

TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE 12th MARCH 2012

Report of the Strategic Director (Shirlene Adam).

This matter is the responsibility of the Leader of the Council, Cllr John Williams

Executive Summary

This report introduces the Internal Audit Plan for 2012/13. This is a flexible plan that may be amended during the year to deal with shifts in priorities.

1. Background

- 1.1 The Internal Audit service for Taunton Deane Borough Council is delivered by South West Audit Partnership (SWAP).
- 1.2 The internal audit plan for 2012/13 is set out in the attached report from SWAP. I am satisfied that this plan is focussed on key risks areas, and will help provide me with assurance on internal controls.

2. Financial Issues / Comments

- 2.1 The plan will be delivered within the agreed budget for internal audit.

3. Legal Comments

- 3.1 There are no legal implications from this report.

4. Links to Corporate Aims

- 4.1 No direct implications.

5. Environmental and Community Safety Implications

- 5.1 No direct implications.

6. Equalities Impact

- 6.1 The approval of the internal audit plan does not require an equalities impact assessment to be prepared.

7. Risk Management

- 7.1 Any risks identified will feed in to the corporate risk management process.

8. Partnership Implications

- 8.1 The Strategic Director and the Internal Audit Team (SWAP – South West Audit Partnership) meet regularly to review the progress against plan. Quarterly updates are provided to this Committee.

9. Recommendation

9.1 The Corporate Governance Committee is requested to approve the Internal Audit Plan for 2011/12.

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Taunton Deane Borough Council

Internal Audit Plan 2012-13

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SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors and the CIPFA Code of Practice for Internal Audit in England and Wales.

Our audit activity is split between:

- **Key Control Audit**
- **Governance, Fraud & Corruption Audit**
- **IT Audit**
- **Operational Audit**
- **Non-Opinion Reviews**

Role of Internal Audit

The Internal Audit service for Taunton Deane Borough Council (TDBC) is provided by South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Audit Committee at its March 2011 meeting.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. In order to achieve this, the audit activity is split between the reviews outlined alongside.

Background

It is recommended by the Audit Commission and is recognised best practice that an appropriate Committee of the Council scrutinises and approves the annual audit plan. The plan is presented as an Appendix to this report and represents the internal audit activity for the 2012-13 financial year. The Plan has been reviewed by Theme Managers and the Corporate Management Team.

There has been a reduction in the plan for this year of 50 days, representing a 10% saving to TDBC. It should be noted that the plan days are only indicative for planning the resource. At the start of each audit an initial meeting is held to agree the terms of reference for the audit which includes the objective and scope for the review.

The plan is pulled together with a view to providing assurance to both officers and members that current and emerging risks faced by the Authority are adequately controlled and managed. Any changes to the agreed plan will only be made through a formal process involving the Section 151 Officer and reported to this Committee.

The Annual Plan

The Annual Plan

In order to develop the plan for the year, the Audit Manager reviewed the Corporate Risk Register, Service Plans and Service Risk Registers as well as meeting with TDBC Themed Managers and the Section 151 Officer. In addition, SWAP Management facilitated a Control and Risk Self Assessment (CRSA) session with the SWAP Management Board. The session identified emerging risks facing local authorities in general with a view to co-ordinate, where possible, with audits of other members of the South West Audit Partnership (SWAP). Joint audits of this kind should derive real benefits in both reducing overall time taken and in the shared lessons that can be experienced by all partners.

The Audit Plan is broken down into the activities identified on page 1. Each of these activities is considered following consultation and assessment. The following is a summary of each activity:

Key Control Audits – focus 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. To this end we have liaised with the Audit Commission representatives and included any requirements that they have in providing them necessary assurance, in line with the International Auditing Standards, that they are required to audit against.

Fraud/Governance Audit – This year SWAP have introduced a specialised Fraud Team who will undertake proactive fraud reviews and also provide a reactive service to partners should the need arise. These themes and the governance reviews were identified at the CRSA session involving partner Section 151 Officers or their representatives. The focus of the governance reviews is primarily the 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. This work will, in some cases, enable SWAP to provide management with added assurance that they are operating best practice as we will be conducting these reviews at all out partner sites.

The Annual Plan - Continued

The Annual Plan - Continued

IT Audits – are completed to provide the Authority with assurance with regards to their compliance with industry best practice. The Audits in the plan were identified in agreement with the Council's IT Client Officer and the South West One IT Manager.

Operational Audits – are detailed evaluation of 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. The Audit Manager reviewed the various Service Plans, Service Risk Registers and met with Themed Managers to identify areas of risk and concern over the coming 12 months.

Follow Up Audits – Where an audit received partial or no assurance, SWAP will carry out a follow up review to provide assurance that identified weaknesses have been addressed and risks mitigated. Time has been built in for quarters 3 & 4 for this.

Non-Opinion Reviews – are undertaken at the specific request of management, where they may have some concerns or are looking for advice on a particular subject matter. Such reviews are not normally afforded an audit opinion. At this stage there are no planned 'non-opinion' reviews for 2012-13, although this can change throughout the year. As mentioned on page 1, any changes to the agreed plan will only be made through a formal process involving the Section 151 Officer and reported to this Committee.

The schedule provided at [Appendix A](#) details the TDBC Annual Internal Audit Plan for 2012-13.

	KEY DRIVERS									
	Business Change and Improvement	Fraud	Corporate Priorities	Business Critical	Risk Register	Best Practice Reviews	Audit History	Financial	Reputational	Performance
Key Control Audit										
Creditors		Y		Y				Y		
Council Tax & NNDR		Y		Y				Y		
Debtors		Y		Y				Y		
Housing Benefits		Y		Y				Y		
Main Accounting		Y		Y				Y		
Payroll		Y		Y				Y		
Capital Accounting		Y		Y				Y		
Housing Rents		Y		Y				Y		
Treasury Management		Y		Y				Y		
SAP Access		Y		Y				Y		
Governance, Fraud & Corruption										
Fraud and Corruption - Creditors Fraud		Y				Y		Y	Y	
Fraud and Corruption - Contract Fraud		Y				Y		Y	Y	
Fraud and Corruption - Expense Claim Fraud		Y				Y		Y	Y	
Committee Reporting - Member Decisions						Y			Y	
Treasury Management					Y (Risk 3e)	Y		Y		
Data Security Breaches						Y			Y	
EU Procurement Rules		Y				Y		Y	Y	
Delivery of Major Projects - Risk Management						Y		Y	Y	
Asset Management Planning					Y (Risk 3f)	Y				Y
Business Continuity in times of change/reduction				Y	Y (Risk 6a,b,c)	Y				
HR Policies - Absence Management						Y			Y	Y

