

Taunton Deane Borough Council

Corporate Governance Committee – 9 December 2013

Internal Audit Plan Progress 2013-2014

Report of the Group Audit Manager – Ian Baker

(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 2013-14 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 September 2013 update. These will be followed-up by Internal Audit to provide assurance that risk exposure has been reduced.

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. 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 2013/14 internal audit plan and significant findings since the September 2013 update.

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Taunton Deane Borough Council

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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.

Summary

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 24th June 2013.

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 2013.

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.



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Audit Plan Progress

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

Audit Plan Progress

The schedule provided at [Appendix A](#) contains a list of all audits as agreed in the Annual Audit Plan 2013/14. 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.



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Audit Plan Progress

Update 2013-14:

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 actions relating to those reviews completed for 2013/14 that have not been previously reported where the Auditor assessed the priority to be a level 4 (Medium/High) or 5 (High).

Since my September report for 2013/14 there has been one review concluded and assessed as 'Partial' and I include the Auditor's Opinion as follows:

Taunton Deane Partnership's 'Priority Areas Strategy' (PAS) programme

The PAS report contains four priorities, but each priority contains a number of projects that require managing to ensure the success of PAS. This involves a number of different officers input of which all are not TDBC staff.

The PAS Lead has made good progress in implementing this strategy. The key priorities have been devised within the strategy and projects have been put in place or expanded on to assist in the achievement of these priorities. The PAS Lead is focused on ensuring that each project is measured in order to provide evidence that each priority is performing. The implementation of the Priority Dashboards has enabled each project to be rated under a traffic light system to highlight progress.

However, although good foundations have been set on which to build the PAS there are control weaknesses in place which reduce the level of assurance that can be provided.

There is a lack of clarity surrounding the ownership of reviewing the outcomes of PAS and bringing this information to a central point to report to the board on overall success of PAS. The dashboards are only as up to date as the information that is provided. The dashboards would benefit from greater clarification and additional



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Audit Plan Progress

Update 2013-14 Continued:

input from the 4 Priority Key Leads.

At the time of testing it was evident that different methods were used to provide the information for the dashboards across the 4 priorities. A defined reporting structure to formally inform the information contained in the dashboard would ensure that the information is fully completed and therefore provides up to date information to the board.

In addition to the dashboards and to assist in measuring the performance of the PAS Project the PAS Lead has produced a revised PAS Action Plan. However, in its current state the Action Plan does not provide an evaluation of the success of PAS – it needs to include measurable outputs and outcomes. We are aware that the action plan is a work in progress and support the development of this tool by the Lead Officer for PAS.

It cannot be ignored that PAS commenced in 2012 and at the time of testing the total risks to the success of PAS and each priority have not been documented. The board are fully aware of this and the absence of this process has been highlighted many times over the individual dashboards. We were provided with a Risks and Issues Register but this is in its early stages with the absence of any risk analysis or mitigating actions.

Audit Plan Progress

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 2013/14 is detailed in [Appendix A](#). Members will note that there were necessary changes to the plan throughout the year; any changes made have been subject to agreement with the appropriate service manager and the Section 151 Officer.

Conclusions

Steady progress has been made against the 2013/14 plan and we have not identified any significant corporate risks. I will continue to update Members on progress against the plan and am confident that many of the reviews currently in progress or draft will be completed by the time of my next update.



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Audit Plan 2013

Audit Plan Progress 2013-14

APPENDIX A

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ← ↔ 5 = Major				
						Recommendation				
						1	2	3	4	5
ICT Audits	Data Centre Facilities Management	1	Draft							
Special Review	Contract Benefits- Van Hire	1	Final	Non-Opinion	6	0	0	4	2	0
ICT Audit	System Development Life Cycle	1	In Progress							
Operational Audit	Car Park Contract Management	1	Final	Reasonable	2	0	0	2	0	0
Operational Audit	Taunton Deane Partnership's 'Priority Areas Strategy' (PAS) programme	1	Final	Partial	9	0	0	4	5	0
Operational Audit	1. Contract Audit- Spend Analysis	1	Final	Reasonable	2	0	0	2	0	0
Operational Audit	Affordable Housing	1	Final	Substantial	0	0	0	0	0	0
Follow-up	Project Taunton- Follow up	1	Final	Follow-up	0	0	0	0	0	0
Follow-up	Business continuity Arrangements- Follow up	1	Final	Follow-up	4	0	0	0	3	1
Non- Opinion	Taxi Licences	1	Drafting	Non-Opinion						



