

Taunton Deane Borough Council

CORPORATE GOVERNANCE COMMITTEE – 27 JUNE 2011

INTERNAL AUDIT PLAN 2011/12 – PROGRESS REPORT

Report of the Group Audit Manager – Chris Gunn - (South West Audit Partnership)

This matter is the responsibility of Councillor John Williams, the Leader of the Council.

1. Executive Summary

This report reports the current position of the Internal Audit Plan for 2011/12. This report also highlights significant findings and recommendations that have occurred since the Committee last considered the detailed findings of Internal Audit reports in March 2011.

2. Background

To provide members with an update on the activities of the Internal Audit team for the period April to June 2011.

3. Audits Completed and Progress against Plan

Please see attached report.

4. Finance Comments

N/a

5. Legal Comments

N/a

6. Links to Corporate Aims

Internal Audit's role is to assure Members and managers that adequate controls are in place and to issue reports and recommendations to address weaknesses in internal control. The Corporate Governance Committee has a key role to play in monitoring the Council's Corporate Governance arrangements. CiPFA defines part of its core function as including the review of summary internal audit reports and the main issues arising, and seeking assurance that action has been taken where

necessary. This contributes to the Corporate Health priority, which underpins all the Council's priorities.

7. Environmental Implications

N/a

8. Community Safety Implications

N/a

9. Equalities Impact

N/a

10. Risk Management

N/a

11. Partnership Implications

N/a

12. Recommendations

The Committee should note the content of this report.

Contact: Chris Gunn – Group Audit Manager - SWAP
01823 356417
chris.gunn@southwestaudit.gov.uk



Taunton Deane Borough Council

Report of Internal Audit Activity
Quarter 1 2011/12

Contents

The contacts at SWAP in connection with this report are:

Gerry Cox

Head of Internal Audit Partnership
Tel: 01935 462371
gerry.cox@southwestaudit.gov.uk

Chris Gunn

Group Audit Manager
Tel: 01823 356417
chris.gunn@southwestaudit.gov.uk

Tony Brown

Audit Manager
Tel: 07720 312462
anthony.brown@southwestaudit.gov.uk

Summary	2
Internal Audit Work Programme:	3
Operational Audits	4
Managed Audits	4
Governance, Fraud and Corruption	5
Special Reviews	5
Future Planned Work	6
Conclusions	6

Summary Page 2

Our audit activity is split between:

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

Role of Internal Audit

The Internal Audit service for Taunton Deane Borough Council is provided by South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors, but also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Corporate Governance Committee at its meeting on 14th March 2011. Internal Audit provides an independent and objective opinion on the Council's control environment by evaluating its effectiveness. Primarily the work includes;

- Plan of Operational Reviews
- Annual Review of Key Financial System Controls (Managed Audits)
- Annual review of Key Governance and Fraud Controls

Overview of Internal Audit Activity

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Corporate Management Team and External Auditors. This year's Audit Plan was reported to the Corporate Governance Committee at its meeting in March 2011.

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

Quarter 1 Outturn:

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

Internal Audit Work Programme

The schedule provided at [Appendix A](#) contains a list of all audits as agreed in the Annual Audit Plan 2011/12. 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.

Quarter 1 Outturn:

Completed Audit Assignments In The Period

Operational Audits

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

There were four operational audits included within quarter 1 of the TDBC Audit Plan for 2011/12. These were:

- a) Car Parks Income
- b) Choice Based Lettings
- c) DLO Stores (External Sales)
- d) Housing Benefit Subsidy

We have completed Car Parks Income to final report and for DLO Stores (External Sales) we have issued a draft report which is currently being considered by the client. The Choice Based Lettings audit is in progress.

Key Control Audits

Key Control Audits are completed to assist the External Auditor in their assessment of the Council's financial control environment. There are 10 such audits within the 2011/12 Audit Plan and all are normally scheduled to be carried out in Quarter 3.

During Quarter1 however it was agreed that internal audit would examine what progress has been made in addressing the audit findings reported from audits of Creditors and Debtors in 2010/11. We have now completed these reviews and issued draft reports for both Creditors and Debtors. Our findings highlight the position of improvements having been made in the application of the management controls. In respect of creditors there has been a considerable reduction in the number of duplicate payments and action is being taken to rationalise the supplier database. For debtors a standard debt follow up approach has been agreed by the client and the overall level of debt is being reduced.

Quarter 1 Outturn:

Completed Audit Assignments In The Period

Governance, Fraud and Corruption Audits

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

During the period five governance audits were scheduled. These were:

- a) Contract Management
- b) Health and Safety
- c) Managing Complaints
- d) Maximizing Income Opportunities
- e) Scheme of Delegation

Whilst none of these audits have been completed to report stage three are currently in progress and the remainder are being scheduled for initial meetings.

IT Audits

During quarter 1 we included a review of Level I Security Controls. This audit is scheduled for completion within the quarter and the scoping of the audit was being discussed at the time of this report.

Special Reviews

There have been no special reviews carried out this quarter.

Key Control Audits	NNDR	3								
Key Control Audits	Payroll	3								
Key Control Audits	Treasury Management	3								
Governance, Fraud & Corruption	Equalities and Diversity	4								
Governance, Fraud & Corruption	Safeguarding of Children and Vulnerable Adults	4								
Governance, Fraud & Corruption	Service Planning	4								
IT Audits	IT Strategy	4								
Operational Audits	Housing Property Services - Contract Allocation/Monitoring	4								
Operational Audits	Licensing Income	4								
Operational Audits	Planning Fees	4								
Operational Audits	Waste and Recycling	4								

APPENDIX B

Schedule of Key Actions from 2011/12 Internal Audit Work completed by SWAP

Date.	Name of Audit	Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action
June 2011	Car Parking Income	It was identified that a reconciliation does not currently take place between the cash stated by G4S and the amount received from each ticket machine daily.	There is a risk that monies due to TDBC may not be properly accounted for.	It is recommended that the Parking Services Manager ensures that a daily reconciliation is completed between the cash collection reports issued by G4S to TDBC and the individual parking ticket reports, generated by the collection machines.	PSM started this process about 3 weeks ago. Is doing on a daily basis to identify amounts and look for trends (individual machines/car parks). Once 'lines of thought' established will pass to admin staff. So far variations amount to around 0.01% on a day's takings.	30/05/2011
June 2011	Car Parking Income	For a sample of twenty write-offs selected, fifteen had no evidence of approval from a Manager. Of these, eight were considered to be appropriate as the DVLA had returned the documents. As a result, there were seven write offs that had no evidence of authorisation. For two of the sample, evidence was obtained that the debt was unrecoverable so they were written-off by Officers.	There is a risk that monies due to TDBC are written off which may be considered recoverable.	It is recommended that the Parking Services Manager ensures evidence of management approval is retained for all write-offs completed by the Service.	Write-offs have been logged by admin staff in clearly defined areas and where requested to by P&CCM or PSM. From now on only P&CCM and PSM will actually log write-offs.	30/06/2011

Audit Framework Definitions

Control Assurance Definitions

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

Categorisation Of Recommendations

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

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

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

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

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

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

Definitions of Risk

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