

Taunton Deane Borough Council

Corporate Governance Committee – 24 June 2013

Internal Audit Plan 2012-2013 Annual Report and 2013-2014 Quarter 1 Progress

Report of the Group Audit Manager – Ian Baker

(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.

This report highlights the outturn position of the 2012-13 Internal Audit Plan and significant findings and recommendations that have been made since the last Committee in March 2013.

This report also provides a brief update on progress of the 2013-14 Audit Plan.

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 March (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 March update. These will be followed-up by Internal Audit to provide assurance that risk exposure has been reduced.

3. Detailed Update

Please refer to the attached SWAP Annual Opinion 2012-13 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 the content of this report, in particular the opinion being given on the state of internal control and the significant findings since the last Committee in March.

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Taunton Deane Borough Council

Internal Audit Plan – Annual Opinion 2012-13 & Progress
Quarter 1 2013-14

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Annual Opinion:

The Group Audit Manager is required to provide an annual opinion report to support the Annual Governance Statement.

Purpose of Report

The Accounts and Audit Regulations (England) 2011 requires public authorities to publish an Annual Governance Statement (AGS). The Statement is an annual review of the Systems of Internal Control and gathers assurance from various sources to support it. One such source is Internal Audit. The Head of Internal Audit should provide a written annual report to those charged with governance to support the AGS. This report should include the following:

- an opinion on the overall adequacy and effectiveness of the organisation's risk management systems and internal control environment
- disclose any qualifications to that opinion, together with the reasons for the qualification
- present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies
- draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement
- compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria
- comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content.

Background

The Internal Audit service for Taunton Deane Borough Council is provided by the South West Audit Partnership Limited (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 which is reviewed annually. Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. This report summarises the activity of SWAP for the year April 2012 to March 2013.

Annual Opinion:

The Group Audit Manager is required to provide an annual opinion report to support the Annual Governance Statement.

Group Audit Manager's Opinion

Members through the various committees are ultimately responsible for maintaining an effective system of internal control. The purpose of internal control is to manage risk rather than eliminate it. Getting the balance of internal control right is essential for organisational success—to knowingly take risk rather than be unwittingly exposed to it. Under control could expose the organisation to unacceptable risk and destroy value as over control stifles value creation and entrepreneurship. Therefore the Internal Control Environment needs the right balance to help Taunton Deane to deliver its services with ever decreasing resources.

The control environment sets the tone of an organisation, providing discipline and structure. Control environment factors include the integrity, ethical values and managements' competencies, managements' philosophy and operating style, the way authority and responsibility are assigned and how the Council is organised. Key segments include identification and evaluation of risks, control activities (policy and procedures, approvals, authorisations, verifications, etc), monitoring activities and information and communication processes.

Internal Audit has not reviewed all risks and assurances relating to Taunton Deane and cannot provide absolute assurance on the internal control environment. Our opinion is derived from the completion of the risk based internal audit plan and as such it is one source of assurance on the adequacy of the internal control environment.

Of the 28 reviews that have an Assurance Opinion, including indicative assessments, no reviews were given 'No Assurance' and 8 (29%) were given 'Partial Assurance'. Partial Assurance is again being awarded in the reviews of Creditors and Debtors but the Auditor recognises the improvements that have been made and recommendations that have now been implemented.

This left a total of 20 (71%) that returned a favourable opinion of 'Reasonable Assurance' or 'Substantial Assurance'. I am also pleased to report that of the audit opinions returned at Final, none have resulted in any significant corporate risks being identified.

Annual Opinion:

The Group Audit Manager is required to provide an annual opinion report to support the Annual Governance Statement.

Group Audit Manager's Opinion (Continued)

We are further encouraged that all internal and external audit recommendations are now being actively monitored by Taunton Deane to seek assurance from relevant managers that the recommendations have been implemented.

Considering the balance of the audit work and outcomes I am able to offer ▲★★★ **'Reasonable Assurance'** in respect of the areas reviewed during the year as on balance most were found to be adequately controlled. Risks are generally managed, although there are some areas that require the introduction or improvement of internal control to help achieve TDBC's services and corporate objectives.

Over the year SWAP has found Senior Management at Taunton Deane Borough Council to be supportive of Internal Audit findings and responsive to the recommendations made. In addition there is a good relationship with Management whereby they feel they can approach SWAP openly into areas where they perceive potential problems and again welcome the opportunity to take on board recommendations for improvement.

