

# TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE 17<sup>th</sup> March 2008

## INTERNAL AUDIT PLAN 07/08 – PROGRESS REVIEW

**REPORT OF THE GROUP AUDITOR (South West Audit Partnership) This matter is the responsibility of Councillor Williams, 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 December 2007.

#### 1. Purpose of Report

To provide members with update on the activities of the Internal Audit team for the period December 2007 to March 2008.

#### 2. Work undertaken by Internal Audit December 2007 to March 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>▲ ★ ★ ★ <b>Full Assurance</b></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>▲ ★ ★ ★ <b>Reasonable Assurance</b></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>▲ ★ ★ ★ <b>Partial Assurance</b></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>▲ ★ ★ ★ <b>No Assurance</b></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>

Only 1 operational audit has been finalised since the Committee last met in December 2007 as below:-.

Housing Rents - ▲★★★ **Partial Assurance** - Although many of the areas tested were found to be well controlled there were some significant weaknesses including tenancy post inspection visits and the Council's poor performance in the collection of Housing Rent arrears. Although performance had stabilised during 2006/07 it has fallen during the first quarter of 2007/08. The collection of Housing Rents is fundamental in the provision of the service, it is hoped that once the implementation of the new Academy System has been concluded management will be able to refocus their efforts on the collection of arrears.

**Managed Audits** – The Managed Audit process focuses primarily on key risks relating to the Council's major financial systems. It is essential that all key controls identified by the External Auditors are operating effectively to provide management with the necessary assurance. Managed audits are completed to assist the External Auditors in their assessment of the Council's financial control environment.

1 Managed audit has been completed by SWAP - Treasury Management - All of the areas reviewed were found to be well controlled.

The remaining 6 managed audit reviews are at draft report stage and final reports are in the process of being agreed with management as follows:-

<b>Audit area</b>
Debtors - Draft
Payroll - Draft
NNDR - Draft
Capital Accounting - Draft
Council Tax - Draft
Creditors - Draft

### **Other work**

During the last quarter SWAP undertook the following reviews:-

**Concessionary Travel** - Weaknesses were identified in the processes for checking the accuracy of the concessionary travel pass usage figures supplied by bus companies. The main issues requiring management attention were that there is insufficient independent checking of bus company usage data and a lack of understanding within Districts / Somerset County Council on how bus companies charge the Councils for concessionary fare usage.

**Brewhouse** – Weaknesses identified during the review included the poor state of financial and management governance in place within the Brewhouse. However it should be noted subsequent discussions with management and board of the Brewhouse has revealed that they are actively putting in place changes to strengthen the financial management and governance arrangements. The second issue was

the inability of the Council to act more vigorously when the true state of the Brewhouse's finances became apparent. Once again since the review it has been noticed that officers are successfully engaging with the Brewhouse to establish positive frameworks to define the nature and scope of activities to be undertaken in return for continued grant funding.

Details of these findings are contained within the main body of this report.

#### **4. Quarter 4 Workload**

The following reviews from the 2007/08 audit plan are in progress for quarter 4:-

<b>Audit area</b>	<b>Type of review</b>	<b>Progress</b>
Health & Safety at Work	Operational Review	Testing
Democratic Services	Operational Review	Testing
Housing Repairs	Operational Review	Testing
Cemetery & Crematorium	Operational Review	Testing
Housing Benefits Fraud	Operational Review	Draft Report
Renovation Grants	Operational Review	Testing

#### **5. Recommendation**

The Committee should note the content of this report.

#### **Contact Officer:-**

Chris Gunn - Group Auditor – South West Audit Partnership  
01823 356417 [chris.gunn@southwestaudit.gov.uk](mailto:chris.gunn@southwestaudit.gov.uk)