

AUDIT COMMITTEE

24 NOVEMBER 2011

INTERNAL AUDIT WORK PROGRAMME

Report from: Internal Audit

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Summary

To advise Members of progress in delivering the approved 2010/11 and 2011/12 work 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 – 2011/12 Programme

- 2.1 Members approved the internal audit 2011/12 work programme on 5 July 2011 for year ending 31 March 2012. 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 The approved 2011/12 work programme and progress to date is set out at **Annex A**.

- 2.4 Delivery of the audit plan has been particularly challenging this year due to resourcing issues. Following the departure of the previous Audit Services Manager in March 2011 the post was vacant until 8 August, during which time another Service Manager within the Finance Division provided the management overview of the team. In addition three of the four auditors in post at 31 March 2011 have left. Two of these posts have now been filled, and the third will be advertised to start in April 2012. In total 233 auditor days will be lost to the audit plan by 31 March 2012. The table below sets out the current position:

Grade	Working Days lost to Audit Plan to 31 March 2012	Notes
Auditor Post 1	0	
Auditor Post 2	22 days	Vacancy filled 11/07/11
Auditor Post 3	63	Vacancy filled 10/10/11
Auditor Post 4	148	Post to be advertised for filling in April 2012

- 2.5 In addition to the impact of the vacancies, additional days have been required to induct and support the new staff and we have estimated that in total the overall loss to the 2011/12 audit plan is about 260 days.
- 2.6 The impact of the loss of staff days available is that the audit plan has been revisited. The approach to some audits has been revised to reduce the number of days required and five items from this year's programme have been removed from the Plan and added to the reserve list. All audits on the reserve list will be considered for delivery should resources become available, but could also potentially be deferred until 2012/13. The five audits removed from the 2011/12 Plan are detailed at **Annex B**.
- 2.7 The timetable for delivery of the key financial systems audits has been circulated and agreed with management to ensure that these audits will be completed by year-end. Work is progressing on the remaining audits on the plan.

3. Progress on 2010/11 Plan

- 3.1 **Annex C** summarises progress on the 2010/11 Plan. Seven have been completed since the last Audit Committee meeting. The audit review outcomes are reported to the Committee as part of the Internal Audit Activity report. There are four audits still to be finalised, and the intention is to ensure that these are all completed and reported this financial year.

4. Risk Management, Financial and Legal implications

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

5. Recommendations

- 5.1 Members are asked to note the progress in completing the 2010/11 programme and delivering the 2011/12 audit plan and that all key assurance work will be completed to support the needs of the annual governance statement and external audit.

Lead officer contact

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Background papers

Internal Audit Work Programme 2011/12, 5 July 2011

Internal Audit Programme 2011/12				Annex A
Activity ↓	Authority Wide	Children and Adults	Regeneration Community and Culture	Business Support Department
Key Financial Systems				
Council Tax				F
Housing Benefits				P
Housing Rents				P
NNDR				F
General Ledger				P
Debtors Income				P
Cash and Banking Processes				P
Other Financial Systems				
Foster Payments		F		
Markets Income - follow-up		F		
Payroll processes in satellite sites		F		
Schools Assurance Programme: <ul style="list-style-type: none"> Financial control self assessment (FCSA) – primary tranche 2 Controls over local bank accounts 		F		
Grant Claims: <ul style="list-style-type: none"> HCA (2010/11); Interreg IV. 		F	F	
Risk Assessed Work				
Blue Badges				AC 11/11
Council Plan Monitoring	F			
Personal Budgets				
Transport Procurement Unit – follow up	P			
Governance Audits				
Corporate Governance				

Internal Audit Programme 2011/12					Annex A
Activity ↓	Authority Wide	Children and Adults	Regeneration Community and Culture	Business Support Department	
Risk Management					
Prevention of Fraud and Corruption					
Reserve Audits					
Project / Programme Management - Progress Monitoring					
Libraries stock control					
Covalent					
Security of Social Care Case Records – follow-up					
<i>Allocation of SEN resources in schools</i>	Moved to Reserve – see Annex C				
<i>Waste Management Contract Monitoring</i>	Moved to Reserve – see Annex C				
<i>Impact of Better 4 Less Staff Secondments</i>	Moved to Reserve – See Annex C				
<i>Financial Procedures at Adult Education Centre, Gillingham</i>	Moved to Reserve – See Annex C				
<i>ICT Assets</i>	Moved to Reserve – See Annex C				

