Taunton Deane Borough Council

Corporate Governance Committee – 7th December 2015

Internal Audit Plan 2015-16 Progress

Report of the Assistant Director – Alastair Woodland
(This matter is the responsibility of Executive Councillor John Williams, the Leader of the Council).

1.   **Executive Summary**

    > The Internal Audit function plays a central role in corporate governance by providing assurance to the Corporate Governance Committee, looking over financial controls and checking on the probity of the organisation.
    >
    > The 2015-16 Annual Audit Plan is to provide independent and objective assurance on TDBC's Internal Control Environment. This work will support the Annual Governance Statement.

2.   **Background**

    This report summarises the work of the Council's Internal Audit Service and provides:

    - Details of any new significant weaknesses identified during internal audit work completed since the last report to the committee in September 2015.

    - A schedule of audits completed during the period, detailing their respective assurance opinion rating, the number of recommendations and the respective priority rankings of these.

3.   **Detailed Update**

    Please refer to the attached SWAP Progress Report

4.   **Finance Comments**

    There are no specific finance issues relating to this report.

5.   **Legal Comments**

There are no specific legal issues relating to this report.

6.   **Links to Corporate Aims**

Delivery of the corporate objectives requires strong internal control. The attached report provides a summary of the audit work carried out to date this year by the Council's internal auditors, South West Audit Partnership.

7.   **Environmental Implications**

There are no direct implications from this report.

8.   **Community Safety Implications** (if appropriate, such as measures to combat anti-social behaviour)

There are no direct implications from this report.

9.   **Equalities Impact**

There are no direct implications from this report.

10.   **Risk Management**

Any large organisation needs to have a well-established and systematic risk management framework in place to identify and mitigate the risks it may face. TDBC has a risk management framework, and within that, individual internal audit reports deal with the specific risk issues that arise from the findings. These are translated into mitigating actions and timetables for management to implement.

11.   **Partnership Implications**

There are no direct implications from this report.

12.   **Recommendations**

Members are asked to note progress made in delivery of the 2015/16 internal audit plan and significant findings since the previous update in September 2015.

Contact:

| Ian Baker – Director of Quality 07917 628774 Ian.Baker@southwestaudit.co.uk | Alastair Woodland – Audit Manager 01823 356160 Alastair.woodland@southwestaudit.co.uk |

SWAP

SOUTH WEST AUDIT PARTNERSHIP

Delivering Audit Excellence

Taunton Deane Borough Council

Report of Internal Audit Activity, November Update, 2015/16

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Contents

The contacts at SWAP in connection with this report are:

Gerry Cox
Chief Executive
Tel: 01935 385906
gerry.cox@southwestaudit.co.uk

Ian Baker
Director of Quality
Tel: 07917628774
Ian.baker@southwestaudit.co.uk

Alastair Woodland
Assistant Director
Tel: 01823 356160
Alastair.woodland@southwestaudit.co.uk

Our audit activity is split between:

- **Operational Audit**
- **Key Control Audit**
- **Governance, Fraud & Corruption Audit**
- **IT Audit**
- **Special Reviews**

See Appendix A for individual audits

Role of Internal Audit

The Internal Audit service for Taunton Deane Borough Council is provided by South West Audit Partnership (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and 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 and last reviewed at its meeting on 9th March 2015.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes;

- Operational Audit Reviews
- Key Financial Control Reviews
- Cross Cutting Fraud and Governance Reviews
- IT Audit Reviews
- Other Special or Unplanned Reviews

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 this Committee at its meeting in March 2015.

Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk. Key Control Audits are undertaken in quarter three of each year and these are planned in conjunction with the Council's External Auditor to assist in their assessment of the Council's financial control environment. This reduces the overall cost of audit to the Council.

