

Taunton Deane Borough Council

Corporate Governance Committee – 8 December 2014

Internal Audit Plan 2014-15 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 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 June (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 June update. Please note priority recommendations are assessed at Service level, i.e. the importance to the service.

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 2014/15 internal audit plan and significant findings since the September 2014 update.

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Taunton Deane Borough Council

Report of Internal Audit Activity, December 2014 Update, 2014/15

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Appendices

Appendix A - Audit Plan Progress 2013-14

Appendix B - High Priority Findings and Recommendations (since last Committee)

Appendix C - Audit Definitions

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.



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.

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 C](#)

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

Operational:

- Final, 2 reviews
- In Progress, 2 reviews

Governance, Fraud and Corruption:

- Final, 3 reviews
- Draft, 1 review
- Drafting, 1 Review
- In Progress, 1 review

Follow-up Reviews:

- Final, 2 reviews

ICT Reviews

- Discussion Document, 1 review
- Initiation, 2 reviews



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Update 2014-15

Audit Plan Progress

Key Control Audit

- In Progress, 4 Reviews
- Drafting, 1 Review

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

ICT Audits

- IT Financial Controls - Review
- Disaster Recovery Arrangement - Review

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 last update there are two reviews concluded and assessed as 'Partial' and include the Auditor's Opinion as follows:

Parks & Open Spaces

The Audit covered the following risks;

1. Serious injury or death occurs for which the Council may be liable and/or incurs reputational damage.
2. The quality of work is below required standards leading to loss of contracts and/or not meeting the expectations of the public.
3. Budgets and Costs are not well-controlled leading to financial loss

We found very good performance on risk assessments of the various functions of the service, and testing of a sample of risk-mitigating actions showed these had been fully completed. Monthly inspections are undertaken and defects identified and there is an independent annual inspection, however clearer evidence is needed to confirm that there are no defects or that required works to remedy defects have been completed. It was also identified that there is no signage policy which would ensure a consistent approach to signs in parks and open spaces and provide adequate information to the public. In risk two, it was identified that there is no formal recording and monitoring of complaints, so changes in customer satisfaction levels may not be identified.

The third risk could not be fully evaluated. This was because various information required to complete the audit

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 Continued

testing was requested but not received. We acknowledge that managers were busy on the implementation of the new IT system. This affected evaluation of controls in the following areas:

- Tenders and Quotations
- Invoicing for income due
- Payment of Invoices

We were therefore unable to provide assurance that controls in these areas are working. For tenders and quotations, weaknesses were reported and a recommendation was made, because findings indicated that weaknesses exist and we were not provided with evidence to the contrary.

As this is a partial assurance audit it is worth noting that it will be followed up and further work undertaken on risk 3 around management of costs.

Data Transparency

There are growing expectations that new technologies and publication of data should support transparency and accountability. It is vital that public bodies recognise the value to the public of the data they hold, understand what they hold, what their communities want and then release it in a way that allows the public, developers and the media to use it. Provision of public data should become integral to local authority engagement with local people so that it drives accountability to them. Its availability should be promoted and publicised so that residents know how to access it and how it can be used.

The code contains both *required* and *recommended* information for the authority to comply with. It was explained by the Corporate Strategy and Performance Manager that it is likely that the Council would struggle to publish recommended details due to growing requirements of transparency and the limitations on available resources. There are no particular risks associated with the non-publication of recommended information, however

These are actions that we have identified as being high priority

publishing

Report on Significant Findings Continued

and that we believe should be brought to the attention of the Audit Committee

this data would be of reputational benefit to the authority by showing that they are transparent with the information they hold and fully engage with the requirements of the Code.

Testing of documentation available on the Council's website against the requirements of the Local Government Transparency Code 2014 identified that for the categories where data must be published:

- Four currently meet the requirements of the Code;
- Two partially fulfil the requirements of the Code;
- Four do not meet the requirements of the code.

The areas below are currently meeting or exceeding requirements:

- Expenditure over £500;
- Organisation chart;
- Constitution;
- Pay multiple.

The areas that currently partially meet the requirements of the code;

- Parking revenues;
- Senior salaries.

The areas that do not meet the requirements of the code are;

- Procurement;
- Procurement Card transactions;
- Local Authority land and building assets;
- Grants to voluntary, community and social enterprise organisations.

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/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.

As previously reported changes have been made to the ICT Audit work plan with Threat Protection and Corporate Information Security Controls (CIS) audits scheduled for quarter 1 and quarter 2 respectively were dropped to allow time for the Hardware and Software Asset Management audits and for work on the COSY Replacement Project. Also, the Fraud Themed audit under the Governance, Fraud & Corruption audit plan has been deferred from quarter 1 to quarter 3 due to a change in responsibilities.

Conclusions

Steady progress against the 2014/15 plan has been made. It is recognised that significant changes have occurred over the last few months at TDBC with regard to officer responsibilities. Whilst this has caused some movements on the timing of some audits we still anticipate to deliver the plan fully. Progress is being made with South West One on the ICT Audits and the Audit Engagement Protocol with South West One is out for final approval and should be a live document for the end of the year.

