

# Taunton Deane Borough Council

## Corporate Governance Committee – 24 September 2012

### Internal Audit Plan Progress 2012-13

#### Report of the Group Audit Manager – Chris Gunn

(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 2012-13 Annual Audit Plan is on track 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 (**Appendix B**).
- 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 (**Appendix A**).

Members will note that there are some high priority recommendations (4 or 5) identified since the June 2012 update. These will be followed-up by Internal Audit to provide assurance that risk exposure has been reduced.

#### 3. (Full details of the Report)

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. The most significant findings since the last committee report are documented in **Appendix B**.

#### **11. Partnership Implications**

There are no direct implications from this report.

#### **12. Recommendations**

Members are asked to note progress made in delivery of the 2012/13 internal audit plan.

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## **Taunton Deane Borough Council**

Report of Internal Audit Activity  
September Update, 2012/13

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## Summary:

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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 has adopted and works to the Standards of the Institute of Internal Auditors and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Audit Committee at its March 2012 meeting.

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
- Cross Cutting Fraud and Governance Reviews
- Annual Review of Key Financial System Controls
- IT Audit Reviews
- Other Special or Unplanned Reviews

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 2012.

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.

Members are asked to comment on and note the content of this report.

## Outturn to Date:

**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 2012/13. 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. To further assist with this assurance all 4 & 5 priority recommendations will be followed up by internal audit to confirm the weakness has been addressed.

Further, should an audit review identify any significant corporate risk as ‘very high’, as described in [Appendix C](#), these will also be brought to the attention of the Audit Committee.

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

The audit plan for 2012-13 is detailed in [Appendix A](#). Since the last Committee two additional reviews have been agreed with the Council's Section 151 Officer. Towards the end of September a review will be undertaken on the Acolaide System in light of the significant control weaknesses identified at a partner Authority. This review will focus on risk exposure and what mitigating controls are or need to be in place.

In quarter 4 a review will look at the Project Management Arrangements on the Crematorium Mercury Filtration Project.

## Progress to date

A list of all audits planned for 2012-13 and their status as at the 10 September are detailed in [Appendix A](#). There were a total of twenty reviews planned for quarters one and two. An additional two reviews have been added at the request of the Section 151 Officer, these being a review of Project Taunton Transactions and a review on the Acolaide System.

All quarter 1 audits are at report stage with the exception of two. There was a delay in obtaining the creditors data from SWO for the Creditors Fraud review. Despite numerous meetings SWO have been unable to provide the required data set from SAP and as such a reduced data set was provided by the beginning of July. There was also a delay in starting the Data Security Breaches review due to agreeing the exact scope across all SWAP partners. At this point in time I am confident that the Annual Plan is on track to be delivered.

Internal Audit will use the findings to formal an opinion on how effective the internal control, risk management and governance arrangements are. This opinion is used to support the Annual Governance Statement.

## Conclusions

Taunton Deane, in keeping with other public sector services, is in a process of significant change. Whilst some high priority recommendations have been made around Business Continuity arrangements, there is a concern around the lack of progress that has been made on implementing high priority recommendations identified during 2011-12. [Appendix B](#) provides a summary of the high priority recommendations and those identified during the follow-up work that remain outstanding.







**Schedule of Key Actions from 2011/12 Internal Audit Work completed by SWAP (since the June 2012 Progress Report)**

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
<b>Audit: Business Continuity in time of reduction – June 2012</b>					
<p>Corporate Business Continuity Plan and Business Impact Analysis is outdated.</p>	<p>The lack of an approved BCP means that in a business impact event there may not be a planned approach to sustain services in order of priority based on how critical each service is deemed to be. Additionally the lack of an up to date business critical risk assessment of services could mean that key services may not have been identified as needing to be restored in the event of any service interruption.</p>	<p>I recommend that the Parking and Civil Contingencies Manager ensures that</p> <ol style="list-style-type: none"> <li>1. The Corporate BCP, including appendices, is refreshed and approved by the Senior Management Team.</li> <li>2. The Corporate BCP includes sections to state why a BCP is essential, to list the Councils key statutory services and incorporate plans for training staff on procedures for responding to business impact events.</li> <li>3. The Councils key contacts list including key staff is up to date and accessible to those requiring access.</li> <li>4. A Business Impact analysis is completed by each Service Manager to identify critical services and the priority with which they should be re-instated. The results of this exercise should be linked to the Corporate BIA document and Corporate BCP. Timescales for</li> </ol>	<ol style="list-style-type: none"> <li>1. The BCP will be updated and presented to the Senior Management Team for approval.</li> <li>2. See above (1.)</li> <li>3. All Senior Managers have a Council wide key contact list that was last updated in Jan 2012. All staff should be reminded that they should have a manager's contact details for office and out of office hours.</li> <li>4. BIA's will be refreshed as part of the complete updating of the corporate plan.</li> </ol>	<p>30/11/12</p>	<p>Parking and Civil Contingencies Manager</p>