Update 2015-16

Completed Audit Assignment in the Period

Audit Plan Progress

The schedule provided at **Appendix A** contains a list of all audits as agreed in the Annual Audit Plan 2015/16. 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**

As can be seen from **Appendix A** the following audits have been progressed to date:

Operational:

- Final, 2 reviews
- Draft, 1 review
- In Progress, 2 reviews
- Not Started, 4 reviews

Governance, Fraud and Corruption:

- Final, 2 Reviews
- In Progress, 1 Review
- Not Started, 1 review

Follow-up Reviews:

- Final, 2 reviews

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the PSIAS and the CIPFA Code of Practice for Internal Audit in England and Wales.

Audit Plan Progress

ICT Reviews

- Final, 1 review
- Drafting, 1 review
- Not Started, 2 reviews

Key Control Reviews

- Drafting, 1 review
- In progress, 5 reviews
- Not Started, 2 Reviews

In addition, there are three reviews at Draft report that need to be finalised from 2014-15. These are Hardware Asset Management, Strategic and Operational Asset Management and Choice Based Lettings. Details of these three reviews are provided at the end of **Appendix A**.

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee

Report on Significant Findings

As agreed with this Committee where a review has a status of 'Final' and has been assessed as 'Partial' or 'No Assurance', I will provide further detail to inform Members of the key issues identified. I attach as **Appendix B**, a summary of the agreed 'high' priority actions relating to those reviews completed that have not been previously reported where the Auditor assessed the priority to be a level 4 (Medium/High) or 5 (High). Please note these priorities are assessed as how important they are to the service, not at a corporate level. Since my last update there are four reviews concluded and assessed as 'Partial' and one follow-up audit to bring to your attention.

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee

Report on Significant Findings

Under each partial audit heading a table records the scope of the review with the inherent risk (the risk of exposure with no controls in place – agreed with Service Manager) and our summary assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

Areas identified as significant corporate risks, i.e. those being assessed within the 'Auditor Assessment' column as 'high' risk areas in line with the definitions attached should be addressed as a matter of urgency.

Software Asset Management – Partial Assurance

Scope:

Risks	Inherent Risk Assessment	Auditors Assessment
1. Money is wasted purchasing excessive licences, acquiring systems or software that do not address a business need, or are incompatible with the ICT estate.	High	Medium
2. The organisation is prosecuted for using unlicensed or illegal software and / or incurs significant unplanned cost in correcting its software license position.	High	Medium
3. Software is not supported and maintained.	High	Medium

There was clear evidence identified in this audit review that progress is being made towards improving management of the software estate. These improvements are evident from the asset management improvement plans as well as in the recent introduction of improved software discovery applications. Completion of the Southwest One 'Inventory

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee.

Report on Significant Findings Continued

Plan Councils' and the creation of a single software inventory should provide a solid foundation for a more systematic approach to software asset management in the future.

At the time we performed our audit these improvements were very much a work in progress and it follows that there are gaps or weaknesses in the control of software assets. In particular:

- The Southwest One improvement plans identify a number of important areas for development but do not represent a strategy for the management of software assets. Nor does the Council have such a strategy.

- The software inventory identified in the improvement plans had not been developed. It was intended to build this from the software discovered by 'SNOW' (product used to detect software installed on computers connected to a network) and other sources and append details of the licences to this. It follows that there was no baseline, or definitive record of software, to measure licence compliance against for the software identified by the discovery tool. We were unable to trace the software licences and their respective support and maintenance details. A complete and up to date inventory would make these relationships explicit and also provide the information to maintain Schedule 11 to the Southwest One contract.

- There is no framework for monitoring and reporting on the software assets. We have rated this as significant as it impacts on the mitigation of all three risks addressed in this audit. The 'SNOW' discovery tool has been largely deployed to the hardware estate and has been proven to deliver significantly more usable results than the TPMX (Software discovery tool) it will replace. Reports should also be devised for the information in the software inventory and we have made some suggestions for these in the detailed audit report.