Key

C = audit cancelled as schools do not manage capital programme (agreed by this Committee 5.7.11)

AC = month & year reported to Audit Committee

DR = draft report issued

F = fieldwork in progress

P = audit in planning stage

Bold italicised audits are reported to this Audit Committee

Audits moved to Reserve from the Internal Audit Programme 2011/12

Activity	Directorate/ Department	Comments
<p>Allocation of SEN resources in schools School data showed that 25% of all pupils in Medway have an identified Special Educational Need (SEN) and over 1,100 of these have statements of SEN. Funding for SEN pupils with SEN delegated to schools to help them ensure pupils with barriers to learning have their needs met. Statements outline these barriers and what needs to be in place to try and overcome these. Medway Council has issued updated guidance to help schools translate educational objectives into targets through statements.</p> <p>The 2010/11 audit reviewed LEA processes for application, award and review of statements of special educational needs. This audit will examine how schools use the LEA guidance to translate objectives into pupil targets and how these targets are resourced.</p>	Children and Adults	Audit work performed on the central processes last year and guidance to schools was revised last year. To leave the audit until 2012/13 will provide time for these processes to bed-in.
<p>Waste Management Contract Monitoring In 2010, the Council awarded a new waste management contract worth approximately £14 million per annum to Veolia.</p> <p>The audit will aim to give assurance at that there are appropriate arrangements for monitoring contract compliance and performance.</p>	Regeneration, Community and Culture	Audit is undertaking a document review of the processes in place and providing some preliminary risk, control and process advice for monitoring the new contract
<p>Impact of Better 4 Less Staff Secondments The Better for Less project teams have drawn highly motivated and capable staff from across the Authority. The funding for posts has been transferred to the Better for Less project and services have had to identify appropriate means of cover. The audit will seek to determine the effectiveness of cover arrangements and confirm that all critical controls in the services affected continue to function properly.</p>	All	Coverage of the impact of temporary or permanent staff losses on critical controls will form a focal point of all audits during this time of significant change within the Authority

<p>Compliance with Financial Procedures The Authority's Section 151 officer is responsible for the proper administration of the Council's financial affairs in accord with proper practice. Each year, Internal Audit conduct a range of audits across a number of satellite sites and departments in order to ensure each complies with Medway Council's financial rules. In 2011/12, the following will be audited: Adult Education Centre, Gillingham</p>	<p>BSD</p>	<p>Satellite sites will be visited as part of the Payroll audit this year, and the Markets Income follow up will contribute to the assurance on financial management at satellite sites</p>
<p>ICT Assets The audit will review procedures for purchase of hardware to ensure that all equipment purchased has been procured via ICT and has been recorded appropriately in the ICT inventory. The audit will also consider arrangements to ensure assets are retained with the correct level of security and, when they reach the end of their useful life, are disposed of appropriately.</p> <p>Data interrogation techniques will be used where appropriate.</p>	<p>BSD</p>	<p>Management requested this audit be delayed until Quarter 4 at the earliest. Therefore determined in light of limited IA resource that this audit could be deferred until 2012/12</p>

Internal Audit Programme 2010/11				Annex C
Activity ↓	Authority Wide	Children and Adults	Regeneration Community and Culture	Business Support Department
Capital Budgetary Control				F
Care Director Income		F		
<i>Payroll</i>				<i>AC 11/11</i>
Compliance with Financial Procedures: Corn Exchange (follow-up)			F	
Schools Assurance Programme: <i>Financial Control Self Assessment – primary tranche 1</i>		<i>AC 11/11</i>		
<i>Business Continuity Plan</i>	<i>AC 11/11</i>			
<i>ICT Security</i>				<i>AC 11/11</i>
HCA grant claims (2009/10)			F	
<i>Rochester Christmas Market</i>			<i>AC 11/11</i>	
<i>Section 106 agreements</i>	<i>AC 11/11</i>			
<i>Vehicle fuel purchasing arrangements</i>	<i>AC 11/11</i>			

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