



Taunton Deane Borough Council

Report of Internal Audit Activity
Quarter 2, 2010/11

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Summary

Our audit activity is split between:

- **Operational Audit**
- **Managed Audit**
- **Governance, Fraud & Corruption**
- **Special Reviews**

Role of Internal Audit

The Internal Audit service for Taunton Deane Borough Council is provided by South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors, but also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Corporate Governance Committee at its meeting on 15th March . Internal Audit provides an independent and objective opinion on the Council's control environment by evaluating its effectiveness. Primarily the work includes;

- Plan of Operational Reviews
- Annual Review of Key Financial System Controls (Managed Audits) - scheduled for Quarter 3
- Annual review of key governance and fraud controls

Overview of Internal Audit Activity

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Corporate Management Team and External Auditors. This year's Audit Plan was reported to the Corporate Governance Committee at its meeting in March.

Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

Internal Audit Work Plan - 2010/11

Quarter 2 Outturn:

We rank our recommendations on a scale of 1 to 5, with 1 being minor or administrative concerns to 5 being areas of major concern requiring immediate corrective action

Internal Audit Work Programme

The schedule provided at [Appendix A](#) contains a list of all audits as agreed in the Annual Audit Plan 2010/11. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “control assurance” opinions together with the number and relative ranking of recommendations that have been raised with management. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as shown in [Appendix C](#).

Where assignments record that recommendations have been made to reflect that some control weaknesses have been identified as a result of audit work, these are considered to represent a less than significant risk to the Council’s operations. However, in such cases, the Committee can take assurance that improvement actions have been agreed with management to address these.

Internal Audit Work Plan - 2010/11

Quarter 2 Outturn:

Completed Audit Assignments In The Period

Operational Audits

Operational Audits are a detailed evaluation of a service's control environment. A risk evaluation matrix is devised and controls are tested. Where weaknesses or areas for improvement are identified, actions are agreed with management and target dated.

During the period three audits were completed, two to draft report stage (Procurement and Customer Services) and one to final report (Building Control). The final report on Building Control received a reasonable assurance. The two draft reports are currently being finalised.

One IT audit was scheduled (IT Security - Threat Protection) but has now been dropped in agreement with the client because a similar audit is being carried out on the South West One service provision at Somerset County Council.

Managed Audits

Managed Audits are completed to assist the External Auditor in their assessment of the Council's financial control environment.

During the period, no audits were undertaken. These are scheduled to start in September with most of the testing to be done in quarter 3.

Internal Audit Work Plan - 2010/11

Quarter 2 Outturn:

**Completed Audit
Assignments In The Period**

Governance, Fraud and Corruption Audits

Governance, Fraud and Corruption Audits focus primarily on key risks relating to cross cutting areas that are controlled and/or impact at a Corporate rather than Service specific level.

Four governance audits have been carried out these being :

- Data Quality (Performance Indicators)
- Register of Interests - Members
- Register of Interests – Officers
- Fees and Charges

A draft report has been issued for the Data Quality audit and the overall assessment is comprehensive. The draft report for Fees and Charges was issued with an overall audit assessment of reasonable.

Draft reports for the Register of Interests audits are currently being drafted.

Special Reviews

Special reviews have been carried out in several areas at client request. These were not included within the original plan. They are:

- Cash Handling – Licensing
- DLO Due Diligence

The DLO Due Diligence work was the largest commitment and it has been agreed to take the place of the audits of Choice Based Lettings and Property Services. An audit report is currently being drafted following this review. The Cash handling review has been completed with final report produced for TDBC Management.

Internal Audit Work Plan - 2010/11

We keep our audit plans under regular review, so as to ensure we are auditing the right things at the right time.

Future Planned Work

This is detailed in [Appendix A](#) and is obviously subject to any changes in agreement with the S151 officer.

Conclusions

For those audits still required by the client SWAP are on target to complete those audits in the first half of year as planned. For the audits completed to report stage each report contains an action plan with a number of recommendations which are given service priorities. Definitions of these priorities can be found in the Categorisation of recommendations section in [Appendix C](#).

SWAP have recently implemented a change to the audit process for operational reviews whereby an assessment on the management of each risk is included in reports. Any risks where the auditor's assessment of risk to the organisation is "Very High" will be reported to the Audit Committee.

Audit report findings which have priority scores 4 or 5 are highlighted in [Appendix B](#) together with recommendations and management responses.

TDBC management have responded positively to internal audit suggestions for improvements and corrective action has already been taken in a number of cases.