- We were unable to confirm that the Council are an affiliate to the Microsoft enterprise subscription agreement. It follows that we cannot provide assurance that the Council will be able to renew (or buy out) the agreement independently at renewal in June 2017; however, this matter has since been resolved.

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the PSIAS and the CIPFA Code of Practice for Internal Audit in England and Wales.

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee.

Report on Significant Findings Continued

Whilst we consider these to be important points it is important to note that the materiality or impact of costs arising from using unlicensed software is likely to be mitigated by the annual licence 'true up' (process by which software providers confirm assets in use) exercises for two of the major software providers, Microsoft and SAP. Even so there is no process to verify products from other software providers have been deployed in accordance with licence terms and conditions. Accordingly we have assessed risk 2 as 'Medium' rather than 'High'.

Commercial Rents – Partial Assurance

Scope:

Risks	Inherent Risk Assessment	Auditors Assessment
1. Expected income is not received or maximised	Very High	Medium
2. Property leased by the Council is or becomes unsafe and causes injury to the tenant or public.	High	Low

The Management of this service has recently been brought back in-house, having been previously managed by Southwest One. Management are therefore currently reviewing systems and processes with a view to enhancing the internal control framework. Experienced and knowledgeable managers are in post that should, given time, enable improvement to be made.

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the PSIAS and the CIPFA Code of Practice for Internal Audit in England and Wales.

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee.

Report on Significant Findings Continued

Areas which need to be addressed are:

- a central control record for all commercial properties;
- a policy for the application of discounts and incentives;
- inventories and photographic evidence from condition surveys;
- the recording of some statutory checks that the Council were responsible for;
- spot checks on statutory checks at properties that the tenant was responsible for.

Overall five recommendations have been raised in this report, four under risk 1 and one under risk 2.

ICT Financial Key Controls – Partial Assurance

Scope:

Risks	Inherent Risk Assessment	Auditors Assessment
Access to Programs and Data. User access controls and physical security allow unauthorised or inappropriate access to programs and data or the equipment that provides the information systems.	High	Medium

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee.

Report on Significant Findings Continued

Our decision to restrict this audit opinion to partial assurance is in view of the fact that there has been limited progress toward implementing the recommendations made in 2013-14 review. Whilst the individual issues do not amount to significant findings in themselves, the fact that we were unable to gain assurance that mitigating action is being taken, raises cause for concern. Furthermore we have experienced the same delays and issues with evidence that could not be provided during the scope of the audit, which limits the assurance we can provide.

The access that users have within the SAP system is determined by the position they occupy in the HR structure. Provided users occupy the correct position in the structure and the SAP roles attached to the position remain correct this should mitigate the need for periodic user re-certification in SAP. At the time of the 2013-14 audit, Southwest One were reviewing all users with access to the three clients to confirm they remained appropriate and to confirm the transactions that the Southwest One Finance roles provide are needed and used. This kind of access review has not been carried out routinely, it remains in progress and its completion is required to provide assurance that user access is appropriate to their roles.

There is a well-defined process for determining and approving the access permissions for new users. However we were unable to complete our evaluation of changes to user access, as reports from the SAP User Information System (SUIM) of the change documents for all users obtained from the SAP Support Team identified an issue with the configuration of Tivoli, meaning that the ability to extract 'actual' changes to users only is not currently possible and hence this testing could not be completed.

In addition we were unable to fully evaluate the extent to which TDBC new starters had formally accepted and agreed to comply with the security policy framework, as the supporting evidence for a sample of starters was not provided. Please note there are no priority 4 or 5 recommendations from this review.

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee.