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
		restoring services should be consistent within the Corporate BIA and Corporate BCP.			
Southwest One ICT Business Continuity Plan has not been reviewed or updated since 3/12/10 even though it is scheduled for an annual update.	There is a risk that in the event of a business interruption event key contacts are not kept informed and ICT Services are not restored within a reasonable timescale.	I recommend the Parking and Civil Contingencies Manager ensures Southwest One's Head of Technology Services reviews and updates the SWO ICT BCP and includes a full and up to date list of Key departments and contact details for TDBC within the document.	To check protocols for reporting this to SWOne and follow through with a solution.	30/09/2012	Parking and Civil Contingencies Manager
There is no contingency for moving Southwest One Customer Contact Staff should TDBC Premises become unavailable.	There is a risk that in the event of a loss of premises customers will not be able to contact the council which could impact upon the council's reputation rather than on individual welfare.	I recommend the Parking and Civil Contingencies Manager ensure that Southwest One's Head of Councils Customer Contact reviews the contingency plans in place for Taunton Deane Customer Contact Service staff, in the event of a loss of their premises, should they need to be re-sited.	To check protocols for reporting this to SWOne and follow through with a solution.	30/09/2012	Parking and Civil Contingencies Manager
<b>As part of the BCP Review, recommendations from the 2009-10 review were re-examined for completeness, with the following significant findings currently outstanding:</b>					
There has been no proactive testing of the Business Continuity Plan/Pandemic Influenza Plans.	Without formalised proportionate testing of Business Continuity Plans there is a risk that unfound assurance will be placed on them or weaknesses not identified and remedied.	I recommend the Parking & Civil Contingencies Manager develops a formalised, reasonable and proportionate desktop schedule to test the resilience of the Service Units' Business Continuity Plans.	The Parking and Civil Contingencies Manager will draw up a schedule of testing service BCPs on an ongoing basis, to include a test of one service per month for one of the following events; <ul style="list-style-type: none"> <li>• Loss of staff</li> <li>• Loss of premises</li> <li>• Loss of communications</li> <li>• Loss of ICT.</li> </ul>	31/03/13	Parking & Civil Contingencies Manager

**Significant Findings that remain outstanding that have gone past the target implementation date (From Follow up Audits):**

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
<b>Audit: Contract Management Follow-up June 2012</b>					
<p>Contract Standing Orders have not been updated since 2006. They do not reflect the Partnership with Southwest One.</p>	<p>There is a risk that if Contract Standing Orders do not reflect current procurement procedures (Southwest One) and are not relevant to the current priorities of the Council then procurement activities may not be correctly authorised, governed or achieve best value.</p>	<p>I recommend that the Legal &amp; Democratic Services Manager ensures that Contract Standing Orders are reviewed and revised to ensure that they reflect the Authority's current practices in regards to procurement.</p>	<p>This is a work in progress. The Legal &amp; Democratic Services Manager is looking at a number of different options, but the original target date has slipped.</p>	<p>Now Revised to 28/02/13</p>	<p>Legal and Democratic Services Manager (TM)</p>
<p>There is currently no central contract register in place.</p>	<p>There is a risk that without a contracts register in place there is no corporate method of monitoring all the Authority's current contracts. This could mean that procurement and works with suppliers continue after a contract has ended potentially resulting in a loss of best value.</p> <p>There is an additional risk that if Southwest One are not aware of all the Authority's current contracts then when a contracts register is created there will be no assurance that all contracts have been registered.</p>	<p>I recommend that the Performance and Client Manager in liaison with the Chief Procurement Officer Southwest One ensure that a contracts register is appropriately designed and created.</p>	<p>The collection of the teams contract registers is completed. These have been provided to SPS to combine into a single register which will then be located in RPM. A procedure to manage updates and comms to provide information to users on how to update are being drafted by SPS and will be issued via Corporate &amp; Client lead.</p>	<p>Register will be live by 31/08/12</p> <p>Draft form of procedure to be reviewed mid 30/9/12</p>	<p>Chief Procurement Officer – Southwest One (IC)</p>

