

Taunton Deane Borough Council

Corporate Governance Committee – 26 March 2018

SWAP Internal Audit – Internal Audit Plan 2017/18 Progress

This matter is the responsibility of Executive Councillor Richard Parrish

Report Author: Alastair Woodland, Assistant Director, SWAP

1 Executive Summary

- 1.1 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.
- 1.2 The 2017-18 Annual Audit Plan is to provide independent and objective assurance on TDBC's Internal Control Environment. This work will support the Annual Governance Statement.

2 Recommendations

- 2.1 Members are asked to note progress made in delivery of the 2017/18 internal audit plan and significant findings since the previous update in December 2017.

3 Risk Assessment

- 3.1 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.

Risk Matrix

Description	Likelihood	Impact	Overall
Without the delivery of the approved audit plan there is the risk of insufficient audit work being completed to provide a reasonable assurance to stakeholders that there is an effective control framework in place, adequately mitigating risks to the authority's risk appetite.	3	3	9

Risk Scoring Matrix

Likelihood	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
Impact							

Likelihood of risk occurring	Indicator	Description (chance of occurrence)
1. Very Unlikely	May occur in exceptional circumstances	< 10%
2. Slight	Is unlikely to, but could occur at some time	10 – 25%
3. Feasible	Fairly likely to occur at same time	25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally	50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)	> 75%

4 Background

4.1 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 2017.
- 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.

4.2 The Internal Audit Progress Report for 2017/18 is contained within the attached SWAP Report.

5 Links to Corporate Aims

5.1 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.

6 Finance

6.1 There are no specific finance issues relating to this report.

7 Legal Implications

7.1 There are no specific legal issues relating to this report.

8 Environmental Impact Implications

8.1 There are no direct implications from this report.

9 Safeguarding and/or Community Safety Implications

9.1 There are no direct implications from this report.

10 Equality and Diversity Implications

10.1 There are no direct implications from this report.

11 Social Value Implications

11.1 There are no direct implications from this report.

12 Partnership Implications

12.1 There are no direct implications from this report.

13 Health and Wellbeing Implications

13.1 There are no direct implications from this report.

14 Asset Management Implications

14.1 There are no direct implications from this report.

15 Consultation Implications

15.1 There are no direct implications from this report.

Democratic Path:

- **Corporate Governance Committees – Yes**
- **Cabinet/Executive – No**
- **Full Council – No**

Reporting Frequency : **Once only** **Ad-hoc** **Quarterly**

- Twice-yearly Annually

List of Appendices (delete if not applicable)

Appendix A	SWAP Internal Audit Progress Report 2017/18
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SWAP

SOUTH WEST AUDIT PARTNERSHIP

Delivering Audit Excellence

Taunton Deane Borough Council

Report of Internal Audit Activity

Plan Progress 2017/18 March 2018

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Internal Audit Plan Progress 2017/2018

Our audit activity is split between:

- **Operational Audit**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **Follow Up**
- **Non-Opinion / Advisory Reviews**



Role of Internal Audit

The Internal Audit service for the Taunton Deane Borough Council is provided by 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 approved by the Corporate Governance Committee at its meeting on 20th March 2017.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes:

- Operational Audit Reviews
- Cross Cutting Governance Audits
- Annual Review of Key Financial System Controls
- IT Audits
- Grants
- Follow Up
- Non-Opinion / Advisory Review

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Corporate Management Team and External Auditors. This year's Audit Plan was reported to this Committee and approved by this Committee at its meeting in March 2017.

Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

Internal Audit Plan Progress 2017/2018

Outturn to Date:

We rank our recommendations on a scale of 1 to 5, with 1 being minor or administrative concerns to 5 being areas of major concern requiring immediate corrective action



Internal Audit Work

The schedule provided at [Appendix B](#) contains a list of all audits as agreed in the Annual Audit Plan 2017/18. 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.

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed in [Appendix A](#) of this document.

Overall good progress is being made on the Audit Plan 2017-18. Current progress as at the beginning of March can be seen from [Appendix B](#).

As agreed with this Committee where a review has a status of ‘Final’ and has been assessed as ‘Partial’ or ‘No Assurance’, I will provide further detail to inform Members of the key issues identified. Since the December 2017 update there are no ‘Partial Assurance’ or ‘No Assurance’ reviews I need to bring to your attention.

There is one non-opinion/advisory audit that I need to bring to your attention regarding a Planning Complaint. Further details can be found within [Appendix C](#).

Internal Audit Plan Progress 2017/2018

We keep our audit plans under regular review to ensure that we are auditing the right things at the right time.



Approved Changes to the Audit Plan

The audit plan for 2017/18 is detailed in [Appendix B](#). Inevitably changes to the plan will be required during the year to reflect changing risks and ensure the audit plan remains relevant to Taunton Deane Borough Council. Members will note that where necessary any changes to the plan throughout the year will have been subject to agreement with the appropriate Service Manager and the Audit Client Officer.

Since the December 2017 committee report there has been one change to the Internal Audit Plan. We were asked to investigate an allegation made against the planning department. To accommodate this review the time set aside for development control was used.