Appendix A

Directorate/Service	Audit Area	Quarter	Status	Opinion	No. of recs	Recommendations				
						1 = Minor ← → 5 = Major				
						1	2	3	4	5
Operational Audits	Building Control	April 2010	Final Report	Reasonable	8	0	0	6	2	0
Operational Audits	Property Services	April 2010	Deferred			0	0	0	0	0
Operational Audits	Customer Services	April 2010	Draft Report	Reasonable	5	0	0	3	2	0
Operational Audits	Choice Based Lettings	April 2010	Deferred			0	0	0	0	0
ICT - Policy	SWAP Information Security Group - SISG	April 2010	In Progress	Non Opinion		0	0	0	0	0
ICT - Security	Threat Protection	April 2010	Deferred			0	0	0	0	0
Governance, Fraud & Corruption	Data Quality - Performance Indicators	April 2010	Draft Report	Comprehensive	0	0	0	0	0	0
Governance, Fraud & Corruption	Procurement (Category Management)	April 2010	Draft Report	Partial	11	0	0	5	6	0
Governance, Fraud & Corruption	Risk Management (Risk Registers including Major Projects)	April 2010	In Progress			0	0	0	0	0
Client Support	Special Review - DLO Due Diligence	May 2010	Draft Report	Non Opinion		0	0	0	0	0
Operational Audits	Creditors	July 2010	In Progress			0	0	0	0	0
Operational Audits	Debtors	July 2010	In Progress			0	0	0	0	0
Operational Audits	Main Accounting	July 2010				0	0	0	0	0
ICT - Security	Corporate back up routines	July 2010				0	0	0	0	0
Governance, Fraud & Corruption	Equalities and Diversity - Impact Assessments	July 2010	In Progress			0	0	0	0	0
Governance, Fraud & Corruption	Health and Safety	July 2010	In Progress			0	0	0	0	0
Governance, Fraud & Corruption	Performance - NI 179 Efficiency Statements	July 2010				0	0	0	0	0
Governance, Fraud & Corruption	Performance - NI 188 Use of Natural Resources	July 2010	In Progress			0	0	0	0	0
Client Support	Special Review - Parking Services Stock	July 2010	Final Report	Non Opinion		0	0	0	0	0
Client Support	Special Review Licensing Cash Handling	August 2010	Final Report	Non Opinion		0	0	0	0	0
Operational Audits	Housing Benefits Fraud	October 2010				0	0	0	0	0
Operational Audits	Review of Core Council Agreements	October 2010				0	0	0	0	0
Managed Audits	Capital Accounting	October 2010				0	0	0	0	0
Managed Audits	Council Tax	October 2010				0	0	0	0	0
Managed Audits	Housing Benefits	October 2010				0	0	0	0	0
Managed Audits	Housing Rents	October 2010				0	0	0	0	0
Managed Audits	NNDR	October 2010				0	0	0	0	0
Managed Audits	Payroll	October 2010				0	0	0	0	0
Managed Audits	Treasury Management	October 2010				0	0	0	0	0
Operational Audits	Legal Services	January 2011				0	0	0	0	0
Operational Audits	Partnership Arrangements	January 2011				0	0	0	0	0
Operational Audits	Section 106 Agreements	January 2011				0	0	0	0	0
Operational Audits	Strategic Housing	January 2011				0	0	0	0	0
Governance, Fraud & Corruption	Business Continuity (Major Partnerships and Contractors)	January 2011				0	0	0	0	0
Governance, Fraud & Corruption	Gifts & Hospitality - Register of Interests - Members	January 2011	In Progress			0	0	0	0	0
Governance, Fraud & Corruption	Gifts and Hospitality - Register of Interests	January 2011	In Progress			0	0	0	0	0

Governance, Fraud & Corruption	Fees and Charges	January 2011	Draft Report	Reasonable	3	1	0	2	0	0
Governance, Fraud & Corruption	Income Collection (Analytical Review including Budgets and Methods of Payment	January 2011				0	0	0	0	0

Finding	Recommendation	Priority Score	Management Response	Responsible Officer	Implementation Date
Building Control					
Objective: Building Regulations are enforced in line with current legislation					
Risk: Inadequate target setting and performance monitoring and failure to ensure the service is continually reviewed to ensure efficient and competitive.					
2. 1a Absence of Service Level Plans.	I recommend the Building Control Manager create a service level plan, and include in the plan the objectives and aim of the service/plan, methods to achieving the objectives, performance and target dates for all functions of the service.	4 - Med/High	Agreed	Building Control Manager	December 2010
2. 2a Performance Indicators for recent and current years not available.	I recommend the Building Control Manager ensures performance indicators are kept up to date, monitored and actioned, and ensure an alternative Officer is responsible for compiling such information in the event of an absence of key Officers.	4 – Med/High	Agreed, with the introduction of the new Acolaid database only limited reports are available to monitor service levels and performance indicators. Further crystal reports required to be developed to provide the full suite for monitoring work.	Building Control Manager	December 2010

Audit Framework Definitions

Control Assurance Definitions

Comprehensive	▲ ★★★	I am able to offer comprehensive assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
Reasonable	▲ ★★	I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	▲ ★	I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
None	▲	I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Categorisation Of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors, however, the definitions imply the importance.

Priority 5: Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.

Priority 4: Important findings that need to be resolved by management.

Priority 3: The accuracy of records is at risk and requires attention.

Priority 2: Minor control issues have been identified which nevertheless need to be addressed.

Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

Definitions of Risk

Risk	Reporting Implications
Low	Issues of a minor nature or best practice where some improvement can be made.
Medium	Issues which should be addressed by management in their areas of responsibility.
High	Issues that we consider need to be brought to the attention of senior management.
Very High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.