

TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE 16th December 2008

INTERNAL AUDIT PLAN – PROGRESS REVIEW

REPORT OF THE GROUP AUDITOR (South West Audit Partnership) This matter is the responsibility of Councillor Henley, the Leader of the Council.

EXECUTIVE SUMMARY

This report highlights significant findings and recommendations that have occurred since the Committee last considered the findings of Internal Audit reports in September 2008.

1. Purpose of Report

To provide members with an update on the activities of the Internal Audit team for the period September 2008 to December 2008.

2. Work undertaken by Internal Audit September to December 2008

Operational Audits - Operational audits are a detailed evaluation of a service or functions 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. For Operational Audits SWAP aim to provide management and Members with a level of assurance on the robustness of the internal control environment. The following categories of assurance have been agreed:

<p>▲ ★ ★ ★ Full Assurance</p>	<p>The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively at all times and risks against the achievement of objectives are well managed.</p>
<p>▲ ★ ★ ★ Reasonable Assurance</p>	<p>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</p>
<p>▲ ★ ★ ★ Partial Assurance</p>	<p>Most of the areas reviewed were not found to be adequately controlled. Generally risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.</p>
<p>▲ ★ ★ ★ No Assurance</p>	<p>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.</p>

The following operational audit has been finalised since the Committee last met in September 2008 as below:-.

Stores ▲★★★ Reasonable Assurance - I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed and although there were a number of issues raised in the report these are in the main opportunities for improvement in the system of controls rather than significant control failures.

Although there are some weaker areas reported we are confident that management are addressing the key areas of risk and that further progress will be made to bring about improvements in the overall control framework.

The main issues raised and management responses are as follows:-

The stores holds a wide range of stock items which are over 1 year old with dates of last issue going back to 2002. The total value of these stocks is £10,469.66 which is nearly 10% of total stock value. Whether many of these items will be used in the future is open to question. Stocks have accumulated for various reasons. Carrying unusable, or redundant or excessive stocks inflates stock holding values and working capital requirements.

Management Response : Work has begun and stocks have been returned to supplier for credit in some cases. The Senior Storekeeper is working with DLO managers to use existing stocks where possible. A list will be drawn up of stock that cannot be used and written-off / disposed in line with Financial Regulations.

The stores run a programme to stock check the main stores although it is not a documented programme. The strategy is to stock check stock throughout the year using the continuous inventory approach with the intended aim of checking stocks at least once each year. There are occasions during the year when there are no available resources to carry out and reconcile such stockcounts.

The current stock checking programme does not plan to count fast moving and high value stocks more frequently than other stocks.

Management Response : The recommended approach has some merit. However this will require an amendment to the stores system so it is possible to report items that have been counted and more importantly those that have not. Poor stocktaking of slow moving stock may result in stock out situations that have significant operational consequences. However this required development work will be delayed until the current SAP implementation is complete due to the freeze on development work. The final solution will be a balance between the recommendation and the current approach.

3. Workload Update

Although there are a substantial number of reports at draft stage the workload for quarter 4 will allow for those audits to be finalised before the end of the financial year.

In addition to the audit work detailed below there are a number of other areas of work that SWAP have undertaken including the on-going provision of audit advice, ad-hoc special investigations and involvement in the SAP project providing advice and guidance on control issues.

The following reviews are in progress or are going through the reporting process :-

Audit area	Type of review	Progress
Housing Repairs	Operational Review	Draft Report – Partial
Cemetery & Crematorium	Operational Review	Report being drafted
Partnership Arrangements	Operational Review	Testing
Procurement	Operational Review	Report being drafted
Economic Development	Operational Review	Draft Report
Transport Policy	Operational Review	Testing
Council Tax	Operational Review	Report being drafted
Treasury Management	Operational Review	Testing
IT Audit - Compliance against ISO27002 level one	Computer Audit	Draft Report

Managed Audits are underway in the following areas:-

National Non-Domestic Rates (Report being drafted), Debtors, Housing Benefits, Housing Rents (Draft Report), Main Accounting, Capital Accounting, Payroll (Draft Report)

4. Recommendation

The Committee should note the content of this report.

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