

Taunton Deane Borough Council

Corporate Governance Committee - 25 June 2012

Review of Effectiveness of Internal Audit

Report of the Strategic Director (Shirlene Adam).

(This matter is the responsibility of the Leader of the Council, Councillor John Williams)

Executive Summary

This report shares the findings of the recent review of the effectiveness of internal audit carried out by Shirlene Adam, Strategic Director. The review found the service to be operating at a "satisfactory" level.

1. Background

- 1.1 The Internal Audit function forms a part of the Corporate Governance and Internal Control Framework that provides accountability to stakeholders on all areas of the corporate plan.
- 1.2 The Internal Audit function is provided to Taunton Deane Borough Council by the South West Audit Partnership (SWAP). This is a partnership that provides the Internal Audit service to all of the six Somerset authorities, Weymouth and Portland Borough Council, West Dorset District Council, the Forest of Dean District Council, and East Devon District Council, Dorset County Council, and Wiltshire Council.
- 1.3 Their opinion on the adequacy and effectiveness of the Council's internal control framework forms a key part of the evidence used in preparing the corporate Annual Governance Statement (AGS) for 2011-12, which will be published at the same time as the Council's Statement of Accounts later this year.
- 1.2 There is a requirement for authorities to review the effectiveness of their system of internal audit once a year and for the findings of the review to be considered by Members. This review has been carried out by Shirlene Adam, Strategic Director, who is independent of SWAP.

2. Compliance With CIPFA Code

2.1 The CIPFA Code of Practice for Internal Audit sets out how an internal audit function should be fulfilled. The main focus is the internal audit service itself, but the Code does also refer to the wider elements of the “system of internal audit”, including the role of an audit committee. The Code covers:

- scope and terms of reference of internal audit
- independence
- ethics and competence
- audit committees
- relationships
- staffing
- audit strategy and planning
- how audit work is undertaken
- due professional care
- reporting
- performance, quality and effectiveness.

2.2 All aspects of the Code are signed up to by SWAP through the Audit Charter, reviewed and approved by this Audit Committee on an annual basis.

3. The Review of SWAP

3.1 Taunton Deane Borough Councils’ review of Internal Audit has been carried out by the Strategic Director (the Council’s S151 Officer). The findings have been taken into account, and provide supporting evidence for the Annual Governance Statement.

3.2 The review considered:

- How the audit plan was created
- The links to Corporate Strategy, Corporate Risks and Governance
- How the audits were carried out – planning, staffing and risk
- Reporting arrangements during the year
- The Internal Audit Charter
- The total cost of the Audit function and how this is recharged
- Measures to determine success - audits completed against plan
- Feedback from Managers on recent audits
- Feedback from the Audit Commission.

3.3 It was found that overall, the team performed at a satisfactory level, and that this view was supported by the comments of external auditors. The table below shows key statistics on the overall performance of the service during the year compared to the three previous years:

Performance Measure	2008/09	2009/10	2010/11	2011/12
Levels of satisfaction from feedback questionnaires	73% (7 Received)	77% (4 Received)	74.86% (18 Received)	79% (9 Received)
Managed Audits completed in year compared to plan.	100%	100%	100%	100%
Audits completed in year compared to the plan	88%	92%	90%	95%
Total completed audits and reviews	22	30	32	38 (3 at Draft & 2 in progress)
Number of actions for improvements agreed by managers	146	233	189	152
No of audit recommendations considered High Risk (Priority 5)	No data	8	4	4
Cost of audit service to TDBC	£131,600	£131,600	£131,600	£131,600
Value for Money – average cost of audit day compared to private sector (benchmarking)	No PS data available.	SWAP = £280 Private Sector = £320	SWAP = £280 Private Sector = £320	SWAP = £280 Private Sector = £320

1. The table shows that the satisfaction with the audits carried out at TDBC at 77%.
2. The number of audits has increased by 42% compared to the number carried out in 2008/09 whilst the cost has remained the same. TDBC has reduced the overall number of 2012-13 audit days it pays for.
3. The number of actions for improvements has decreased slightly between years.
4. The number of high risk recommendations has been consistent across the Authority compared to previous years.

4. Confirming Future Service Standards

- 4.1 In reviewing SWAP's performance, the Management Board has agreed the following standards of service. This will help ensure that each partner receives the same level and quality of service.

4.2 The following table outlines the minimum standards that were introduced during 2011/12 – and indicates whether they would have been met for 2011/12 at TDBC.

Service Standard	Expected Standard	Delivery of Standard
Attendance by Head of SWAP/ Group Audit Manager at Corporate Governance Committee	At least 2 times per annum	4 times in 2011/12
Attendance by Audit Manager at Audit Committee	At least 2 times per annum	5 times in 2011/12
Attendance by Head of SWAP at Corporate Governance Group	4 times per annum	1 time (note only 1 meeting held – this is a new group)
Liaison meetings with S151 Officer by Head of SWAP/Group Audit Manager	4 times per annum	5 times
Liaison meetings with S151 Officer and Audit Manager	6 times per annum	6 times
Agreement of Audit Plan: Prepared for s151 Prepared for Corporate Governance Committee Audit Plan monitoring reports	By mid January each year By end January each year 4 times per annum including Annual Report	Delivered Prepared by end January and presented to March 2012 meeting. 4 times per annum
Agreement of Audit Charter: Prepared for Management Board/S151	By mid January each year	Delivered

Prepared for Corporate Governance Committee	By end January each year	Prepared by end of January and presented to March 2012 meeting
To assist with member/officer training in audit and governance	Once per annum	Training Delivered Sept 11 to all Somerset Authorities

5. 2011/12 Action Plan

5.1 The following shows progress *in italics* against the actions to be completed in 2011/12:

- To fully implement the Standards of Service agreed in June 2011.
Completed
- To review the current Governance arrangements of the SWAP Partnership and make recommendations for improvement.
Review well underway. Draft Business Plan For change will be presented to the Members Board in June 2012.
- To support the Council in using the MKI management information system for monitoring progress against audit recommendations.
Not completed during 2011/12. Making progress on this in 2012/13 and aim to have this fully in place by Sept 12.
- To ensure that the controls tested, and the sample sizes used, meet the requirements of the Audit Commission for all Managed Audits.
Achieved.
- To ensure the “Managed Audits” are completed to final report stage by the end of January each year (to support the external audit work).
Not achieved. All “managed audits” were at draft report stage by the end of January.

6. Actions To Be Completed In 2012/13

6.1 The following actions are recommended for 2012/13:

- To work with the Council in using the MKI system for monitoring progress against audit recommendations.
- To ensure “Managed Audits” reach final report stage by the end of January 2013 (to support external audit work).
- To engage Devon Audit Partnership to complete a quality review of the work of SWAP, and to provide assurance on the SWAP annual return and control environment.
- To improve the turnaround time between draft and final audit reports being produced.

7. Opinion

7.1 It is the opinion of the Strategic Director that the system of internal audit is effective.

8. Financial Issues / Comments

8.1 The actions outlined can be achieved within the agreed budget for internal audit.

9. Legal Comments

9.1 There are no legal implications from this report.

10. Links to Corporate Aims

10.1 No direct implications.

11. Environmental and Community Safety Implications

11.1 No direct implications.

12. Equalities Impact

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

13. Risk Management

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

14. Partnership Implications

14.1 Outlined in the report.

15. Recommendation

15.1 The Corporate Governance Committee is requested to note the findings of the review of the effectiveness of internal audit for 2011/12.

Contact Officers:

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