

South Somerset District Council

Report of Internal Audit Activity

Plan Progress 2016/17 Quarter 1

Contents

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➔	Role of Internal Audit	Page 1
➔	Internal Audit Work Programme	Page 2
➔	Added Value	Page 4
➔	SWAP Performance	Page 5
➔	Approved Changes to the Audit Plan	Page 6
➔	Appendices:	
	Appendix A – Internal Audit Definitions	Page 7
	Appendix B – Internal Audit Work Plan 2016/17	Page 9
	Appendix C – Significant Risks	Page 12
	Appendix D – Partial Opinions	Page 13

Internal Audit Plan Progress 2016/17 Quarter 1

Our audit activity is split between:

- **Operational Audit**
- **School Themes**
- **Governance Audit**
- **IT Audit**
- **Grants**
- **Other Reviews**



Role of Internal Audit

The Internal Audit service for the South Somerset District 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 Audit Committee at its meeting on 24 March 2016.

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
- IT Audits
- Grants
- Other Special or Unplanned Reviews

Internal Audit Plan Progress 2016/17 Quarter 1

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 Programme

The schedule provided at Appendix B contains a list of all audits as agreed in the Annual Audit Plan 2016/17.

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 on pages 7 and 8 of this document.

In the period Quarter 1 work has progressed on the following audits from the 2015/16 Audit Plan:

- Council Tax Collection – FINAL – Reasonable Assurance
- S106 Discharge of Planning Obligations – FINAL – Substantial Assurance
- Physical and Environmental Controls -FINAL – Reasonable Assurance
- Asset Register and Land Record Management – FINAL – Substantial Assurance
- Risk Strategy & TEN Risk Management - DRAFT

In the period Quarter1 work has progressed on the following audits from the 2016/17 Audit Plan:

- Boden Mill & Chard Regeneration Scheme Statement of Accounts – FINAL – Non Opinion
- Yeovil Cemetery & Crematorium Annual Accounts – FINAL – Non Opinion
- IT Audits – work on an IT skills audit is currently being scoped – IN PROGRESS
- Culture – IN PROGRESS
- Safeguarding – IN PROGRESS
- Land Charges – IN PROGRESS
- Delivering Cost Savings and Increasing Income – IN PROGRESS

Internal Audit Plan Progress 2016/17 Quarter 1

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 Programme Continued

To assist the Committee in its important monitoring and scrutiny role, in those cases where weaknesses have been identified in service/function reviews that are considered to represent significant service risks, a summary of the key audit findings that have resulted in them receiving a 'Partial Assurance Opinion' have been summarised in Appendix D.

However, in circumstances where findings have been identified which are considered to represent significant corporate risks to the Council, due to their importance, these issues are separately summarised in Appendix C. These items will remain on this schedule for monitoring by the Committee until the necessary management action is taken and appropriate assurance has been provided that the risks have been mitigated / addressed.

Internal Audit Plan Progress 2016/17 Quarter 1

Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.



Added Value

Primarily Internal Audit is an assurance function and will remain as such. However, Members requested that we provide them with examples of where we have “added value” to a particular service or function under review. In response to this we have changed our approach and internal processes and will now formally capture at the end of each audit where we have “added value”.

The SWAP definition of “added value” is “it refers to extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something "more" while adding little or nothing to its cost”.

As we complete our operational audit reviews and through our governance audit programmes across SWAP we seek to bring information and best practice to managers to help support their systems of risk management and control. Examples in Quarter 1 include the following:

- A benchmarking report has been circulated in respect of Revenues and Benefits service provision.

Internal Audit Plan Progress 2016/17 Quarter 1

The Assistant Auditor for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.