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
Suppliers are still being used where contracts have expired.	Due to suppliers being used which are not contracted, there is a risk that the authority is not able to demonstrate that best value is being achieved.	I recommend that the Chief Procurement Officer Southwest One ensures that all expired contracts are retendered to ensure that best value is being achieved.	Waiting for completion of contracts register to take place	Revised date 31/8/12	Chief Procurement Officer – Southwest One (IC)
<b>Audit: Threat of Fraud &amp; Corruption Follow-up June 2012</b>					
There is no Counter Fraud and Corruption Policy/Strategy in place.	Without an up-to-date Counter Fraud and Corruption Policy and Strategy there is a risk that an effective framework is not in place and that stakeholders may not be clear on reporting arrangements in the event of identifying a potential fraud.	I recommend the Legal and Democratic Services Manager ensures that a Corporate Counter Fraud and Corruption Policy and Strategy is developed and approved and disseminated to all stakeholders.	This is a working in progress with other example policies being reviewed. A policy should be ready for adoption by TDBC in the near future.	Revised 31/10/12	Legal and Democratic Services Manager
<b>Audit: Supporting People Follow up July 2012</b>					
The cost of the meal provided to Extra Care clients at Kilkenny Court, Taunton do not cover the costs invoiced by the “Albemarle Centre” and “Wayahead”.	Without a complete and accurate audit trail for monies collected or meals disposed of, there is a greater risk that income due will not be fully accounted for.	I recommend the Supported Housing Manager reviews the income and expenditure of the meal provision at Kilkenny Court; to ensure the expenditure is recovered by the cost charged to Extra Care clients for the hot meal.	Review of costs is scheduled to be undertaken in September and then annually each September. Currently working with the group accountant to ensure all income is coded correctly to hold correct information to do the comparison.	21/12/12	Supported Housing Manager-
There are no Service Level Agreements in place for the “Albemarle Centre” or “Wayhead” (lunchtime support staff).	There is a risk for both the “Albemarle Centre” and “Wayahead”, that without a Service Level Agreement in place, the clients will not have access to hot meals in a timely manner or in the case of the	I recommend the Supported Housing Manager reviews the services provided for the hot meals through “WHERE”, the “Albemarle Centre” and “Wayahead” and has formal agreements put in place.	In progress. Draft service level agreements have been prepared for signing by relevant parties.	1/09/12	Supported Housing Manager -

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
	Albemarle Centre from an approved meal provider.				
<b>Audit: Economical Development Follow-up July 2012</b>					
Project approval process not always evident and not linked to key criteria.	There is a risk that projects may not be approved appropriately or resources targeted to priority areas.	I recommend that the Economic Development Specialist agrees an approval process based upon the nature of the project, funding requirement etc.	A review of the new team's role and project portfolio is included in the Theme 5 Review, which is ongoing. The new Growth & Regeneration Team is currently preparing an Operational Plan that will identify priorities in accordance with the Council's. That Operational Plan will be approved by the Portfolio Holder and Shadow Portfolio holder in due course.	1/09/12	ED Specialist
Project budget approval procedure lacking in definition.	There is a risk that budget approval does not follow an appropriate path and as such budgets may not always be properly approved.	I recommend that the ED Specialist develops and agrees with the Executive Lead Member a budget approval procedure which includes the setting out of the limits of the delegated authority for budget approval.	A review of Budget management, and allocation of budgets, is included in the Theme 5 Review, which is ongoing. The new Growth & Regeneration Team is currently preparing an Operational Plan that will identify budget holders and project approval processes.	1/9/12	ED Specialist

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
Project monitoring needs to link with key performance criteria.	There is a risk that projects are not monitored effectively and does not link with key performance criteria.	I recommend that the Economic Development Specialist finalises the Business Planning document to include provision for the regular recorded monitoring of all projects against key performance indicators or project aims and objectives agreed within the SLA's.	<p>New 3 year strategy and 1 year Operational Plan currently underway.</p> <p>Although service delivery is ongoing, and in line with the Econ Dev Delivery Plan the Operational Review of the new team includes review of all services and projects, and performance criteria.</p>	1/10/12	<p>ED Specialist – with input from all team members</p> <p>ED Specialist /Economic Development Lead</p>



## Audit Framework Definitions

### Control Assurance Definitions

<b>Comprehensive</b>	▲ ★★★	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.
<b>Reasonable</b>	▲ ★★	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.
<b>Partial</b>	▲ ★	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.
<b>None</b>	▲	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
<b>Low</b>	Issues of a minor nature or best practice where some improvement can be made.
<b>Medium</b>	Issues which should be addressed by management in their areas of responsibility.
<b>High</b>	Issues that we consider need to be brought to the attention of senior management.
<b>Very High</b>	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.