Local Government is still, along with other Public Sector partners, experiencing unprecedented change driven by Central Government and will result in many challenges for Taunton Deane Borough Council over the next three to four years. These changes will mean greater reliance will be placed on internal systems and their effectiveness. In order to make changes and react to new and emerging risks, the Council will need assurance that Internal Controls are in place and operating effectively.

A key objective of SWAP is to continue to support management in this task. I am confident that the Internal Audit Plan for 2013-14 has the correct focus for this purpose, but it will of course need to remain flexible to meeting the ever changing risk environment.

Performance:

The Head of Internal Audit Partnership reports performance on a regular basis to the SWAP Management and Partnership Boards.

SWAP Performance

During the year SWAP were actively working toward becoming a Publicly Owned Company, Limited by Guarantee. This was achieved and became effective from the 1st April 2013. Since its beginning SWAP has been building up a reserve fund which, with the dissolving of the old Partnership, has resulted in funds being returned to SWAP Partners for redistribution. Taunton Deane's share of that will be in the region of £14,252; the final figures are yet to be agreed.

Again SWAP has managed to absorb Partner day reductions and maintain day rates for the seventh consecutive year.

With regards to the 2012/13 Annual Plan for Taunton Deane Borough Council, there were a total of 39 reviews delivered. In agreement with management, and previously reported to this Committee, a number of reviews were exchanged as the need to respond to new and emerging risks was identified.

Most audits have been completed to report stage with 4 drafts to be finalised and 3 reviews in progress at the time of this report. These are targeted to be finalised by the end of June 2013.

At the close of each audit review a Customer Satisfaction Questionnaire is sent out to the Service Manager or nominated officer. The aim of the questionnaires is to gauge satisfaction against timeliness, quality and professionalism. As part of the Balanced Scorecard presented to the SWAP Boards, a target of 85% is set where 80% would represent good. The latest Scorecard for the Partnership shows the current average feedback score to be 81.3%. For Taunton Deane Borough Council the average feedback score was 80%.

Summary of Work 2012-13

The agreed Annual Audit Plan covers the following

Key areas of Activity:

- ◆ OPERATIONAL AUDITS
- ◆ INFORMATION SYSTEMS
- ◆ KEY CONTROLS
- ◆ GOVERNANCE, FRAUD & CORRUPTION
- ◆ SPECIAL REVIEWS
- ◆ FOLLOW UP

Internal Audit Work Programme

The schedule provided at [Appendix A](#) contains a list of all audits agreed for inclusion in the Annual Audit Plan 2012-13 and the final outturn for the financial year. In total, 36 (including 4 at draft) audit reviews were completed during the year with a further 3 audits due for completion. 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.

Of the 36 reviews completed (including draft), they are broken down as follows:

• Operational Audits	9
• Information Systems	1
• Key Control	10
• Governance & Fraud	9
• Special Reviews	3
• Follow-up	4

Each completed assignment includes its respective “assurance opinion” rating 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” -[Appendix D](#).

Summary of Work 2012-13

Continued.....

Audits Completed - Operational

Operational Audits — are a detailed evaluation of a service or functions control environment. A risk evaluation matrix is devised and controls are tested; risks are assessed against the risk appetite agreed with the SWAP Management Board. Where weaknesses or areas for improvement are identified, actions are agreed with management, prioritised and target dated. Based on the findings of each review, an overall Control Assurance is offered.

Operational Audits completed by SWAP for the Period April 2012 to March 2013, together with the Control Assurance offered, are summarised in the following table:

Audit Area	Audit Opinion	Audit Area	Audit Opinion
SAP Administration	▲★★★★ Reasonable	Health & Safety Review	▲★☆☆ Partial
Development Control	▲★★★★ Reasonable	SWO Contract Monitoring	▲★★★★ Reasonable
Equalities Analysis Integration	▲★☆☆ Partial	South West Private Sector Housing Partnership	▲★★★★ Reasonable
Housing – Asset Management	▲★★★★ Reasonable	Benefits – In House	Non Opinion (Drafting)
Housing – Gas Servicing (Draft)	▲★☆☆ Partial		

The 8 reviews receiving audit opinions identified 39 recommendations for improvement. The breakdown of these recommendations in terms of priority scores are; 3 priority five; 10 priority four; 20 priority three and 6 priority two. This includes Gas Servicing, which once the report is finalised will be reported to the next Corporate Governance Committee in detail. For a summary of Control Assurance Definitions, Categorisation of Recommendations and Definitions of Risk Levels, please refer to [Appendix D](#).

Summary of Work 2012-13

Continued.....

