

TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE 30TH JUNE 2009

REPORT OF THE STRATEGIC DIRECTOR (SA)

This matter is the responsibility of Councillor Henley (Leader of the Council)

REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT ARRANGEMENTS

Executive Summary

This report updates the Corporate Governance Committee on the effectiveness of the internal audit service provided by the South West Audit Partnership during 2008/09.

1. Background

- 1.1 Internal Audit play a key role in the Councils internal control and corporate governance arrangements. They provide assurance to members and stakeholders on all aspects of the Councils business set out in the Corporate Strategy.
- 1.2 This Councils internal audit function is delivered by the South West Audit Partnership (SWAP).
- 1.3 SWAP was formed in April 2005 to provide an effective internal audit service to Taunton Deane Borough Council and South Somerset District Council. Since then, the partnership has steadily grown as follows:-
 - 2005/06 - Mendip District Council and West Somerset District Council.
 - 2007/08 - Sedgemoor District Council and Somerset County Council.
 - 2008/09 - West Dorset District Council and Weymouth and Portland Borough Council.
- 1.4 The Partnership is operated as a Joint Committee – at which Taunton Deane is represented by two elected members (currently Cllr Dennington and Cllr Hall have done this since the beginning of the audit partnership).
- 1.5 Each year, authorities are required to review the effectiveness of their arrangements for the provision of internal audit services (Reg 6 of the Accounts and Audit Regs 2006). This review must be carried out

independently of the audit function, and report to those charged with governance arrangements – at Taunton Deane this is the Corporate Governance Committee.

2. Review Findings

- 2.1 The Taunton Deane Borough Council review has been carried out by the Strategic Director Shirlene Adam. The findings were taken into considerations by the corporate working group preparing the Annual Governance Statement – which this Committee considered last month. (Ideally this report should have been included in last months agenda too).
- 2.2 The review looked not just at the audit service, but at the system of internal audit, including the staffing arrangements, the audit strategy and planning, the approach to risk, and the quality and effectiveness of reporting (all as recommended by the CIPFA Code of Practice for Internal Audit).
- 2.3 The review concluded that the internal audit team performed well, in terms of delivery against audit plan and customer feedback. This view is supported by our external auditors.
- 2.4 Some headlines from the review include:-

| Performance Measure | 2007/08 | 2008/09 |
|--|-----------------------|-----------------------------|
| Level of feedback from satisfaction questionnaires | Not reported | 73% average (7 received) |
| Managed Audits completed in year compared to plan | 100% (8 out of 8) | 100% (7 out 7) |
| Audits completed in year compared to plan | 93% (13 out of 14) | 88% (14 out of 16) |
| No of audit recommendations accepted by managers | Not reported | 126 |

- 2.5 A triennial review on the effectiveness of SWAP was carried out by the Audit Commission in 2006/07 and a further review is due to be completed over the next few months.
- 2.6 The following shows progress *in italics* against the “areas of focus” for 2008/09:
- To implement an audit recommendation management software package across all partners.
There have been some technical issues that have caused delays. It is expected that all partners will have this in place in the next couple of months.
 - To develop a clear business plan for the 2nd 5-year phase of the Partnership.

This is well underway and will be presented to the SWAP Members Board in the autumn for approval.

- To ensure the risk management framework recently implemented is embedded in the governance arrangements of the partnership.
The Management Board have recently reviewed and updated the SWAP risk register.

3. Opinion and Areas of Focus for 2009/10

3.1 It is the opinion of the Strategic Directors that the system of internal audit is effective.

3.2 There are some new areas for focus during 2009/10. The priority areas are:-

- Implementation of audit recommendation management software package to all partners by 31st July 09.
- Risk register for SWAP to be updated by 31st October 2009;
- Complete business plan for continuation of the partnership 31st October 2009. (to include new financial model and policies)

4. Recommendation

4.1 The Corporate Governance Committee is requested to note the findings of the review of the effectiveness of internal audit 2008/09.

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