

Taunton Deane Borough Council

Corporate Governance Committee – 12 March 2012

Internal Audit Plan Progress 2011-12

Report of the Group Audit Manager – Chris Gunn

(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 2011-12 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 December (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 December update. These will be followed-up by Internal Audit to provide assurance that risk exposure has been reduced.

3. (Full details of the Report)

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 2011/12 internal audit plan.

Contact:

Chris Gunn – Group Audit Manager 01823 356417 Chris.gunn@southwestaudit.gov.uk	Alastair Woodland – Audit Manager 01823 356160 Alastair.woodland@southwestaudit.gov.uk
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TDBC AUDIT PLAN 2011/12 PROGRESS

Appendix A

Directorate/Service	Audit Area	Quarter	Status	Opinion	No. of recs	1 = Minor ← → 5 = Major				
						Recommendations				
						1	2	3	4	5
Key Control Audits	Creditors	1	Complete	Partial	10	0	0	8	2	0
Key Control Audits	Debtors	1	Complete	Partial	4	0	0	1	3	0
Governance, Fraud & Corruption	Contract Management monitoring	1	Complete	Partial	8	0	0	4	1	3
Governance, Fraud & Corruption	Health & Safety - Internal	1	Complete	Non-Opinion						
Governance, Fraud & Corruption	Managing Complaints	1	Complete	Reasonable	2	0	0	0	2	0
Governance, Fraud & Corruption	Scheme of Delegation	1	Complete	Reasonable	2	0	0	2	0	0
Operational Audits	Car Parks Income	1	Complete	Partial	4	0	0	2	1	1
Operational Audits	Choice Based Lettings	1	Complete	Reasonable	2	0	0	1	1	0
Operational Audits	DLO Stores (External Sales)	1	Complete	Partial	20	0	2	13	5	0
Operational Audits	Housing Benefits Subsidy	2	Complete	Reasonable	2	0	0	2	0	0
Governance, Fraud & Corruption	Annual Governance Statement Review	2	Complete	Non-Opinion						
Governance, Fraud & Corruption	Information Governance	2	Complete	Reasonable	10	0	0	9	1	0
Governance, Fraud & Corruption	Threat from Fraud or Corruption (Policy Review)	2	Complete	Partial	5	0	0	4	1	0
Operational Audits	Economic Development	2	Complete	Partial	15	0	0	10	5	0
Operational Audits	Heritage and Landscape Services	2	Complete	Reasonable	8	0	1	7	0	0
Operational Audits	Leases - Rents receivable	2	Draft Report							
Operational Audits	Legal Services (replaced by disclosure of confidential information)	2	Dropped							
Operational Audits	Supporting People	2	Complete	Partial	10	0	0	7	3	0
IT Audits	CoCo	3	In Progress							
Key Control Audits	Capital Accounting	3	Draft							
Key Control Audits	Council Tax	3	Complete	Comprehensive		0	2	1	0	0
Key Control Audits	Creditors	3	Draft Report							

Directorate/Service	Audit Area	Quarter	Status	Opinion	No. of recs	1 = Minor ← → 5 = Major				
						Recommendations				
						1	2	3	4	5
Key Control Audits	Debtors	3	Draft Report							
Key Control Audits	Housing Benefits	3	Complete	Comprehensive	0	0	0	0	0	0
Key Control Audits	Housing Rents	3	Draft	Reasonable						
Key Control Audits	Main Accounting	3	Complete	Reasonable		0	5	3	0	0
Key Control Audits	NNDR	3	Complete	Comprehensive						
Key Control Audits	Payroll	3	Complete	Reasonable	1	0	0	1	0	0
Key Control Audits	Treasury Management	3	Complete	Reasonable	6	4	2	0	0	0
Governance, Fraud & Corruption	Maximising Income Opportunities	4								
Governance, Fraud & Corruption	Equalities and Diversity (replaced by Lottery Funding)	4	Dropped							
Governance, Fraud & Corruption	Safeguarding of Children and Vulnerable Adults (Theme Audit)(5% Reduction)	4	Removed							
Governance, Fraud & Corruption	Service Planning (Theme Audit)	4	Draft Report							
IT Audits	IT Strategy	4	Drafting							
Operational Audits	Housing Property Services - Contract Allocation/Monitoring(replaced by Project Taunton)	4	Dropped							
Operational Audits	Licensing Income	4	Final Report	Reasonable	5	0	0	5	0	0
Operational Audits	Planning Fees - (5% Reduction)	4	Removed							
Operational Audits	Waste and Recycling (Contribution to SWP Plan)	4								

Additional Reviews

Special Review	Sale of Land	2	Draft Report	Non-Opinion						
IT Audits	IT Asset Management	2	Draft Report	Partial						
Special Review	Disclosure of confidential information	3	Complete	Non-Opinion						
Special Review	Project Taunton	3	Draft Report	Non-Opinion						
Special Review	Lottery Funding	4	In progress	Non-Opinion						

Schedule of Key Actions from 2011/12 Internal Audit Work completed by SWAP (since the December 2011 Progress Report)

