed as "insufficient". None of the irregularity

investigations are considered to have a material impact on the overall assessment.

- 3.2 Other Financial Systems – No significant issues were identified in these audits.
- 3.3 Corporate Governance – Our audit work has confirmed that a sound system of corporate governance exists. However, improvements are required to strengthen the control environment in the risk management process and the Council's arrangements to prevent fraud and corruption.
- 3.4 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 risk issues.
- 3.5 A summary of all audit work carried out is at Annex A. All audit reports include an agreed management action plan to address and correct the issues identified. Where risk was assessed as "Uncontrolled", a follow up audit will be carried out within six months.

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 2009/10

Activity ↓	Overall opinion	Directorate/Department			
		Authority Wide	Children and Adults	Regeneration Community and Culture	Business Support Department
BACS payments	S				S
Bar Stock Control – value for money	I			I	
Carbon Reduction Commitment	I	I			
Concessionary Fares	S			S	S
Contact Point	G		G		G
Corn Exchange	U			U	
Corporate Governance	S	S			
Corruption Prevention System	I	I			
Council Plan Monitoring	S	S			
Council Tax	G				G
EU Grant Claims Statutory audits of EU grant claims. <ul style="list-style-type: none"> • Interreg IV A 2 claim to end June 2009 • Interreg IV A 2 claim to end December 2009 • Interreg 4 claim 	<ul style="list-style-type: none"> • • • 			<ul style="list-style-type: none"> • • • 	
Foster Care Capacity Planning	I		I		
Free School Meals	S		S		
Financial Control Self-Assessment in Schools	•		•		
Health and Safety	I	I			
Highways maintenance contract <ul style="list-style-type: none"> • Monitoring of contractual compliance and performance • Works are comprehensively specified, appropriately authorised, effectively procured and accurately paid 	<ul style="list-style-type: none"> I U 			<ul style="list-style-type: none"> I U 	

Summary of internal audit activity 2009/10

Activity ↓	Overall opinion	Directorate/Department			
		Authority Wide	Children and Adults	Regeneration Community and Culture	Business Support Department
Homes and Communities Agency – Grant Claims	●				●
Housing Benefits	S				S
Housing repairs contract management follow-up	I				I
Housing Rents	A				A
ICT Governance	I				I
Imprest Accounts	U	U			
Libraries Income Control	I				I
Local and Regional Planning (Information Management)	S			S	
Markets Income	U			U	
Medway community college – financial controls					
<ul style="list-style-type: none"> Financial management, purchasing, assets and information security 	U		U		
<ul style="list-style-type: none"> Payroll, income received, banking arrangements, petty cash and taxation 	S		S		
NNDR (business rates)	G				G
Parking Income	I			I	
Parklands Resource Centre	U		U		
PSA2 Final Outturn PI verification checks	●	●			
Rainham Mark Grammar School – financial controls					
<ul style="list-style-type: none"> Banking, petty cash, taxation 	G		G		
<ul style="list-style-type: none"> Financial management, payroll 	S		S		
<ul style="list-style-type: none"> Purchasing, Income, assets & information security 	I		I		
Risk Management	S	S			
Robert Bean Lodge	I		I		

Summary of internal audit activity 2009/10

Activity ↓	Overall opinion	Directorate/Department			
		Authority Wide	Children and Adults	Regeneration Community and Culture	Business Support Department
Safer Recruitment in Schools	I	I	I		
School In-house Payroll Provision <ul style="list-style-type: none"> • Fort Pitt • Hundred of Hoo • Robert Napier • Rochester Grammar • Thomas Aveling 	G S G S S		G S G S S		
Security of Social Care Case Records	U		U		
Social Care Case Recording	I		I		
Stirling Centre	I			I	
Supporting People Grant Claim	●		●		●
Theatres (Asset Management) – follow-up	I			I	
Workforce Planning – Readiness for CAA	●	●			

Key:

G = Good, S = Satisfactory, I = Insufficient
 ● = Work carried out but no opinion provided in that area

U = Uncontrolled