Report on Significant Findings Continued

Housing Voids – Partial Assurance

Scope:

Risks	Inherent Risk Assessment	Auditors Assessment
1. The quality of any maintenance / repairs carried out to a void property does not meet, or exceeds, the required Lettable Standard.	High	High
2. The time period between tenant vacation and the re-letting of the property (void period) is excessive with no clear justification.	High	Medium
3. Poor budgetary control within the voids process resulting in excessive costs.	High	High

Following the quarter 3 projected outturn report for 2014/15 which showed an expected overspend of £250K for void repairs and maintenance, representatives from the various service areas met in April 2015 to identify areas of weakness within the voids process, and find solutions to help ensure void properties were managed within budget; i.e. finding a balance between cost and quality.

At the time of audit testing, pre-void inspections were not being carried out by the surveyors. In addition, post void inspections were often carried out before the works had been completed on the property. An additional budget of £160K has been agreed to fund two estates officers whose responsibilities will include visiting tenants before they vacate the property and therefore, identify any repairs or maintenance which need to be carried out to the property by the tenant.

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee.

Report on Significant Findings Continued

These pre-void inspections will also identify the scale of the works at an earlier stage and ensure that all relevant parties are aware of what works will be needed to bring the property back to the Lettable Standard. They will also ensure that the tenant can be re-informed of their responsibilities with regards to certain repairs and where these are not addressed, recharges can be raised.

The delays with carrying out the property inspections, together with the fact that the void costs are not monitored on a property level, are the main reasons for only being able to provide Partial Assurance. A number of recommendations were made that will enhance the existing controls in place and help to provide assurance that the voids process is providing the Authority with value for money and meeting the tenants' needs. The risk assessments have returned a 'high' rating, but we have seen good progress being made to improve controls during our audit.

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee.

Report on Significant Findings Continued

Parks & Open Spaces – Follow-up

As part of the 2015-16 audit plan, a review was carried out to assess the progress on recommendations made by SWAP in the Parks and Open Spaces audit completed in 2014-15, for which partial assurance was awarded.

The original review in 2014-15 focused on the following areas:

Risks	Inherent Risk Assessment	Auditors Assessment
1. Serious injury or death occurs for which the Council may be liable and/or incurs reputational damage.	Very High	Medium
2. The quality of work is below required standards leading to loss of contracts and/or not meeting the expectations of the public.	Medium	Low
3. Budgets and Costs are not well-controlled leading to financial loss	High	Unable to fully assess.

The purpose of follow up audits where partial assurance has been given is to provide some assurance to the Section 151 Officer; Senior Management and the Audit Committee that agreed actions to mitigate risk exposure have been implemented. This audit has also revisited risk 3, which could not be fully evaluated in the original audit because various information was not available as managers were busy on the implementation of the new IT system.

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee.

Report on Significant Findings Continued

The following summarises progress made to date:

Original Priority Score	Complete	In Progress	Not agreed
Priority 5	0	0	0
Priority 4	0	1	0
Priority 3	2	1	1

For information, the priority 4 recommendation in progress is:

Issue	Progress made
There is no written guidance for the preparation of tenders / quotations.	In progress. Draft guidance is with managers for their comments.

The examination of two financial controls in relation to risk 3 was not completed in the original review. These were ensuring that all works carried out are invoiced accurately and promptly; and ensuring that any non-payment of invoices is identified and actioned. Since the implementation of the new system, the Business Support and Finance Manager has identified problems in accurate and prompt invoicing. She is currently taking steps to address the problems. Additional training has already been provided to managers to make their responsibilities clear, and work in progress reports are being reviewed by Area Managers on a monthly basis. The Business Support Manager advised that the situation has improved, although there is a backlog of jobs from 2014-15, and in total approximately 600 jobs need to be reviewed. The Business Support and Finance Manager is in the middle of an exercise to examine all jobs raised on the new system – this will include checking the cost of the works against the price quoted and against the amount invoiced.

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee.

Report on Significant Findings Continued

Because the issues have already been identified; steps have been taken to rectify the position; and some improvement has already been seen; we have not examined this area further at this time. Work in this area will be taken forward in the 2016-17 audit planning process for consideration in the 2016-17 Audit Plan.