Audits Completed – Information Systems

Information Systems — IS audits are completed to provide the Authority with assurance with regards to their compliance with industry best practice. As with Operational Audits, an audit opinion is given. The following IS audits were in the plan for 2012/13:

Audit Area	Audit Area
Adherence to the new Information Security Policy including portable storage security	▲★★★ Reasonable
Software Licensing	In Progress
System Development Life cycle	(Deferred to quarter 1 – Time used for additions work on Asset Management Planning, Gas Servicing and Members Expense Data)

The Information Security Policy review raised 3 recommendations; 2 were priority three and 1 a priority two recommendation. The Software Licensing audit is targeted to be at report stage by the end of June and any significant findings will be reported to the next Corporate Governance Committee in September. Given the importance of Information Technology and increasing reliance on IT the ICT Audit work in 2013-14 has increased to accommodate five reviews on critical aspects of IT. See the 2013-14 Audit Plan at [Appendix C](#) for further details.

Audits Completed – Key Controls, Finance

Key Control Audits — The Key Control 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. The findings from these reviews are considered by the External Auditors when they assess the Council’s Financial Statements at year end.

Summary of Work 2012-13

Continued.....

Audits Completed – Key Controls, Finance - Continued

It is noted that there has been improvements within the finance key controls when compared to previous years. Although creditors and debtors returned a partial assurance opinion it is noted there has been some improvement in these two areas as well. Key Control Audits completed by SWAP during the period April 2012 to March 2013 are as follows:

Audit Area	Audit Opinion	Audit Area	Audit Opinion
Creditors	▲☆☆☆ Partial	Payroll	▲☆☆☆ Substantial
Debtors	▲☆☆☆ Partial	Council Tax & NNDR	▲☆☆☆ Substantial
Capital Accounting	▲☆☆☆ Reasonable	Housing Benefits	▲☆☆☆ Substantial
Housing Rents	▲☆☆☆ Reasonable	Treasury Management	▲☆☆☆ Substantial
Main Accounting	▲☆☆☆ Substantial	SAP Access	▲☆☆☆ Substantial

A total of 26 recommendations were raised between these 11 reviews. The breakdown of these recommendations in terms of priority scores are; 5 priority four; 14 priority three and 7 priority two recommendations. It was pleasing to find that the vast majority of key controls were all operating effectively. Over 46 recommendations were raised the previous year (2011-12) for these key control areas.

Previously the External Auditors focussed on these findings when they carried out their work to sign off the Council’s Accounts. However, Grant Thornton as the new External Auditors has a different approach and as such our work on key controls will be subject to change in 2013-14.

Summary of Work 2012-13

Continued.....

Audits Completed — Governance and Fraud

Governance and Fraud Reviews — The Governance, Fraud and Corruption Audit process focuses primarily on key risks relating to cross cutting areas that are controlled and/or impact at a Corporate rather than Service specific level. It also provides an annual assurance review of areas of the Council that are inherently higher risk. The following reviews of this type were completed:

Audit Area	Audit Opinion	Audit Area	Audit Opinion
Fraud and Corruption - Creditors Fraud	▲★★★★ Partial	Procurement Rules	▲★★★★ Reasonable
Data Security Breaches	▲★★★★ Partial	HR Policies - Absence Management	▲★★★★ Reasonable
Business Continuity in times of change/reduction	▲★★★★ Partial	Committee Reporting - Member Decisions	▲★★★★ Reasonable
Delivery of Major Projects - Risk Management	▲★★★★ Reasonable	Fraud and Corruption - Expense Claim Fraud	▲★★★★ Reasonable (Draft)
Fraud and Corruption - Contract Fraud	▲★★★★ Reasonable	Asset Management Planning	In Progress
Treasury Management Strategy Review Cross Partnership	In Progress		

These governance reviews resulted in 46 recommendations for improvement. There were 2 priority five recommendations; 7 priority four recommendations; 29 priority three recommendations and 8 priority two recommendations.

Summary of Work 2012-13

Continued.....

Audits Completed - Special Reviews (Non Opinion)

Special reviews are where management have requested our time to be spent looking at a particular area where they may have some concerns. There were 3 special reviews undertaken during this period, these being:

Audit Area	Audit Opinion
Project Taunton - Transaction Review	Non-Opinion
Acolaid	Non-Opinion
Project Management - Crematorium - Mercury Filtration	Non-Opinion (Drafting)

Project Taunton and the Acolaid review produced 8 recommendations. There were 5 priority four recommendations and 3 priority three recommendations. Any significant findings from the Mercury Filtration Project will be reported at the next Corporate Governance Committee.