SWAP Performance

SWAP now provides the Internal Audit service for 20 bodies. SWAP performance is subject to regular monitoring review by both the Board and the Member Meetings. The respective outturn performance results for South Somerset District Council for the 2016/17 year (as at 1 Sept 2016) are as follows;

Performance Target	Average Performance
<u>Audit Plan – Percentage Progress</u> Final, Draft and Discussion In progress	12% 32%
<u>Draft Reports</u> Issued within 5 working days	100%
<u>Final Reports</u> Issued within 10 working days of discussion of draft report	50%
<u>Quality of Audit Work</u> Customer Satisfaction Questionnaire	80%

Internal Audit Plan Progress 2016/17 Quarter 1

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



Approved Changes to the Audit Plan

The following changes have been made to the audit plan in Quarter 1 to ensure internal audit resources are focused on the key risks faced by the Council. All changes are made in agreement or at the request of the Section 151 Officer:

- Contract Compliance – PPR Compliance was removed at the request of the client as this area had recently been reviewed by the South West Counter Fraud Partnership. It was replaced with a review of Corporate Procurement Cards which was originally scheduled for Quarter 1 2016/17. A replacement audit has yet to be determined.
- IT Audits – Following a meeting of the Corporate Governance Group, an audit on IT Skills is currently being scoped.

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

- Substantial
- Reasonable
- Partial
- None



Audit Framework Definitions

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.
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.

We keep our audit plans under regular review, so as to ensure we are auditing the right things at the right time. Recommendations 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

- 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.

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major ← → 1 = Minor Recommendation				
						5	4	3	2	1
						2015/16				
Operational	Council Tax Collection	2	Final	Reasonable	2	0	0	2	0	0
Operational	S106 Discharge of Planning Obligations	2	Final	Substantial	1	0	0	1	0	0
ICT	Physical and Environmental Controls	3	Final	Reasonable	8	0	0	8	0	0
Operational	Asset Register & Land Record Management	3	Final	Substantial	1	0	0	1	0	0
Operational	Risk Strategy & TEN Risk Management	4	Draft		0	0	0	0	0	0
2016/17										
Operational	TBA to replace Corporate Procurement Cards completed 2015/16	1	Not Started		0	0	0	0	0	0
Advice	Follow Up Contingency	1	Not Started		0	0	0	0	0	0
ICT	IT Skills Audit	1	In Progress		0	0	0	0	0	0
Operational	Culture	1	In Progress		0	0	0	0	0	0
Operational	Yeovil Cemetery & Crematorium Annual Accounts	1	Final	Non Opinion	0	0	0	0	0	0
Grant Certification	Boden Mill & Chard Regeneration Scheme Statement of Accounts	1	Final	Non Opinion	0	0	0	0	0	0
Operational	Safeguarding	2	In Progress		0	0	0	0	0	0
Healthy Organisation	Corporate Governance	2	Not Started		0	0	0	0	0	0
Healthy Organisation	Financial Management	2	Not Started		0	0	0	0	0	0

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5= Major ← → 1 = Minor				
						Recommendation				
						5	4	3	2	1
Healthy Organisation	Risk Management	2	Not Started		0	0	0	0	0	0
Healthy Organisation	Performance Management	2	Not Started		0	0	0	0	0	0
Healthy Organisation	Commissioning & Procurement	2	Not Started		0	0	0	0	0	0
Healthy Organisation	Programme & Project Management	2	Not Started		0	0	0	0	0	0
Healthy Organisation	Information Management	2	Not Started		0	0	0	0	0	0
Healthy Organisation	People & Asset Management	2	Not Started		0	0	0	0	0	0
Operational	Delivering Cost Savings & Increasing Income	2	In Progress		0	0	0	0	0	0
Operational	Land Charges	2	In Progress		0	0	0	0	0	0
Operational	Key Income Streams	3	Not Started		0	0	0	0	0	0
Operational	Corporate Health & Safety	3	Not Started		0	0	0	0	0	0
Key Control	Provision - Key Financial Control Audit	3	Not Started		0	0	0	0	0	0
Operational	Local Council Tax Support Scheme	3	Not Started		0	0	0	0	0	0
Operational	Scheme of Delegation	3	Not Started		0	0	0	0	0	0
Operational	Leisure East Devon	4	Not Started		0	0	0	0	0	0
Operational	Data Protection	4	Not Started		0	0	0	0	0	0

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5= Major ← → 1 = Minor				
						Recommendation				
						5	4	3	2	1
Operational	Elections	4	Not Started		0	0	0	0	0	0
Operational	Lufton Vehicle Workshop	4	Not Started		0	0	0	0	0	0

Summary of key points related to ‘Partial Assurance’ reviews

Audit Tittle	Significant Audit Findings	Key Actions Agreed by Service	Dates of Agreed Implementation	Date of programmed follow up
There were no Partial Reviews in the period.				