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/Plan Changes

The audit plan for 2015/16 is detailed in Appendix A. Inevitably changes to the plan will be required during the year to reflect changing risks and ensure the audit plan remains relevant to Taunton Deane Borough Council. Members will note that where necessary any changes to the plan throughout the year will have been subject to agreement with the appropriate Service Manager and the Section 151 Officer.

Members will note from Appendix A that the Housing - Responsive Maintenance and Transformation Programme reviews has been removed. Assurance for the Transformational Programme aspect is being provided by external consultant's iESE and it is to avoid any duplication that we have swapped out this review. We have also been asked by the Interim Assistant Director of Property & Development to look at the controls within the DLO due to the change in management responsibility. To avoid additional audit activity on the DLO the quarter 4 Housing – Responsive Maintenance review has been deferred and will be included in the planning cycle for 2016-17.

There is currently a small number of days unallocated. These days will be discussed with Senior Management at TDBC to decide where best the time will be spent.

SWAP
SOUTH WEST AUDIT PARTNERSHIP
Delivering Audit Excellence

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the PSIAS and the CIPFA Code of Practice for Internal Audit in England and Wales.

Conclusions

Steady progress is being made against the 2015-16 Audit Plan. Due to some changes in our resources the Declaration of Interests, Gifts and Hospitality & Ethical Standards review originally scheduled for a September start will now commence in December. The Information Systems – SAP audit was originally scheduled to examine the SAP migration work starting in September, but now the SAP migration has been deferred this audit will be re-scheduled and re-scoped accordingly.

Members will note that there are 4 partial assurance audits we are reporting and one follow-up audit. I would draw your attention to the risk assessment table within each review which shows that, whilst in their own environment each review has returned a partial assurance, only the housing voids review has returned a high risk at a corporate level. The two risks assessed under this review that returned a 'high' rating after all the controls were tested are:

- The quality of any maintenance / repairs carried out to a void property does not meet, or exceeds, the required Lettable Standard.

- Poor budgetary control within the voids process resulting in excessive costs.

As with all our reviews, an agreed action plan is in place. Members can see from **Appendix B** the agreed responses to the high priority recommendations (please note priority scores are assessed on how important the recommendation is to the service, not how important corporately). We are pleased with how positive management have accepted the recommendations and desire to ensure weaknesses are addressed, particularly with the Housing Voids review.

To ensure this Committee is provided with assurance on areas of weakness we will follow up on these partial assurance reviews and report back on progress made against each recommendation.

Audit Plan 2015-16

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ⟷ 5 = Major Recommendation					Comments
						1	**2**	**3**	**4**	**5**	
Final Report											
Follow Up	Data Transparency	Q1	Final	Follow – up	3	0	2	0	1	0	Reported December 2015
ICT Audits	Disaster Recovery Audit	Q1	Final	Partial	5	0	0	1	4	0	Reported September 2015
Governance, Fraud & Corruption	Business Incentive Grants	Q1	Final	Partial	11	0	3	7	1	0	Reported September 2015
Governance, Fraud & Corruption	Business Continuity	Q1	Final	Reasonable	4	0	0	4	0	0	Additional Cross Partnership Report also produced as part of this work to share best practice.
Operational Audit	Crematorium	Q1	Final	Non-Opinion	3	0	0	2	1	0	
Operational Audit	Housing Voids	Q1	Final	Partial	17	0	2	9	6	0	Reported December 2015
Follow Up	Parks & Open Spaces	Q1	Final	Follow-up	3	0	0	2	1	0	
Draft Report											
Operational Audit	Food safety	Q2	Discussion Document								Close out meeting 26 November.