Audits Completed — Follow Up Audits

All follow up audits are non-opinion as the focus of the review is only to seek assurance that weaknesses raised in the original audit have been addressed. In addition to our follow up work internal audit and external audit recommendations are monitored for management assurance that they have been implemented. The following table shows work undertaken on following up no and partial assurance audits during 2012-13:

Summary of Work 2012-13

Continued.....

Audits Completed — Follow Up Audits Continued

Audit Area	Audit Opinion	Audit Area	Audit Opinion
Contract Management Monitoring Follow up	Non-Opinion	Threat from Fraud or Corruption (Policy Review) follow up	Non-Opinion
Economic Development Follow up	Non Opinion	Supporting People Follow up	Non Opinion

Outcomes from the follow up audits feed into the risk assessment for future audit plans.

Priority Actions

Internal Audit is required to bring to the attention of senior managers and members significant internal control, risk management and governance issues identified through our work. As agreed with this Committee where a review has a status of 'Final' and has been assessed as 'Partial or No Assurance' I provide further details to inform Members of the key issues identified. I normally summarise those actions where the Auditor has assessed the priority to be a level 4 (Medium/High) or 5 (High).

Details of the level 4 and 5 priority recommendations identified since the last Committee are summarised in Appendix B for your information and consideration.

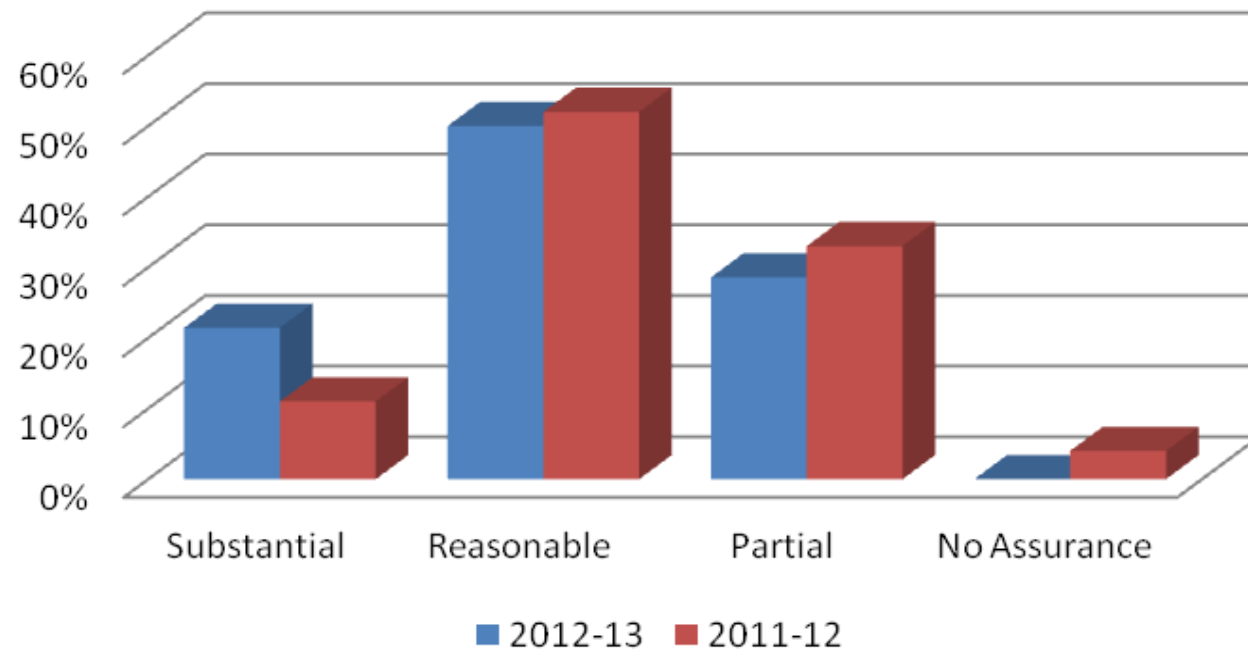
Summary of Work 2012-13

Continued.....

Summary of Control Assurance and Recommendations

Removing the non-opinion work shows that just over 70% of the reviews undertaken returned a favourable opinion. To provide this Committee with the assurance required, follow up audits are being conducted on the reviews that did not return an adequate assurance rating. Further details can be found in [Appendix C](#) where the follow up audits are listed.

