

TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE 26th June 2008

INTERNAL AUDIT PLAN – PROGRESS REVIEW

REPORT OF THE GROUP AUDITOR (South West Audit Partnership) This matter is the responsibility of Councillor Henley, 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 March 2008.

1. Purpose of Report

To provide members with update on the activities of the Internal Audit team for the period April 2008 to June 2008.

2. Work undertaken by Internal Audit April 2008 to June 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>▲ ★ ★ ★ Full Assurance</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>▲ ★ ★ ★ Reasonable Assurance</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>▲ ★ ★ ★ Partial Assurance</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>▲ ★ ★ ★ No Assurance</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 March 2008 as below:-

Health and Safety at Work ▲★★★ **Reasonable Assurance** - I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Although the report makes fourteen recommendations for improvement, it has not identified any high risks that are not being managed. Several of the findings have highlighted an insufficient audit trail but it is likely that tasks have been performed but not recorded. As such, reasonable assurance has been provided and generally the service is meeting its statutory obligations. An action plan has been agreed with management address the issues raised in the review.

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.

All of the Managed audits have been completed by SWAP as detailed below :-

Council Tax – Concerns noted during this review are that amendments to accounts are not checked and discounts awarded are not checked. However, It has to be noted that since the implementation of the IBS System considerable progress has been made in addressing the areas of weakness identified in last year's review. Procedural guides, a reduction in the backlog of work and system resilience all now leading to the reduction of risk. The creation of a specialist system team has further strengthened the service. I have found that the majority of key controls are operating as expected and as such Management and Staff should be assured that overall, the controls and procedures in place for the billing and collection of Council Tax appear to be adequately controlled.

NNDR - Most of the weaknesses identified were of an administrative nature; however testing identified delays in the recovery process, a lack of review of rate relief and limited checking of work due to the relatively small size of the team. An action plan has been agreed with management to address the issues raised in the review. It has to be noted that since moving onto the IBS system the service has made considerable progress on a number of issues and is now more resilient should a key member of staff be unavailable for an extended period. The option exists to bring in specialist agency workers with IBS experience or (as has been the case) to arrange for a data processing agency to process work remotely.

Creditors – My main concerns are around weak system access controls, lack of a detailed procedural manual and the inability of the current system to disable duplicate creditor numbers. Whilst some of these weaknesses identified are administrative addressing these issues, along with the others included within the review will serve to enhance the controls already in place.

Debtors – The review found that there were issues over the provision of management information to services raising sundry debtor accounts, weak user access controls and controls in place governing the cancelling of sundry debtor accounts. The remaining key controls are operating as expected assurance can be provided that the controls and procedures in place for the billing and collection of Sundry Debtors appear to be adequately managed.

Capital Accounting - The review identified that the Council has to produce a money laundering policy and improve the level of detail on the Council's Asset Register. Otherwise, the majority of the key controls are operating as expected and improvements have been noted in the security arrangements governing access to the Asset Register.

Payroll - Throughout the review, it has been established that the majority of key controls are operating as expected and as such Management and Staff should be assured that overall, the Payroll System appears to be adequately controlled with improvement on the previous years' review. During testing it was identified that there were issues over the controls surrounding the authorisation processes in place. An action plan has been agreed with management to address the issues raised in the review.

3. Workload Update

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

Audit area	Type of review	Progress
Democratic Services	Operational Review	Draft Report
Housing Repairs	Operational Review	Draft Report
Cemetery & Crematorium	Operational Review	Production of Draft Report
Housing Benefits Fraud	Operational Review	Draft Report
Renovation Grants	Operational Review	Draft Report

The following reviews from the 2008/09 audit plan are in progress for quarter 1:-

Audit area	Type of review	Progress
Insurances	Operational Review	Testing underway
Transport Policy	Operational Review	Audit underway

4. Recommendation

The Committee should note the content of this report.

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