I can also report that although we have returned two partial assurance audits, no significant corporate risks have been identified that I need to bring to your attention. 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.

Audit Plan 2014-15

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	Discussion Document	Non-Opinion						
ICT Audits	Software Asset Management (New)	Q2	Initiation							
ICT Audits	Hardware Asset Management (New)	Q2	Initiation							
Governance, Fraud & Corruption	Absence Management - Theme	Q2	Draft	Reasonable						
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 Plan 2014-15

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
Governance, Fraud & Corruption	Protective Marking - Theme	Q2	Drafting							
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	In Progress							
Follow-up	PAS	Q2	Final	Non-Opinion	4	0	0	3	1	0
Key Control	Main Accounting	Q2	Review							
Governance, Fraud & Corruption	Fraud Theme (deferred from quarter 1)	Q3	In Progress							
Key Control	Creditors	Q3	In Progress							
Key Control	Council Tax & NNDR	Q3	In Progress							
Key Control	Debtors	Q3	Initiation							
Key Control	Housing Benefits	Q3	In Progress							
Key Control	Payroll (Starters, Leavers, Changes)	Q3	In Progress							



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Audit Plan 2014-15

Audit Plan Progress 2014-15

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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major				
						Recommendation				
						1	2	3	4	5
Key Control	Treasury Management	Q3								
ICT Audits	Financial Key Controls	Q3								
Operational Audit	Housing New Build	Q3	In Progress							
Governance, Fraud & Corruption	Choice Based Letting	Q4								
Governance, Fraud & Corruption	Safer Somerset Partnership/ Community Safety	Q4								
Governance, Fraud & Corruption	Asset Management Theme	Q4								
Operational Audit	Community Infrastructure Levy (CIL)	Q4								
Operational Audit	Housing Voids	Q4								
Operational Audit	Commercial Properties/Rents	Q4								
Follow-up	Data Centre	Q4								
Governance, Fraud & Corruption	WSC & TDBC Shared Services	All								



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Audit Plan 2014-15

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
Governance, Fraud & Corruption	Legal Services - Shared Services	All	Final	Non-Opinion	0	0	0	0	0	0

Outstanding 2013-14 Audits

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



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High Priority Findings and Recommendations (Priority 4 & 5)

APPENDIX B

Note; these are prioritised at a service level, not corporate. See 'Categorisation Of Recommendations' on Appendix C for further information

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
Parks & Open Spaces					
The tenders and quotation process is not documented, so there is no written guidance on how to calculate the price; the checking and authorisation of the quote or tender; recording of calculations; and when to involve the Council's Legal section. A lack of documentation was held on the sample tenders/quotations reviewed.	If the tender / quotation process is not robust, there is a risk that the Council may under-price works and have to complete these at a loss; conversely, the Council may over-price works and not win the contract. Also, there is an opportunity for fraud leading to financial loss to the Council.	<p>I recommend that the Open Space Manager issues written guidance for the preparation for tenders / quotations, and ensures these are implemented, and issued to and understood by all managers. The guidance should include:</p> <ul style="list-style-type: none"> • Methodology of the calculation of price • When the Council's Legal Section should be consulted • How the price calculation should be checked • How the whole tender / quotation should be authorised • How the tender should be recorded and these records retained • How any changes to the original price should be authorised. 	<p>All quotes are unique and pricing strategy can vary. Any guidance will need to be flexible.</p> <p>Strict monitoring of profit/loss minimises the council from financial loss.</p> <p>At the time of Audit the section was under great pressure. Due to mis-filing information with regards to the calculations of quotes were not submitted. However they do exist.</p> <p>I acknowledge our filing system needs to be looked at along with other issues. However I do disagree that this merits a priority of 4.</p>	April 2015	Open Space Manager

High Priority Findings and Recommendations (Priority 4 & 5)

APPENDIX B

Note; these are prioritised at a service level, not corporate. See 'Categorisation Of Recommendations' on Appendix C for further information

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
Data Transparency					
Some of the <i>required</i> information contained within the Local Transparency Code 2014 is not published.	Unless the required information is published the Council is in breach of the requirements of the Local Data Transparency Code.	I recommend that the Corporate Strategy and Performance Manager ensures that all information listed as mandatory within the Local Government Transparency Code 2014 is published within	Accepted. We will endeavour to gather and publish the required information within the required timeframe.	During course of 2015/16	Corporate Strategy and Performance Manager
An expenditure report uploaded to the website functions incorrectly and triggers a security notice.	There is a risk that such files may deter members of the public from accessing other information uploaded to the Council's website.	I recommend that the ICT and Information Manager ensures that all files uploaded to the website function correctly.	Believe the assessment of this finding is too high at a 4. The spreadsheet has however been removed from our website within 24 hours of notification from SWAP.	Closed	Corporate Strategy and Performance Manager ICT and Information

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.