Assurance Comparison 2012-13 to 2011-12



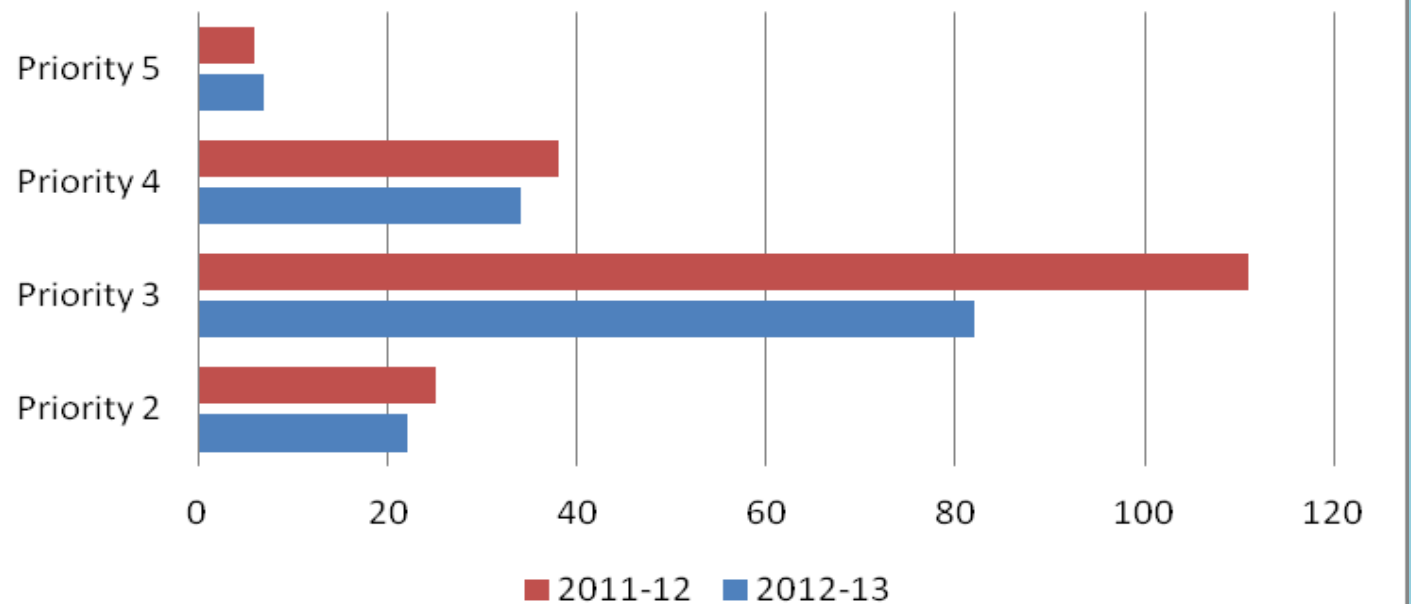
Summary of Work 2012-13

Continued.....

Summary of Control Assurance and Recommendations (Continued)

This shows that the majority of the recommendations made were of a medium priority. The comparison between years show a reduction in the number of recommendations raised across all priority ratings. Only 5% of all recommendations made in 2012-13 were considered of a High priority (5).

Recommendation by Priority Score



Audit Progress 2013-14

Our Audit Progress is Split between:

- ◆ OPERATIONAL AUDITS
- ◆ INFORMATION SYSTEMS
- ◆ KEY CONTROLS
- ◆ GOVERNANCE, FRAUD & CORRUPTION
- ◆ SPECIAL REVIEWS
- ◆ FOLLOW UP

Audit Plan Progress 2013-14

The Annual Audit Plan 2013-14 was agreed by this Committee on Monday, 11th March, 2013 and the progress to date on the quarter scheduled work is detailed in [Appendix C](#).

In terms of the 2013-14 plan I am pleased with the progress that has been made although our priority must be to bring the 2012-13 plan to a swift conclusion. Further details on the 2013-14 plan progress will be presented at the next Corporate Governance Committee in September.