Date.	Name of Audit	Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
23/12/2011	Information Governance	No comprehensive Code of practice covering the security and disclosure of all TDBC data.	The risk is that staff might inappropriately disclose information the result of which is that the Council may suffer censure or in extreme prosecution.	I recommend that the Strategic Director introduce a Confidentiality Code of Practice for the Authority.	This will be reviewed and implemented if appropriate. The Monitoring Officer will progress this during 2012.	Dec 2012	Monitoring Officer
22/12/2011	Economic Development	There is no documented project management approach	There is a risk that projects may not be linked to the service plan and be monitored	I recommend that the Economic Development Specialist agrees a methodology which contains appropriate consideration of a business case which links actions to be taken and outcomes to be delivered to the Economic Development Strategy and Service Plan and includes a defined project monitoring and reporting approach.	We will draft a Project Initiation Document (PID) template, for use in all new projects. Fields to include: <ul style="list-style-type: none"> • Description of project • Authorisation required & obtained • Funding agreed. • End date • Sign off by project deliverer where appropriate Store PIDs on relevant folder, as well as on new folder on K: which contains all PIDs	1 December 2011	Economic Development Project Officer (CM) Economic Development Specialist to sign off all PIDs following discussion at Team Meeting.

Date.	Name of Audit	Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
22/12/2011	Economic Development	Project approval process not always evident and not linked to key criteria.	There is a risk that projects may not be approved appropriately.	I recommend that the Economic Development Specialist agrees an approval process based upon the nature of the project, funding requirement etc.	Obtain TDBC Scheme of Delegation Agree with Exec Portfolio Lead Member and Strategic Director (JW) a protocol for signing off PIDs	1 February 2012	Economic Development Specialist
22/12/2011	Economic Development	Project budget approval procedure lacking in definition.	There is a risk that budget approval does not follow an appropriate path and as such budgets may not always be properly approved.	I recommend that the Economic Development Specialist develops and agrees with the Executive Lead Member a budget approval procedure which includes the setting out of the limits of the delegated authority for budget approval.	Duplicates 2.1b Obtain TDBC Scheme of Delegation Agree with Exec Portfolio Lead Member and Strategic Director (JW) a protocol for signing off PIDs	1 February 2012	Economic Development Specialist
22/12/2011	Economic Development	Inconsistency in the application of SLA's for recording project requirements.	There is a risk that funding is not being allocated based on the delivery/achievement of outcomes due to SLA's not being in place on all projects.	I recommend that the Economic Development Specialist ensures that each new project has a signed agreement or SLA. For larger projects the SLA should link to a detailed business case. Additionally the Economic Development Specialist should ensure that all current projects have a SLA in place.	Team to clarify at initiation which projects require PIDs or SLAs, as many projects are either too small, or are delivered by a partnership. (I.e. Into Somerset). Project sign-off to be as per 2.1a – namely through a PID.	1 January 2012	Economic Development Project Officer (CM) All to implement

Date.	Name of Audit	Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
22/12/2011	Economic Development	Project monitoring needs to link with key performance criteria.	There is a risk that projects are not monitored effectively and does not link with key performance criteria.	I recommend that the Economic Development Specialist finalises the Business Planning document to include provision for the regular recorded monitoring of all projects against key performance indicators or project aims and objectives agreed within the SLA's.	Econ Dev Delivery Plan (A3) to be finalised, with all projects updated. This document should be a lot more useful in recording priorities and performance against project objectives. Delivery Plan to form central part of 1:1s and team meetings.	1 January 2012	Economic Development Specialist – with input from all team members Economic Development Specialist /Economic Development Lead
28/02/2012	Supporting People	The cost of the meal provided to Extra Care clients at Kilkenny Court, Taunton do not cover the costs invoiced by the “Albemarle Centre” and “Wayahead”.	Without a complete and accurate audit trail for monies collected or meals disposed of, there is a greater risk that income due will not be fully accounted for.	I recommend the Supported Housing Manager reviews the income and expenditure of the meal provision at Kilkenny Court; to ensure the expenditure is recovered by the cost charged to Extra Care clients for the hot meal	Agreed – Information to feed into decision for increasing costs in April of the following year. If review in September identifies short fall in income there could be opportunity to raise prices in October rather than leave until the following April.	Annually beginning of September	Supported Housing Manager

Date.	Name of Audit	Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
28/02/2012	Supporting People	There are no Service Level Agreements in place for the "Albemarle Centre" or "Wayhead" (lunchtime support staff).	There is a risk for both the "Albemarle Centre" and "Wayhead", that without a Service Level Agreement in place, the clients will not have access to hot meals in a timely manner or in the case of the Albemarle Centre from an approved meal provider.	I recommend the Supported Housing Manager reviews the services provided for the hot meals through "WHERE", the "Albemarle Centre" and "Wayhead" and has formal agreements put in place.	Agreed	27 July 2012	Supported Housing Manager
28/02/2012	Supporting People	No checks have been carried out to ensure the "Albemarle Centre" have been certified by Environmental Health department.	There is a risk without being assessed and certified by Environmental Health department for food safety, that for example, if there was an outbreak of food poisoning, the Extra Care Scheme or meal provider would be investigated and held responsible	I recommend the Supported Housing Manager ensures a check is made on the "Albemarle Centre" to confirm they have TDBC Environmental Health Certification.	Agreed	23rd March 2012	Supported Housing Manager

Audit Framework Definitions

Control Assurance Definitions

Comprehensive	▲ ★★★	I am able to offer comprehensive 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.