

<b>Audit Committee Meeting</b>	<b>Agenda Item:</b>
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<b>Meeting Date</b>	19 December 2012
<b>Report Title</b>	Internal Audit – Six-Month Interim Report
<b>Portfolio Holder</b>	Cllr Dewar-Whalley – Finance Portfolio
<b>SMT Lead</b>	Mark Radford – Director of Corporate Services
<b>Head of Service</b>	Brian Parsons – Head of Audit Partnership
<b>Lead Officer</b>	Brian Parsons – Head of Audit Partnership
<b>Key Decision</b>	No
<b>Classification</b>	Open

<b>Recommendation</b>	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.
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## **Purpose of Report and Executive Summary**

- 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.

## **2 Background**

- 2.1 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.
- 2.2 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’.
- 2.3 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.
- 2.4 Within its Terms of Reference, the Audit Committee needs to ‘review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary’. The Audit Committee needs to be satisfied that the audit process is working effectively.

- 2.5 Eleven 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 key work are listed at Appendix I.
- 2.6 The audit projects completed during the period represent 46% of the audit plan and this is in line with current resource planning expectations.
- 2.7 Each audit report includes an assurance assessment in terms of the adequacy of controls. The definitions for the assurance assessments are shown at Appendix VII.
- 2.8 A précis of each audit project where controls assurance assessment has been reported as Limited or Minimal is provided at Appendix II. Where controls assurance assessment has been reported as Substantial or High, this is provided at Appendix III.
- 2.9 A further audit of the Council's new Parking Enforcement Partnership operations was also conducted during the period by Maidstone Audit resources. This is also reported in summary at Appendix III.
- 2.10 A précis of other key audit consultancy/project work completed during the period is attached at Appendix IV.
- 2.11 The remaining audit plan (October – March is attached at Appendix VI.
- 2.12 A follow-up to each report is completed, usually three to six months after the date of issue of each original report. The follow-ups allow the adequacy of controls to be re-assessed. A summary of the follow-up assessments completed during the period is attached at Appendix V. All of the follow-ups have confirmed that controls assurance has either been maintained at substantial or high or increased to substantial or high.
- 2.13 There are no significant control weaknesses identified within the audit process which need to be brought to the attention of the Audit Committee at this time.
- 2.14 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 May 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.

### **3 Proposal**

- 3.1 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.

## 4 Alternative Options

- 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.

## 5 Consultation Undertaken or Proposed

- 5.1 The respective Head of Service is consulted on the content of all Internal Audit reviews and is provided with a report setting out the detailed audit findings and recommendations. In addition, a copy of every Internal Audit report is provided to the respective Director, the Chief Executive and the Head of Finance.

## 6 Implications

Issue	Implications
Corporate Plan	Internal Audit's role is to evaluate the adequacy of controls over the risks associated with the Council's strategic and operational objectives. Inevitably this includes all of the objectives shown within the Corporate Plan.
Financial, Resource and Property	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.
Legal and Statutory	Internal Audit is a statutory requirement in accordance with the Accounts and Audit Regulations 2011.
Crime and Disorder	None identified at this stage.
Risk Management and Health and Safety	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.
Equality and Diversity	None identified at this stage.
Sustainability	None identified at this stage.

## **7 Appendices**

7.1 The following documents are to be published with this report and form part of the report

- Appendix I: A summary list of audit assignments April to September 2012
- Appendix II: Summaries of Internal Audit Reports assessed as Limited or Minimal
- Appendix III: Summaries of Internal Audit Reports assessed as Substantial or High
- Appendix IV: Other audit consultancy/project work
- Appendix V: Summary of follow-up assurances
- Appendix VI: Remaining Audit Plan 2012/13
- Appendix VII: Definitions of control assurances

## **8 Background Papers**

8.1 Various Internal Audit reports.