At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;



Audit Framework Definitions

- Substantial
- Reasonable
- Partial
- No Assurance
- Non-Opinion/Advisory

Control Assurance Definitions

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.
No Assurance	▲ ★ ★ ★	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.

Non-Opinion/Advisory – In addition to our opinion based work we will provide consultancy services. The “advice” offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

Recommendation are prioritised from 1 to 5 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.



Audit Framework Definitions

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 & the Audit Committee.

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major					Comments
						Recommendation					
						1	2	3	4	5	
FINAL											
Operational Audit	Impact of Universal Credit/Welfare Reform	Q1	Final	Reasonable	4	0	0	4	0	0	
Operational Audit	Use of Non-Contracted Suppliers - DLO	Q1	Final	Partial	8	0	0	6	2	0	
Governance, Fraud & Corruption	Compliance with IR35	Q1	Final	Reasonable	4	0	0	4	0	0	
Operational Audit	Trade materials	Q1	Final	Non-Opinion	0	0	0	0	0	0	
Operational Audit	Car Parking maintenance	Q1	Final	Partial	6	0	0	3	3	0	
Follow Up	Crematorium follow up	Q2	Final	Follow up	9	0	0	5	4	0	
Follow Up	Building Control follow up	Q2	Final	Follow up	1	0	0	1	0	0	
Operational Audit	Housing Compliance – Gas Safety	Q2	Final	Partial	8	0	0	7	1	0	
Operational Audit	Grants - DFG & Other	Q2	Final	Reasonable	7	0	1	6	0	0	
Governance, Fraud & Corruption	Council Tax Base Review	Q3	Final	Advisory	1	0	0	0	1	0	
Key Control	Discretionary Payments - Housing	Q3	Final	Reasonable	3	0	0	2	1	0	
Governance, Fraud & Corruption	Use of Consultants	Q2	Final	Reasonable	3	0	0	3	0	0	

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major					Comments
						Recommendation					
						1	2	3	4	5	
Follow Up	User Access Management follow up	Q2	Final	Follow Up	6	0	0	4	2	0	
ICT	New TDBC Website post implementation	Q1	Final	Reasonable	4	0	0	4	0	0	
Governance, Fraud & Corruption	Planning Complaint	Q3	Final	Advisory	1	0	0	1	0	0	
Governance, Fraud & Corruption	Culture & Ethics Survey	Q4	Final	Advisory	0	0	0	0	0	0	
Key Control	System Parameter testing Civica	Q4	Final	Advisory	0	0	0	0	0	0	
Governance, Fraud & Corruption	Organised Crime - Compliance Checklist	Q2	Final	Reasonable	5	0	0	5	0	0	
DRAFT											
Governance, Fraud & Corruption	Business Rate Avoidance	Q3	Draft								
Key Control	Creditors	Q3	Draft								
Key Control	Debtors	Q3	Draft								
Governance, Fraud & Corruption	Post Implementation Review - Finance System, HR & Payroll	Q2	Drafting								
Governance, Fraud & Corruption	New premises - project management	Q2	Drafting								

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major					Comments
						Recommendation					
						1	2	3	4	5	
IN PROGRESS											
Governance, Fraud & Corruption	Transformation Programme	Q1, Q2, Q3, Q4	In Progress								
Key Control	Main Accounting – Collection Fund	Q3	In Progress								
ICT	Disaster Recovery	Q3	In Progress								
Key Control	Payroll	Q4	In Progress								
Governance, Fraud & Corruption	Procurement Analysis	Q4	In Progress								
Governance, Fraud & Corruption	DPA/GDPR Follow Up	Q4	In Progress								
NOT STARTED											
ICT	Cyber Security	Q3, Q4									
DEFERRED											
Operational Audit	Business Development - Project & Programme Management	Q4				Replaced by Council Tax Base Review. Rescheduled for quarter 1 2018-19 plan.					
Key Control	Housing Rents Follow Up	Q4				Replaced by Council Tax Base Review. Full review to be scheduled for quarter 1 of 2018-19 plan.					
Operational Audit	Development Control	Q4				Replaced by Planning Complaint this audit has been dropped.					

Audit Assignments completed since the December 2017 update:



Summary of Audit Findings and High Priority Service Findings

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Corporate Governance Committee.

The following information provides a brief summary of each audit review finalised since the last Committee update in December 2017. Each audit review is displayed under the relevant audit type, i.e. Operational; Key Control; Governance; Fraud & Corruption; ICT and Special Review.

Since the December 2017 update there are no Partial Assurance audit opinions that I need to bring to your attention and one Non-Opinion/Advisory.

Governance Fraud & Corruption Audits

Governance, Fraud and Corruption Audits focus 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. This work will in some cases enable SWAP to provide management with added assurance that they are operating best practice as these reviews are often conducted across multiple client sites.

Planning Complaint – Advisory

We were asked to look into concerns raised by a customer of the Council in relation to a planning application that was refused and the process of allocating sites to the Core Strategy. A number of allegation were made around the conduct and fairness of certain officers. The review focused on three main allegations. The review found each allegation as ‘not proven’ and therefore there was no need for a further investigation to be undertaken. A control weakness was identified around the level of detail in case officer reports to aid transparency in decisions made.