Audit Plan 2015-16

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Recommendation 1 = Minor ⟷ 5 = Major					Comments
						1	2	3	4	5	
ICT Audits	Information Systems – Property Management - Atrium	Q2	Drafting								.
In Progress											
Governance, Fraud & Corruption	Cash & Banking	Q2	In Progress								
Operational Audit	Stores	Q2	In Progress								
Key Control	Housing Rents	Q2	In Progress								
Operational Audit	Gas Servicing	Q2	In Progress								
Key Control	Main Accounting	Q3	In Progress								
Key Control	Council Tax & NNDR	Q3	In Progress								
Key Control	Debtors	Q3	In Progress								
Key Control	Payroll	Q3	In Progress								

Audit Plan 2015-16

Audit Plan Progress 2015-16	APPENDIX A

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major Recommendation					Comments
						1	2	3	4	5	
Key Control	Creditors	Q3	In Progress								
Not Started											
Governance, Fraud & Corruption	Declaration of Interests, Gifts and Hospitality & Ethical Standards	Q2									Due to start December.
ICT Audits	Information Systems - Finance	Q2									Scope to review SAP Migration work, however the SAP migration has been deferred. This review to be re-scheduled and re-scoped.
Key Control	Treasury Management	Q3									
Operational Audit	DLO Operations **(NEW)**	Q3									Request from Assistant Director to examine area in more detail. Replaces Housing – Responsive Maintenance. Initial meeting 26 November.
Key Control	Housing Benefits	Q4									
ICT Audits	Physical and Environmental Controls / Data Centre	Q4									

Audit Plan 2015-16

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major Recommendation					Comments
						1	2	3	4	5	
Operational Audit	Homelessness	Q4									
Operational Audit	Deane Help Line	Q4									
Operational Audit	Land Charges	Q4									
Removed											
Governance, Fraud & Corruption	Transformation Programme	Q3									Assurance provided by external consultant's iESE.
Operational Audit	Housing - Responsive Maintenance	Q4									Replaced by DLO Operations

Outstanding 2014-15 Audits update from September Committee

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major Recommendation					Comments
						1	2	3	1	2	
ICT Audits	Software Asset Management **(New)**	Q2	Final	Partial	11	0	0	7	4	0	Reported December 2015

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the PSIAS and the CIPFA Code of Practice for Internal Audit in England and Wales.

Audit Plan 2015-16

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor			5 = Major		Comments
						Recommendation					
						1	2	3	1	2	
ICT Audits	Hardware Asset Management **(New)**	Q2	Draft	Partial	4	0	0	2	2	0	
ICT Audits	Financial Key Controls	Q3	Final	Partial	7	0	1	6	0	0	Reported December 2015
Governance, Fraud & Corruption	Choice Based Letting	Q4	Draft Report	Reasonable	6	0	0	6	0	0	
Governance, Fraud & Corruption	Asset Management Theme	Q4	Draft Report	Partial	13	0	2	7	4	0	
Operational Audit	Commercial Properties/Rents	Q4	Final	Partial	6	0	0	5	1	0	Reported December 2015

Internal Audit Plan 2015-16

Note: Priority scores are how important they are to the service, not at a corporate level.

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
		Software Licensing			
Software asset management strategy: There is no documented plan and defined aims for the management of software assets.	Without an overall strategy there is a risk that money is wasted purchasing excessive licences, acquiring systems or software that do not address a business need, or are incompatible with the ICT estate.	I recommend the ICT and Information Manager work with Southwest One and Somerset County Council to establish a timeframe for producing a documented software asset management strategy and once created that this strategy is readily available, and is subject to periodic review.	We will work with SWOne to establish the terms on which such a strategy would be created, and subject to a satisfactory outcome of this process will proceed to develop the strategy. In the meantime other actions in this report provide a sound basis for a more robust approach to software asset management.	April 2016	ICT and Information Manager
Software asset reporting: There is no formal reporting of the status of software assets.	Absence of reliable information on purchased, deployed and available licensed software may impact adversely on management decision-making and in-turn a negative effect on planned cost savings and delivery of the software asset strategy.	I recommend that the ICT and Information Manager develop a schedule of reporting requirements for software assets. (Suggestions of potential requirements are contained in the body of the audit report).	Agreed. This will be developed in conjunction with SWOne.	December 2015	ICT and Information Manager

Internal Audit Plan 2015-16

Note: Priority scores are how important they are to the service, not at a corporate level.