Audit Plan Progress 2012-13

APPENDIX A

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major				
						Recommendation				
						1	2	3	4	5
Follow-up Audit	Contract Management	1	Final	Follow-up	4	0	0	1	1	2
Follow-up Audit	Threat from Fraud or Corruption (Policy Review)	1	Final	Follow-up	5	0	0	4	1	0
Governance, Fraud & Corruption	Fraud and Corruption - Creditors Fraud	1	Final	Partial	7	0	0	6	1	0
Governance, Fraud & Corruption	Data Security Breaches	1	Final	Partial	11	0	5	4	2	0
Governance, Fraud & Corruption	Delivery of Major Projects - Risk Management	1	Final	Reasonable	5	0	2	3	0	0
Governance, Fraud & Corruption	Business Continuity in times of change/reduction	1	Final	Partial	9	0	0	3	4	2
Governance, Fraud & Corruption	HR Policies - Absence Management	1	Final	Reasonable	3	0	1	2	0	0
Operational Audits	SAP Administration	1	Final	Reasonable	2	0	0	0	2	0
Operational Audits	Development Control	1	Final	Reasonable	7	0	3	4	0	0
Operational Audits	Equalities Analysis Integration	1	Final	Partial	3	0	0	0	3	0
Follow-up Audit	Economic Development	2	Final	Follow-up	10	0	0	7	3	0
Follow-up Audit	Supporting People	2	Final	Follow-up	4	0	0	2	2	0
Governance, Fraud & Corruption	Fraud and Corruption - Contract Fraud	2	Final	Reasonable	2	0	0	2	0	0

Audit Plan Progress 2012-13

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	Committee Reporting - Member Decisions	2	Final	Reasonable	3	0	0	3	0	0
Governance, Fraud & Corruption	Procurement Rules	2	Final	Reasonable	3	0	0	3	0	0
ICT Audits	Adherence to the new Information Security Policy including portable storage security	2	Final	Reasonable	3	0	1	2	0	0
Operational Audits	Housing - Asset Management	2	Final	Reasonable	2	0	2	0	0	0
Operational Audits	South West Private Sector Housing partnership	2	Final	Reasonable	8	0	0	8	0	0
Operational Audits	SWO Contract Monitoring	2	Final	Reasonable	3	0	0	2	1	0
Operational Audits	Health & Safety Review	2	Final	Partial	9	0	1	6	2	0
Key Control	Creditors	3	Final	Partial	9	0	3	3	3	0
Key Control	Council Tax & NNDR	3	Final	Substantial	1	0	0	1	0	0
Key Control	Debtors	3	Final	Partial	8	0	1	5	2	0
Key Control	Housing Benefits	3	Final	Substantial	1	0	1	0	0	0
Key Control	Main Accounting	3	Final	Substantial	0	0	0	0	0	0
Key Control	Payroll	3	Final	Substantial	1	0	1	0	0	0

Audit Plan Progress 2012-13

APPENDIX A

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major				
						Recommendation				
						1	2	3	4	5
Key Control	Capital Accounting	3	Final	Reasonable	3	0	1	2	0	0
Key Control	Housing Rents	3	Final	Reasonable	3	0	0	3	0	0
Key Control	Treasury Management	3	Final	Substantial	0	0	0	0	0	0
Key Control	SAP Access	3	Final	Substantial	0	0	0	0	0	0
Governance, Fraud & Corruption	Treasury Management Strategy Review Cross Partnership	3	In Progress							
ICT Audits	Software Licensing	4	In Progress							
Operational Audits	Benefits In House	4	Drafting							
Governance, Fraud & Corruption	Fraud and Corruption - Expense Claim Fraud	4	Draft	Reasonable	3	0	0	3	0	0
Governance, Fraud & Corruption	Asset Management Planning	4	In Progress							
Operational Audits	Housing - Gas Servicing	4	Draft	Partial						
ICT Audits	System Development Life cycle (Deferred to quarter 1 – Time used for additions work on Asset Management Planning, Gas Servicing and Members Expense Data)	4	Deferred to Q1							
Operational Audits	Waste & Recycling (Contribution to SWP Plan)	4	N/A		5	0	0	0	2	3

Audit Plan Progress 2012-13

APPENDIX A

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major				
						Recommendation				
						1	2	3	4	5
Follow-up Audit	Project Taunton Follow up work (Deferred to quarter 1 – replaced by Project Management Arrangements - Crematorium Mercury Filtration Project)	4	Deferred to Q1							
Follow-up Audit	IT Strategy (Deferred to quarter 1 – replaced by Project Management Arrangements - Crematorium Mercury Filtration Project)	4	Deferred to Q1							

Special Reviews

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major				
						Recommendation				
						1	2	3	4	5
Special review	Project Taunton - Transaction Review	1	Final	Non-Opinion	0	0	0	0	0	0
Special review	Acolaid	3	Final	Non-Opinion	8	0	0	3	5	0
Special review	Project Management - Crematorium - Mercury Filtration	4	Drafting/Review	Non-Opinion						

