

**TAUNTON DEANE BOROUGH COUNCIL  
CORPORATE GOVERNANCE COMMITTEE 24 MAY 2010  
REPORT OF THE STRATEGIC FINANCE OFFICER (MH)**

This matter is the responsibility of Councillor Williams (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 2009/10.

**1 Background**

- 1.1** Internal audit provides an independent and objective opinion to the Council on the control environment comprising risk management, control and governance, by evaluating its effectiveness in achieving the Council's objectives.

This assurance is designed to assist the Council both in ensuring that a robust and effective control environment is in place and in preparing the Annual Governance Statement.

- 1.2** This Council's internal audit function is delivered by the South West Audit Partnership (SWAP).

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, the most recent members Forest of Deane (joined November 2009) and Dorset County Council joining in April 2010.

The Partnership is operated as a Joint Committee. Taunton Deane is represented by two elected members, Cllr Dennington and Cllr Hall who have carried out this work since the beginning of the audit partnership.

- 1.3** 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**

- 2.1** The Taunton Deane Borough Council review has been carried out by the Deputy Section 151 Officer Ian Jamieson. The findings were taken

into account in preparing the Annual Governance Statement, which this Committee will consider later in the agenda.

## 2.2 Approach

The review considered:

- How the Internal audit plan was created
- The links to Corporate Strategy, Corporate Risks and Governance
- How the audits were carried out – planning, staffing and risk
- Reporting arrangements during the year
- The Internal Audit Charter
- The total cost of the Audit function and how this is recharged
- Measures to determine success - audits completed against plan
- Feedback from Auditees on recent audits
- Feedback from the Chair of Corporate Governance committee, Group Auditor South West, Strategic Finance Officer and the Audit Manager Audit Commission

2.3 Performance Measures	2008/09	2009/10
Level of feedback from satisfaction questionnaires	73% (7 received)	77% (4 received)
Managed Audits completed in year compared to plan	100% (7 out 7)	100% (9 out 9)
Audits completed in year compared to plan	88% (14 out 16)	92% (34 out 37)
Audits reported to Corporate Governance Committee - no data		43% (16 out 37)
No of audit recommendations accepted by managers	126	233
No of audit recommendations considered High Risk	- no data	15

A number of audits have been delayed or slipped into the following year. This has been due to the transfer of audit resources to higher priority areas. In particular SAP, where it has been necessary to provide additional assurance on the control environment.

## 2.4 External Audit Review

A triennial review on the effectiveness of SWAP was carried out by the Audit Commission in 2009/10. This concluded 'During our review we found that SWAP complies in general with the CIPFA Code and we can rely on their work for the purposes of our external audit'.

## 2.5 Areas of focus for 2009/10 - update

- The implementation of the audit management software has been delayed due to technical issues. This is being reviewed in line with what will work best for the Council.

- The Risk register for SWAP to be updated by 31 October 2009. The Management Board has reviewed and updated the SWAP risk register.
- To develop a clear business plan for the 2<sup>nd</sup> 5-year phase of the Partnership. This has been completed and presented to the SWAP Members.

## **2.6 Areas of Focus for 2010/11 - recommended**

There are some new areas for focus during 2010/11 as follows:

- Best practice should be shared across the SWAP customer base
- The Annual Audit Plan should give greater focus to the Corporate Strategy, Corporate Risks and Corporate Governance when identifying the internal audit work for the year.
- The Annual Audit Plan should be reviewed and agreed by the Corporate Management Team.
- The Annual Audit report should include a priority summary of all recommendations. (High/Medium/Low)
- A new performance measure should be introduced to monitor the turnaround time for audit reports. The final report should be produced within 20 working days of the completion of the audit.
- A greater number of audits should be completed and reported to Corporate Governance Committee. A target of 80% should be introduced for 2010/11.

## **3 Effectiveness Opinion 2009/10**

The Internal Audit 'star' rating system has been used to assess the effectiveness. This provides assurance ranging from 3 star comprehensive to no stars inadequate. The review concluded that the internal audit work was rated as 2 stars 'Reasonable'.

## **4 Recommendation**

The Corporate Governance Committee is requested to note the findings of the review of the effectiveness of internal audit 2009/10.

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