

Taunton Deane Borough Council

Corporate Governance Committee – 9 March 2015

Internal Audit Plan 2014-2015 Progress

Report of the Audit Manager – 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 2014-15 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 June. We are pleased to report there are no significant issues to bring to your attention since the December 2014 update.
- 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).

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 2014/15 internal audit plan.

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Taunton Deane Borough Council

Report of Internal Audit Activity, February 2015 Update, 2014/15

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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.

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 10th March 2014.

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 2014.

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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Update 2014-15

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 2014/15. 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 B](#)

As can be seen from [Appendix A](#) the following audits have been progressed to date:

Operational:

- Final, 2 reviews
- Drafting, 2 reviews
- Not Started, 2 Reviews

Governance, Fraud and Corruption:

- Final, 4 reviews
- Drafting, 1 Review
- In Progress, 2 review
- Not started, 1 review

Follow-up Reviews:

- Final, 2 reviews
- Not Started, 1 Review



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Update 2014-15

Audit Plan Progress

ICT Reviews

- Final, 1 Review
- In progress, 3 reviews

Key Control Audit

- Final, 2 Reviews
- Drafting, 4 Review
- In progress, 1 Review

In Addition to the 2014-15 plan there are 2 reviews not finalised from the 2013-14 plan, these are:

ICT Audits

- Draft - IT Financial Controls
- Drafting - Disaster Recovery Arrangement

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

We keep our audit plans under regular review, so as to ensure we are auditing the right things at the right time.

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 am pleased to report that since the last update in December no partial or no assurance audits have been awarded.

Future Planned Work/Plan Changes

The audit plan for 2014/15 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.

Members may be aware that SWAP have been going through a staffing restructure. As a result we have had to hold open any vacancies that have occurred throughout the year and are sure you will appreciate that such change can have some impact on productivity; something we know has affected most if not all of our Partners.

As such we have agreed with our Partner Client Officers that we will deliver c.95% of all Partner plans for 2014/15. Even this target is a challenge and we are disappointed that we will not be able to achieve the 100% that our Partners have grown accustomed to. In agreement with the Section 151 Officer, acting as the Council's Client Officer, I have highlighted audits in the plan that will not be delivered as part of the 2014/15 plan. The Safer Somerset Partnership, Housing Voids and some of the remaining time of the Shared Services reviews will not be delivered. Housing Voids and time for the Transformation programme have been included in the 2015-16 plan. However, the Safer Somerset Partnership review has not been carried forward as part of the revised risk assessment for the 2015-16 plan and use of audit resource.



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Conclusions

Any risks where the auditor’s assessment of risk to the organisation is “Very High” or “High” will be reported to this Committee. I am pleased to report that no significant corporate risks have been identified that I need to bring to your attention. Overall, on the work completed to date this financial year, I can report that risks are generally well managed and the systems of internal control are generally working effectively.

It is disappointing that we will not be able to achieve the 100% that our Partners have grown accustomed to. We have diverted some additional resource towards the TDBC plan and hopefully over the next month or two we should see the benefits of this. Progress is being made with South West One on the ICT Audits and the Audit Engagement Protocol with South West One is now approved and in place, the benefits of which we should see over the coming months.



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Audit Plan Progress 2014-15

APPENDIX A

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major				
						Recommendation				
						1	2	3	4	5
ICT Audits	Threat Protection (Dropped to allow time for the COSY Replacement Project and Software & Hardware Asset Management audits)	Q1	Dropped							
Operational Audit	Safeguarding	Q1	Final	Reasonable	6	0	1	4	1	0
Follow-up	Procurement Cards (work undertaken April, but superseded by Management update to May Corporate Governance Committee)	Q1	Final	Non-Opinion	6	0	1	3	2	0
Operational Audit	Parks & Open Spaces	Q1	Final	Partial	5	0	0	4	1	0
ICT Audits	COSY Replacement Project (New)	Q2	Final	Non-Opinion	5	0	1	4	0	0
ICT Audits	Software Asset Management (New)	Q2	In Progress							
ICT Audits	Hardware Asset Management (New)	Q2	In Progress							
Governance, Fraud & Corruption	Absence Management - Theme	Q2	Final	Reasonable	10	0	4	6	0	0
Governance, Fraud & Corruption	Private Water Supply	Q2	Final	Reasonable	4	0	2	1	1	0
Governance, Fraud & Corruption	Data Transparency	Q2	Final	Partial	6	0	2	2	2	0



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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major				
						Recommendation				
						1	2	3	4	5
Governance, Fraud & Corruption	Protective Marking - Theme	Q2	Drafting	Non-Opinion						
ICT Audits	Corporate Information Security Controls (CIS) (Dropped to allow time for the COSY Replacement Project and Software and Hardware Asset Management audits)	Q2	Dropped							
Operational Audit	Housing Sales (Right To Buy)	Q2	Drafting							
Follow-up	PAS	Q2	Final	Non-Opinion	4	0	0	3	1	0
Key Control	Main Accounting	Q2	Drafting							
Governance, Fraud & Corruption	Fraud Theme (deferred from quarter 1)	Q3	In Progress							
Key Control	Creditors	Q3	Drafting							
Key Control	Council Tax & NNDR	Q3	Final	Substantial	1	0	1	0	0	0
Key Control	Debtors	Q3	In Progress							
Key Control	Housing Benefits	Q3	Final	Substantial	2	0	1	1	0	0
Key Control	Payroll (Starters, Leavers, Changes)	Q3	Drafting							



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						Recommendation				
						1	2	3	4	5
Key Control	Treasury Management	Q3	Drafting							
ICT Audits	Financial Key Controls	Q3	In Progress							
Operational Audit	Housing New Build	Q3	Drafting							
Governance, Fraud & Corruption	Choice Based Letting	Q4	In Progress							
Governance, Fraud & Corruption	Safer Somerset Partnership/ Community Safety (Due to SWAP Restructure)	Q4	Dropped							
Governance, Fraud & Corruption	Asset Management Theme	Q4								
Operational Audit	Community Infrastructure Levy (CIL)	Q4								
Operational Audit	Housing Voids (Due to SWAP Restructure)	Q4	Dropped							
Operational Audit	Commercial Properties/Rents	Q4								
Follow-up	Data Centre	Q4								
Governance, Fraud & Corruption	WSC & TDBC Shared Services (Due to SWAP Restructure)	All	Dropped							
Governance, Fraud & Corruption	Legal Services - Shared Services	All	Final	Non-Opinion	0	0	0	0	0	0



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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major				
						Recommendation				
						1	2	3	4	5

Outstanding 2013-14 Audits

ICT Audits	IT Financial Controls, Inc. Access (Key Financial System Audit)	3	Draft	Reasonable						
ICT Audits	Disaster Recovery Arrangements	4	Review							



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Audit Framework Definitions

Control Assurance Definitions

Appendix B

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.