High Priority Findings and Recommendations

APPENDIX B

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
Fraud & Corruption – Creditors Fraud					
<p>The creation of creditor accounts is currently the responsibility of Strategic Procurement Services and the Master Data Team. The Master Data team have robust controls to mitigate risks in this area, SPS do not.</p>	<p>Without evidence to demonstrate creditor accounts have been verified, there is a risk of payments being sent to fraudulent creditors</p>	<p>I recommend the Strategic Finance Officer raises the concerns raised in this finding with the Head of Business Services and Chief Procurement Officer with a view to ensuring a business process is developed whereby:</p> <ul style="list-style-type: none"> The decisions on best value and whether to raise a new purchase-order related creditor remains with Strategic Procurement Services, however their rights to create the creditor within SAP is removed. Category Managers inform the Master Data Team the creditor has been approved and related paperwork or SAP references are forwarded to them. The process for verifying creditor payment details and creation of both purchase order related and non order related creditor accounts is undertaken by the Master Data Team. 	<p>I will raise the concerns within this report however will not dictate who does what role. All I require is that the controls are in place and the outcome is what I require.</p> <p>Southwest One – As of 18 February 2013 all new vendors are now created by the Master Data Team.</p>	<p>Feb 2013</p>	<p>Strategic Finance Officer</p>

High Priority Findings and Recommendations

APPENDIX B

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
Data Security Breaches					
Personal information stored and processed by Southwest One on behalf of TDBC is not governed by a specific information sharing agreement	Without information sharing agreements there is a risk that the Council will be unable to demonstrate that it has considered and recorded the relevant compliance issues. In addition the parties in a service that needs to share information may lack clarity as to the information that should be shared and the information governance arrangements that should apply. Information sharing agreements do not provide legal indemnity however the ICO will take them into account in the event of a disclosure or complaint about information sharing.	I recommend that the Monitoring Officer works with SWOne to create a formal Information Sharing Agreement that extends the information in the Model Service Delivery Contract and ISeC to that outlined in the ICO guidance on data sharing agreements.	Recommendation understood however it is our view that the Southwest One Model Service Delivery Contract (MSDC) already covers data protection and processing responsibilities in sufficient detail.	N/A	Monitoring Officer
Central record of information security incidents	There is a risk that TDBC could be unaware of incidents that occur or the data lost or disclosed in an incident. This could mean that data security breaches involving personal data go unreported to the ICO (Information Commissioner's Office) and the ICO may be more likely to take enforcement action as the lack of a record could be seen as a deficiency in the Council's DPA compliance arrangements.	I recommend that the Monitoring Officer works with Southwest One to create a central record of information security incidents. The log should record details of the incident, any data lost and any subsequent investigations into the breach. The log should also record whether the breach has required reporting to external bodies such as the Information Commissioner's Office (ICO) or SWWARP.	Agreed. Legal & Democratic Services Manager will set up and maintain a central electronic database of security incidents.	30 Apr 2013	Monitoring Officer

High Priority Findings and Recommendations

APPENDIX B

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
Creditors					
Ten out of twenty purchase orders had been raised retrospectively. This is consistent with Southwest One's analysis of Retrospective purchase orders up to the end of August 2012 which showed almost 35% of purchase orders were retrospective.	If purchase orders are not raised in advance there will be reduced assurance that best value has been achieved and that the supplier is aware of the Council's payment terms and conditions.	I recommend the Shared Accounting Manager continues to monitor the frequency and users who raise retrospective purchase orders with the aim of bringing about a change of culture in the procure-to-pay process.	Agreed – we will continue to monitor retrospective purchase orders and will through the P2P innovation sessions consider ways to reduce the instances of retrospective orders occurring.	31 Mar 2013	Shared Accounting Manager
Retrospective purchase orders are not in accordance with financial regulations.		I recommend the Strategic Finance Officer takes appropriate steps to encourage a change in culture within the organisation around the procure-to-pay method.	Agreed	Already started and ongoing.	Strategic Finance Officer
To date the cleansing of the master data file is not complete.	If duplicate vendors remain on the system there is an increased risk of duplicate payments going undetected and vendor details becoming out of date where one record is updated over time.	I recommend the Chief Procurement Officer ensures the cleansing of the master data file is completed as expediently as possible.	SW1 Finance comment: the agreed specific project for vendor cleansing ceased with effect from 1 January 2013. A degree of vendor cleansing will take place within the master data	Ongoing	Financial & Management accounting Operations Manager

