

TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE 25th September 2006

INTERNAL AUDIT – PROGRESS REPORT

REPORT OF THE GROUP AUDITOR (this matter is the responsibility of Councillor Williams, the Leader of the Council)

EXECUTIVE SUMMARY

This report highlights significant findings and recommendations that have occurred since the Committee last met in June 2006. Also included in this report is an update on management responses to Internal Audit findings and the implementation of recommendations for audits completed during the 2005/06 financial year and any outstanding recommendations from previous financial years.

1. Purpose of Report

- 1.1 To provide members with an update on the progress made against agreed audit recommendations from 2005/06 and to present an update on the activities of the Internal Audit team for the period June 2006 to September 2006.
- 1.2 To request members to approve the Audit Charter as included at appendix C.

2. Summary of Agreed Actions 2005/06 Audits and any outstanding recommendations from previous financial years

There were 21 audit reviews completed during 2005/06 that resulted in 165 recommendations. Follow-up visits have yet to be completed for most of those audit areas. Summary details of progress against the recommendations is attached as Appendix A.

The Internal Audit team have now started to issue audit reports that include individual risk ratings for recommendations (High and Medium), with Low risk items being communicated via a memo only and not followed up. Future reports will include a breakdown for each audit undertaken and performance will be monitored to ensure that recommendations are implemented.

3. Work undertaken by Internal Audit June 2006 to September 2006

Included at appendix B are details of the audits completed from June 2006 to September 2006 including any **significant** findings or recommendations.

4. Recommendation

The Committee should note the content of this report.

Summary of progress made against 2005/06 recommendations

Appendix A

Audit Area	2005/06 Recommendations	No. actioned	No. outstanding	Comments
Bank Reconciliations	4	4	-	
Payroll	21			No follow up – Managed Audit only
Treasury Management	2	2	-	
Creditors	5			No follow up – Managed Audit only
NNDR	11			No follow up – Managed Audit only
Main Accounting System	6	2	4	Outstanding recommendations: <ul style="list-style-type: none"> • review of financial regulations – in progress • budget requirements – awaiting ISIS • financial awareness training – awaiting close down of accounts • system improvements – awaiting ISIS
Bank and Cash	3	2	1	Securitas collection times
Capital Accounts	7	4	3	Awaiting confirmation from Asset Holdings Manager
Housing Rents	6			No follow up – Managed Audit only
Housing Benefits	13			No follow up – Managed Audit only
Council Tax	9			No follow up – Managed Audit only
Debtors	7			No follow up – Managed Audit only
System Access and Computer Backups	None			None to follow up
VAT	12			Follow up not yet due
Personnel – Recruitment and Selection	15			Follow up not yet due
Street Cleansing	9			Follow up not yet due

Car Parks	13			Follow up not yet due
Housing Repairs	6			Follow up not yet due
Building Control	4			Follow up not yet due
Compliance with Financial Procedures	7			Follow up not yet due
Wessex Reinvestment Trust	5			Follow up not yet due
Totals	165	14	8	

Abandoned Vehicles (2006/07): 😊

The review concentrated on testing the controls in place in the management of Abandoned Vehicles. It is our opinion that the Abandoned Vehicles system operates within a satisfactory system of internal control in most key areas, although there are some areas which require management attention. These include the following; there is no formal contract in place with the external firm used, fees are charges are not regularly reviewed and have not been formally approved and the contractor does not issue copies of receipts to the Council.

Taunton Deane Borough Council - Internal Audit Charter

Purpose

The purpose of this Charter is to set out the nature, role, responsibility, status and authority of internal auditing within Taunton Deane Borough Council, and to outline the scope of internal audit work.

Approval

This Charter was approved by the Corporate Governance Committee on 27th September, 2006 and the Council on _____ and is reviewed each year to confirm it remains accurate and up to date. It was last reviewed by the Corporate Governance Committee on _____.

Provision of Internal Audit Services

The internal audit service is provided by the South West Audit Partnership (SWAP) on a 5 year contract expiring on 31 March, 2010. This charter should be read in conjunction with the Trading Agreement, which forms part of the legal agreement between the SWAP partners.

Role of Internal Audit

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Responsibilities of Management and of Internal Audit

Management

Management is responsible for determining the scope, except where specified by statute, of internal audit work and for deciding the action to be taken on the outcome of, or findings from, their work. Management is responsible for ensuring the internal audit function has:

- the support of management and the Council; and
- direct access and freedom to report to senior management, including the Chief Executive and the Corporate Governance Committee.

Management is responsible for maintaining internal controls, including proper accounting records and other management information suitable for running the Authority. Management is also responsible for the appropriate and effective management of risk.

Internal Audit

Internal audit is responsible for operating under the policies established by management in line with best practice.

Internal audit is responsible for conducting its work in accordance with Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors.

Internal audit is not responsible for any of the activities which it audits. Members of SWAP will not assume responsibility for the design, installation, operation or control of any procedures. Members of SWAP who have transferred in to the department from other areas of Taunton Deane Borough Council will not be asked to review any aspects of their previous department's work until six months has passed since they left that area.

Relationship with the External Auditors/Other Regulatory Bodies

Internal Audit will co-ordinate its work with others wherever this is beneficial to the organisation.

Status of Internal Audit in the Organisation

The Head of the Internal Audit Partnership is responsible to the SWAP Management Board and the Partnership Board. The Head of Internal Audit Partnership and the Group Auditor also report to the Section 151 Officer, and reports to the Corporate Governance Committee as set out below.

Appointment or removal of the Head of Internal Audit Partnership is the sole responsibility of the Partnership Board.

Scope and authority of Internal Audit work

There are no restrictions placed upon the scope of internal audit's work. Members of SWAP engaged on internal audit work are entitled to receive whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. In this regard, internal audit may have access to any records, personnel or physical property of Taunton Deane Borough Council.

Internal audit work will normally include, but is not restricted to:

- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management of risks;
- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assist management and Members to identify risks and controls with regard to the objectives of the Council and its services;

- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether South Somerset District Council is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.

Planning and Reporting

SWAP will submit to the Corporate Governance Committee, for approval, an annual internal audit plan, setting out the recommended scope of their work in the period.

The annual plan will be developed with reference to a four-year strategic outlook for internal audit work, prepared in conjunction with management and agreed by them.

Internal audit will carry out the work as agreed, report the outcome and findings, and will make recommendations on the action to be taken as a result to the appropriate manager and Director. Internal audit will report at least two times a year to the Corporate Governance Committee. Internal Audit will also report a summary of their findings, including any persistent and outstanding issues, to the Corporate Governance Committee on a regular basis.

Internal audit reports will normally be by means of a brief presentation to the relevant manager accompanied by a detailed report in writing. The detailed report will be copied to the relevant line management, who will already have been made fully aware of the detail and whose co-operation in preparing the summary report will have been sought. The detailed report will also be copied to the Section 151 Officer, the relevant Head of Service and line management.

In addition to the reporting lines outlined above, the Head of Internal Audit Partnership and the Group Auditor have the unreserved right to report directly to the Leader of the Council, The Chairman of the Corporate Governance Committee, the Chief Executive Officer or the External Audit Manager.