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Audit Plan 2013

Audit Plan Progress 2013-14

APPENDIX A

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major				
						Recommendation				
						1	2	3	4	5
Operational Audit	2. Contract Audit- Pre & Current	1 & 2	In progress							
Governance, Fraud & Corruption	Fighting Fraud Locally	2	Draft							
ICT Audit	Non-SAP business critical applications-civica	2	Draft							
Operational Audit	Procurement Cards	2	Draft							
Operational Audit	Revs and bens brought in house	2	Final	Non-Opinion	0	0	0	0	0	0
Operational Audit	Community Infrastructure Levy (CIL)	2	Final	Non-Opinion	0	0	0	0	0	0
Follow-up	Equality Impacts on Decisions- Follow-up	2	In progress							
Follow-up	Data Security Breaches Follow-up	2	In progress							
Follow-up	IS Regulatory Compliance- Follow-up	2								
Operational Audit	Audit Universe (New)	2	In progress							
Governance, Fraud & Corruption	Council Tax Reduction Scheme	3	In progress							



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Audit Plan 2013

Audit Plan Progress 2013-14

APPENDIX A

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major				
						Recommendation				
						1	2	3	4	5
Key Control	Creditors	3	In Progress							
Key Control	Council Tax & NNDR (Dropped – replaced by Audit Universe)	3	Dropped							
Key Control	Debtor	3	In progress							
Key Control	Housing Benefits (Dropped – Fleet vehicles and Fuel)	3	Dropped							
Key Control	Main Accounting (Dropped – replaced by Trouble Families)	3	Dropped							
Key Control	Payroll	3	In progress							
Key Control	Capital Accounting	3								
Key Control	Housing rents	3	In progress							
Key Control	Treasury Management (Dropped – replaced by Taxi Licenses)	3	Dropped							
Governance, Fraud & Corruption	Debt Management	3	In progress							



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Audit Plan 2013

Audit Plan Progress 2013-14

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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major				
						Recommendation				
						1	2	3	4	5
Follow Up	ICT Strategy – Follow Up	3	Final	Follow-up	8	0	1	3	2	2
ICT Audit	IT Financial Controls, Inc Access (Key Financial System Audit)	3								
Operational Audit	Troubled Families (New)	4								
Governance, Fraud & Corruption	Home working Arrangements	4								
ICT Audit	Disaster Recovery Arrangements	4								
Operational Audit	Imprest Analysis/Cash Handling	4	Final	Reasonable	1	0	0	1	0	0
Operational Audit	DLO Fleet Vehicles, inc fuel check (New)	4								
Operational Audit	Health & Safety	4								
Operational Audit	Partnership Arrangement	4								
Operational Audits	Somerset Waste Partnership Plan contribution	4								
Non-Opinion	West Somerset Council	All								



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High Priority Findings and Recommendations

APPENDIX B

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
Taunton Deane Partnership's 'Priority Areas Strategy' (PAS) programme					
There appears to be a lack of clarity surrounding the ownership of reviewing the outcomes of PAS and bringing this information to a central point to report to the board on overall success of PAS.	There is a risk the partnership could fail to deliver its intended aims. The board cannot fulfil its role effectively in an oversight capacity.	The Lead Officer/Family Focus Project Manager implements a reporting structure to report formally on the progress of each priority to provide the information for the dashboards.	We shall work closely with the Corporate Support Unit who will be tasked with collating the information. This will be presented to the TDP Executive who will then seek to obtain any missing information as well as challenge / endorse the information that has been provided.	January 2014	Lead Officer/Family Focus Project Manager
No lead officer in place for a project under priority 2 and key issues identified in February 2013 have not been progressed.	There is a risk that priority 2 will not be progressed and achieve its aims.	The Lead Officer/Family Focus Project Manager ensures that each activity has an assigned lead to drive the project forward.	Agreed. This has now been resolved	October 2013	Strategy Officer

High Priority Findings and Recommendations

APPENDIX B

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
It is unclear who is the Key Lead for PAS 4.	There is a risk that priority 4 will not be progressed and achieve its aims.	The Lead Officer/Family Focus Project Manager seeks the agreement of the TDP Executive to act as the coordinating body for the reporting of progress against the PAS Action Plan.	Agree that this is an appropriate response to this issue. It is evident that the system of 'key lead' is failing. It is more appropriate for the TDP Executive to take on the monitoring.	Autumn 2013	Lead Officer/Family Focus Project Manager
PAS Action Plans are not fully complete (outputs and outcomes are missing).	There is a risk the partnership could fail to deliver its intended aims.	The Lead Officer/Family Focus Project Manager fully completes the PAS Action Plan to ensure that outputs and outcomes are measured.	We have taken draft Outcomes and Outputs to the TDP Board in October 2013. This needs some final revision before final approval is sought in December 2013. We are currently baselining the various measures.	January 2014	Lead Officer / Family Focus Project Manager
The TDP 2013-14 budget has not been agreed.	There is a risk that 6 months into the 2013-14 financial year the budget that has been established is not fully endorsed by the TDP Board.	The Lead Officer/Family Focus Project Manager ensures the 2013-14 budget is agreed as a matter of urgency.	Agree. This has now occurred (TDP Board meeting – October 2013)	October 2013	Lead Officer / Family Focus Project Manager

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.