

MAIDSTONE BOROUGH COUNCIL

AUDIT COMMITTEE

26 NOVEMBER 2012

REPORT OF HEAD OF AUDIT PARTNERSHIP

Report prepared by Brian Parsons

1. INTERNAL AUDIT – INTERIM REPORT

1.1 Issue for Decision

1.1.1 The report provides details of the work of the Internal Audit team between April and September 2012. The Audit Committee is asked to agree that the work shows evidence of an adequate and effective audit service.

1.2 Recommendation of Head of Audit Partnership

1.2.1 That the Audit Committee agrees that the audit process is working effectively and that management is taking the necessary action to implement agreed audit recommendations.

1.3 Reasons for Recommendation

1.3.1 The principal objective of the Internal Audit section is to examine and evaluate the adequacy of internal control within the various systems, procedures and processes that are operated by the Council.

1.3.2 Internal Audit is a statutory service under the Accounts and Audit Regulations 2011, which state that the Council 'must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'

1.3.3 The adequacy of the internal control environment is a key governance issue. Therefore, the Audit Committee needs to be satisfied with the audit arrangements and to be aware of the issues arising from audit work.

1.3.4 Within its Terms of Reference, the Audit Committee needs to 'consider summaries of specific audit reports'. Furthermore, the Audit

Committee needs to be satisfied that the audit process is working efficiently and that management is taking the necessary action to implement agreed audit recommendations.

- 1.3.5 Eleven planned, audit projects were completed between April and September 2012. In addition a number of other pieces of consultancy/investigative work were carried out. The audits and the other work are listed at Appendix A.
- 1.3.6 A précis of each audit project is shown at Appendix B. No audit projects completed during the period identified areas as having 'limited' or 'minimal' control assurance in place.
- 1.3.7 A précis of other audit/consultancy project work completed during the period is attached at Appendix C.
- 1.3.8 The output during the first six months of the year is always substantially lower than for the second half year. This is because April is used to finalise and issue reports for work which was carried out in the previous financial year and because audit staff tend to take much of their annual leave during the first half year, thereby reducing the number of productive days for that period. It is anticipated that annual targets for output will be met by the end of the financial year.
- 1.3.9 The emphasis during the second part of the year will be strongly based around delivering the remainder of the planned audit work. Considerable management attention will be directed to ensuring that the plan is achieved. The remaining audit plan, for October 2012 to March 2013, is attached at Appendix E.
- 1.3.10 Each audit report includes an assurance assessment in terms of the adequacy of controls. The definitions for the assurance assessments are shown at Appendix F.
- 1.3.11 A follow-up to each report is completed, usually three to six months after the date of issue of each original report. The follow-up allows the adequacy of controls to be re-assessed. A summary of the follow-up assessments completed during the period is attached at Appendix D. All of the follow-ups have confirmed that controls assurance has either been maintained or increased since the original audit.
- 1.3.12 This six-monthly Interim Report is principally intended to inform Members of the work of the Internal Audit team during the first half of the financial year. The Annual Report, in June 2013, will provide a more detailed review of Internal Audit work and will include an assessment of the adequacy of the Council's overall control environment, in support of the Annual Governance Statement.

1.3.13 There are no significant control weakness that have been identified by audit work that need to be brought to the attention of the Audit Committee.

1.4 Alternative Action and why not Recommended

1.4.1 The Audit Committee needs to have an awareness of the work of Internal Audit in the context of its Terms of Reference. The only alternative would be to provide a less detailed report; however this would be at odds with the Council's commitment to transparency.

1.5 Impact on Corporate Objectives

1.5.1 The work of Internal Audit contributes to the quality of the Council's governance arrangements and helps to achieve the objective of Corporate and Customer Excellence

1.6 Risk Management

1.6.1 Internal Audit review the adequacy of the controls that are in place to manage risk. An ineffective or inadequate Internal Audit service would mean that weaknesses in internal control are not identified or rectified.

1.6.2 It is considered that Internal Audit is adequate and effective.

1.7 Other Implications

1.7.1

1.	Financial	X
2.	Staffing	X
3.	Legal	X
4.	Equality Impact Needs Assessment	
5.	Environmental/Sustainable Development	
6.	Community Safety	
7.	Human Rights Act	
8.	Procurement	
9.	Asset Management	

- 1.7.2 Financial -Internal Audit examines a broad range of functions, systems and risk areas; financial systems are a key element of the Audit Plan. The majority of the work on financial systems is carried out in the second half of the financial year.
- 1.7.3 Staffing -The outcomes of Internal Audit work can impact on the systems and processes managed by the Council's management and staff.
- 1.7.4 Legal - Internal Audit is a statutory requirement in accordance with the Accounts and Audit Regulations 2011.

1.8 Conclusions

- 1.8.1 The report provides details of the work of the Internal Audit team between April and September 2012 and contains evidence of an adequate and effective audit service.
- 1.8.2 The work of the team will be directed more specifically to achieving the audit plan in the second half of the year.
- 1.8.3 Although Internal Audit has identified some areas where improvements in controls are required, the relevant Head of Service has taken, or will be taking, the necessary action to improve controls.

1.9 Relevant Documents

1.9.1 Appendices

Appendix A – List of audit assignments April to September 2012

Appendix B – Summaries of Internal Audit Reports

Appendix C – Other audit consultancy/project work

Appendix D – Summary of follow-up assurances

Appendix E – Remaining Audit Plan 2012/13

Appendix F – Definitions of control assurances

1.9.2 Background Documents

Various Internal Audit reports

IS THIS A KEY DECISION REPORT?

Yes

No

If yes, when did it first appear in the Forward Plan?

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This is a Key Decision because:

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Wards/Parishes affected:

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