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
Software Inventory: There is no definitive inventory of software to provide a baseline to verify software is licensed and underpin the information in Schedule 11 to the contract. *Note larger risk area mitigated by the Microsoft enterprise subscription agreement.*	Without a software inventory the authority cannot effectively ascertain it license position or view where the organisation is under-licensed.	I recommend the ICT and Information Manager obtain regular updates from Southwest One on their inventory plan to develop a software inventory and ensure license and support and maintenance information is held in this inventory.	Agreed	December 2015	ICT and Information Manager
Renewal of the Microsoft ESA: We are unable to confirm that the Council is a named affiliate.	The Council will not be entitled to renew the ESA in its own right and under the same conditions, or "buy out" (and make perpetual) the software licenses.	I recommend that the ICT and Information Manager confirm with Southwest One that the Council is a named affiliate to the Microsoft ESA and can maintain its Microsoft licensing beyond the end of the Southwest One contract. If necessary the Council should be added as an affiliate to the ESA.	Agreed. We will work with SWOne to ensure that TDBC is a named affiliate on the Microsoft ESA.	October 2015	ICT and Information Manager

SWAP SOUTH WEST AUDIT PARTNERSHIP *Delivering Audit Excellence*   SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the PSIAS and the CIPFA Code of Practice for Internal Audit in England and Wales.

Internal Audit Plan 2015-16

Note: Priority scores are how important they are to the service, not at a corporate level.

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
Commercial Rents					
There is no central record of all key information e.g. statutory checks and fire risk assessments in relation to commercial properties and leases.	Without a central database of all key information related to commercial properties and leases staff will be relying on multiple systems, which will decrease efficiency and have limited capacity for reporting. Because of this there is a risk that staff will be unaware of when issues such as statutory checks and fire risk assessments will need to be undertaken.	I recommend the Asset Manager ensures a complete and up-to-date central record is maintained in relation to all commercial properties and leases.	The permanent solution is an integrated Asset Management System. A project is already advancing to identify requirements, identify suitable systems and then to procure and implement such a system. This has been and continues to be a complex and lengthy project. The interim solution (if necessary) is to bring together all datasets into Excel and migrate all key data into one spreadsheet.	01/12/15 - for interim solution if necessary i.e. Integrated Asset Management System not in place.	Asset Manager
ICT Financial Key Controls					
No priority 4s or 5s. Partial awarded in view of the fact that there has been limited progress toward implementing the recommendations made in 2013-14 review. Whilst the individual issues do not amount to significant findings in themselves, the fact that we were unable to gain assurance that mitigating action is being taken, raises cause for concern.					

Internal Audit Plan 2015-16

Note: Priority scores are how important they are to the service, not at a corporate level.

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
Housing Voids					
Pre-void inspections are not currently carried out.	By not undertaking a prompt inspection of the property, there is an increased risk that extra work will be required by Property Services / DLO; thus increasing the void period. In addition to this, a recharge to the previous tenant, which could have been prevented, will have to be raised and monitored.	I recommend that the Assistant Director – Housing & Community Development ensures that pre-void inspections are reintroduced and the Lettable Standard used as the basis for these inspections.	Pre void checklist will be drafted by Phil Webb and conducted by pre void officer who reports to Paul Hadley. Joint pre void inspection with property services will be attempted where possible. Purpose of the visit is to advise tenants what works need to be done to get property up to standard and to avoid the void charges, it will also cover other items such as debts. Pre void Officer in post from 12.10.15	12th October 2015	Property Services Manager / Housing Manager – Lettings and Anti-Social Behaviour
On occasion, Post-Void Inspections are carried out before the works have been completed.	There is no assurance that the property had been brought back to the Lettable Standard prior to occupation. Issues such as rubbish being left in the property and painters still being on site have been reported by new tenants.	I recommend that the Assistant Director – Property & Development ensures that the date for the completion of works is monitored by the surveyors so that post-void inspections can be scheduled and carried out on the completed property prior to any new tenant moving into the property and therefore allow for	Line management for DLO and Property Services will report to AD Property and Development from 1 Dec 2015 which will allow closer and more joined up working.	Jan 2016	Property Services Manager