High Priority Findings and Recommendations

APPENDIX B

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
			team as part of BAU operations as resources and team demands allow.		
Acolaid System (Data for Building Control, Planning & Enforcement and Land Charges)					
There are currently 12 users with system administrator rights and it is not clear as to which should take overall control of system administration.	There is a risk that if more Officers than necessary have System Administrator access inappropriate changes may be made to the system by Officers who have the wrong level of access. This could result in a loss of data or inaccurate data.	I recommend that the Strategic Director reviews the current arrangements for system administration and assigns a global System Administrator. Where global high level access is no longer required administrator rights should be removed and/ or replaced with administration access for the module relevant to their service.	Two System Administrators will be assigned. Agree to reduce the global high level access to four – two System Administrators and two ICT software Senior Analyst Programmers.	April 2013	Strategic Director/ Planning and Development Business Support Lead
There has been no review of user access during the previous two years.	Without a process for reviewing access permissions there is increased risk that access is set higher than the level required to complete the job role.	I recommend that the Strategic Director ensures that the assigned System Administrator performs a full system user access review in liaison with the relevant Service Managers to ensure that current job responsibility is reflected in permissions granted. This exercise should be completed periodically to ensure access is kept up to date and relevant.	System Administrator to perform a full system user access review in liaison with IDOX and yearly thereafter.	August 2013	Planning and Development Business Support Lead

High Priority Findings and Recommendations

APPENDIX B

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
The system audit trail is not user assigned.	Without a system audit trail there is increased risk that fraudulent activity is not detected or identified.	I recommend that the Strategic Director ensures that the assigned System Administrator in liaison with IDOX and South West One ICT, enables the full system audit trail.	RFS in place and will be actioned on completion of Acolaid update (due by the end of March 2013).	Reliant on when SWOne ICT can implement full of Audit trail	Planning and Development Business Support Lead
Users are able to delete actions and effectively remove any audit trail.	There is a risk that key documents can be produced and deleted without an adequate audit trail. There is also a risk that key documents can be altered outside of the system increasing the possibility of fraudulent documents being produced.	I recommend that the Strategic Director ensures that the assigned System Administrator in liaison with IDOX and South West One ICT, amends user access to prevent actions being deleted.	System Administrator to perform a full system user access review in liaison with IDOX and yearly thereafter.	August 2013	Planning and Development Business Support Lead


Audit Plan Progress 2013-14

APPENDIX C

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major				
						Recommendation				
						1	2	3	4	5
ICT Audits	Data Centre Facilities Management	1	Draft							
Non-Opinion	Contract Benefits - Van Hire	1	Final	Non-Opinion						
ICT Audits	System Development Life Cycle	1	In Progress							
Operational Audit	Car Park Contract Management	1	In Progress							
Operational Audit	Taunton Deane Partnership's 'Priority Areas Strategy' (PAS) programme	1	In Progress							
Operational Audit	Contract Audit - Spend Analysis	1	Drafting							
Operational Audit	Affordable Housing	1	Scoping							
Follow-up	Project Taunton	1								
Follow-up	ICT Strategy	1								
Follow-up	Business Continuity Arrangements	1	Draft							
Operational Audit	Contract Audit – Pre & Current	2								
Governance, Fraud & Corruption	Council Tax Reduction Scheme	2								
Governance, Fraud & Corruption	Fighting Fraud Locally	2								
ICT Audits	Non-SAP business critical applications	2								
Operational Audit	Procurement Cards	2	In Progress							
Operational Audit	Revs and Bens brought in house	2								
Operational Audit	Community Infrastructure Levy (CIL)	2								
Follow-up	Equality Impacts on Decisions	2								
Follow-up	Data Security Breaches	2								
Follow-up	IS Regulatory Compliance	2								
Key Control	Creditors	3								
Key Control	Council Tax & NNDR	3								

Audit Plan Progress 2013-14

APPENDIX C

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 =  5 = Major				
						Recommendation				
						1	2	3	4	5
Key Control	Debtors	3								
Key Control	Housing Benefits	3								
Key Control	Main Accounting	3								
Key Control	Payroll	3								
Key Control	Capital Accounting	3								
Key Control	Housing Rents	3								
Key Control	Treasury Management	3								
Governance, Fraud & Corruption	Debt Management	3								
ICT Audits	IT Financial Controls, Inc Access (Key Financial System Audit)	3								
Governance, Fraud & Corruption	Home working Arrangements	4								
ICT Audits	Disaster Recovery Arrangements	4								
Operational Audit	Imprest Analysis/Cash Handling	4								
Operational Audit	Health & Safety	4								
Operational Audit	Partnership Arrangements	4								
	Somerset Waste Partnership Plan Contribution	4								
Non-Opinion	West Somerset Council	All								

Control Assurance Definitions

Appendix D

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.