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the PSIAS and the CIPFA Code of Practice for Internal Audit in England and Wales.

Internal Audit Plan 2015-16

Note: Priority scores are how important they are to the service, not at a corporate level.

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
		any further repairs to be undertaken promptly before occupation. This will also ensure that only the specified works have been undertaken.			
No performance monitoring is undertaken on the work undertaken by the DLO.	There is a risk that these current arrangements do not encourage the DLO to carry out the work with any great urgency, or diligence, since payment is made regardless of the time taken, or the quality of the work produced.	I recommend that the Assistant Director – Property & Development introduces some performance measures to monitor the outputs and the quality of work carried out by the DLO.	Line management for DLO and Property Services will report to AD Property and Development from 1 Dec 2015 which will allow closer and more joined up working.	March 2016	Assistant Director of Property & Development
Where rechargeable areas are identified within the Schedule of Works, a recharge is not being raised for the outgoing tenant.	Where work needs to be recharged to a tenant, the Income Officer needs to receive the Schedule of Works with the recharges recorded on it and good photographic evidence to support the recharge. Without this, there is a risk that the tenant refuses to accept the recharge and the Authority will have to meet these costs.	I recommend that the Assistant Director – Housing & Community Development ensures that, within the pre-void inspection: • Tenants are given the opportunity to make good any repairs and improve the condition of the property in line with the Lettable Standard; • Tenants are reminded of the recharge should they fail to	Activities are planned with new pre void officers. Recharges to be raised	Housing Manager – Lettings and Anti-Social Behaviour Income Officer	12 Oct 2015

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the PSIAS and the CIPFA Code of Practice for Internal Audit in England and Wales.

Note: Priority scores are how important they are to the service, not at a corporate level.

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
		carry out these repairs / improvements; • Clear photographic evidence is obtained and retained to support the rechargeable areas; and • Where the tenant has failed to carry out the necessary repairs or improvements to the property, a recharge is raised.			
The estimated cost of the works per property is not captured at the initial inspection within the Schedule of Works.	Without determining the expected costs at the pre-void inspection, there is no target against which to compare the actual costs per property within Open Contractor and therefore, management are not able to clearly identify those properties which have contributed to any overspend. This would also allow the Authority to identify any trends in rising costs.	I recommend that the Assistant Director – Property & Development ensures that, as part of the pre-void inspection, an estimated cost of the works is included within the Schedule of Works. This could be done by re-introducing a Schedule of Rates for the materials and labour used.	Property Services can prepare an estimated cost of works for certain void items.	April 2016	Assistant Director of Property & Development

Internal Audit Plan 2015-16

Note: Priority scores are how important they are to the service, not at a corporate level.

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
Monitoring is not undertaken between estimated cost and actual cost of works per property.	As above.	I also recommend that the Assistant Director – Property & Development ensures that, as part of the weekly void meetings, the estimated and actual costs per property are reviewed with justified reasons for any significant overspends. Alternatively, the surveyor carries out a review of the estimated and actual costs on a sample of properties to justify any overspends.	Actions to be designed by TM once joint DLO and property services structure is in place.	April 2016	Assistant Director of Property & Development

Audit Framework Definitions

Control Assurance Definitions	Appendix C

Substantial	▲★★★	I am able to offer substantial 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.