



## Appendix A

### South Somerset District Council

Annual Report and Opinion 2014/15

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## Annual Opinion:

**The Director of Planning is required to provide an annual opinion report to support the Annual Governance Statement.**

## Director of SWAP Opinion

Over the year SWAP have found Senior Management of South Somerset District Council to be supportive of SWAP findings and responsive to the recommendations made. In addition there is a good relationship with Management whereby they feel they can approach SWAP openly into areas where they perceive potential problems and again welcome the opportunity to take on board recommendations for improvement.

I have considered the balance of audit work and outcomes against this environment and am able to offer reasonable assurance in respect of the areas reviewed during the year, as most were found to be adequately controlled. Generally risks are well managed but some areas require the introduction or improvement of internal controls to ensure the achievement of objectives. Whilst I have limited concerns regarding some aspects of the control environment, I do not consider there to be any areas of significant corporate concern.

## Annual Opinion:

**The Director is required to provide an annual opinion report to support the Annual Governance Statement.**

## **Purpose of Report**

The Accounts and Audit Regulations (England) 2011 requires public authorities to publish an Annual Governance Statement (AGS). The Statement is an annual review of the Systems of Internal Control and gathers assurance from various sources to support it. One such source is Internal Audit. The Head of Internal Audit should provide a written annual report to those charged with governance to support the AGS. This report should include the following:

- an opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment
- disclose any qualifications to that opinion, together with the reasons for the qualification
- present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies
- draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement
- compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria
- comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content.

## Annual Opinion:

**The Director of Planning is required to provide an annual opinion report to support the Annual Governance Statement.**

## **Background**

The Internal Audit service for South Somerset District Council is provided by the South West Audit Partnership (SWAP). SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the PSIAS. The work of the partnership is guided by the Internal Audit Charter which is reviewed annually. Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work of the service is based on the Annual Plan agreed by Senior Management and this Committee. This report summarises the activity of SWAP for the year April 2014 to March 2015.

## Summary of Work 2014/15

The agreed Annual Audit Plan covers the following key areas of Activity:

- Operational Audit
- Key Control Audit
- Governance Audit
- ICT Audit
- Follow Up
- Other Reviews

## Internal Audit Work Programme

The schedule provided at Appendix B contains a list of all audits agreed for inclusion in the Annual Audit Plan 2014/15 and the final outturn for the financial year. Members will note that the audit plan should always remain flexible and for 2014/15 there were many changes. These have been reflected in Appendix B.

In total, 21 audit reviews have been undertaken during the year. An additional 7 audits were removed from the plan in agreement with the S151 Officer as they were no longer relevant or as part of the agreed exercise to equalise Somerset Partner Plans. A further 2 audits were deferred at the client request and are included in 2015/16 audit plan.

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.

A breakdown of these 21 audit assignments is as follows:

Operational Audits	7	ICT Audits	3
Key Controls	5	Advice/ Consultancy	0
Governance	5	Follow Up Work	1

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions”.

## Completed Audit Assignments 2014/15

*The Annual Audit Report and Opinion covers the following key areas of Activity:*

- OPERATIONAL AUDITS
- SPECIAL PROJECTS
- CERTIFICATION WORK
- FOLLOW UP WORK

## Audits Completed

**Operational Audits** are a detailed evaluation of a service or functions control environment. A risk evaluation matrix is devised and controls are tested.

10 Operational Audits (including ICT) were undertaken by SWAP for the period April 2014 to March 2015. 2 audits are at “draft report status”, 1 is “in progress” and 7 have now been completed to “final report status”. Of the 7 reports that have been issued to final stage 2 received “Substantial assurance”, 3 received “Reasonable assurance”, and 2 received “partial assurance” rating. Of the 7 reports that were issued to final report status, some 62 actions for improvement were agreed with Management.

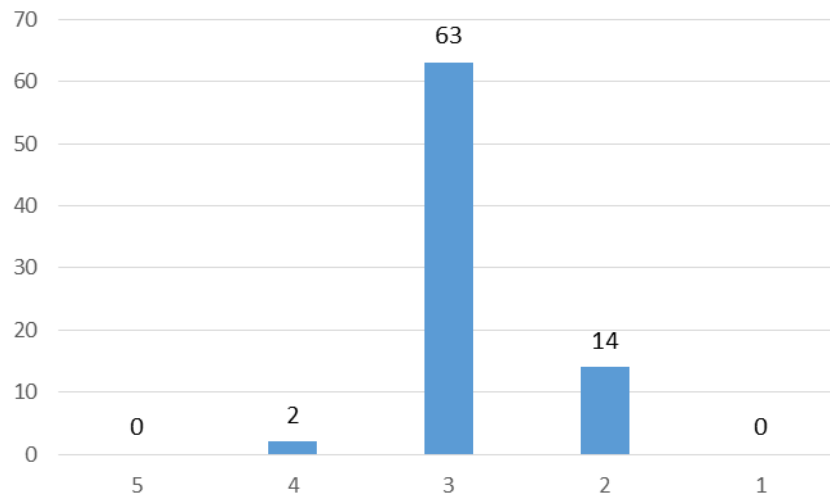
**Governance Audits** Governance, Fraud and Corruption Audits focus primarily on key risks relating to cross cutting areas that are controlled and/or impact at a Corporate rather than Service specific level. It also provides an annual assurance review of areas of the Council that are inherently higher risk. 5 Governance Audits were undertaken by SWAP for the period April 2014 to March 2015. 1 audit is at “in progress”, but is expected to be finalised in the near future. Of the 4 reports issued to final stage, 2 received “reasonable Assurance” rating and 2 were non opinion audits. Of the 4 reports issued to final report status, some 7 actions for improvement were agreed with Management.

**Key Control Audits** are completed to assist the External Auditor in their assessment of the Council’s financial control environment. It is essential that all key controls identified by the External Auditors are operating effectively to provide management with the necessary assurance that there is a satisfactory framework of internal control. 5 Key Control audits were completed in the period, 3 receiving “Substantial assurance” and 2 receiving “Reasonable Assurance”. A total of 8 recommendations were agreed with Management.

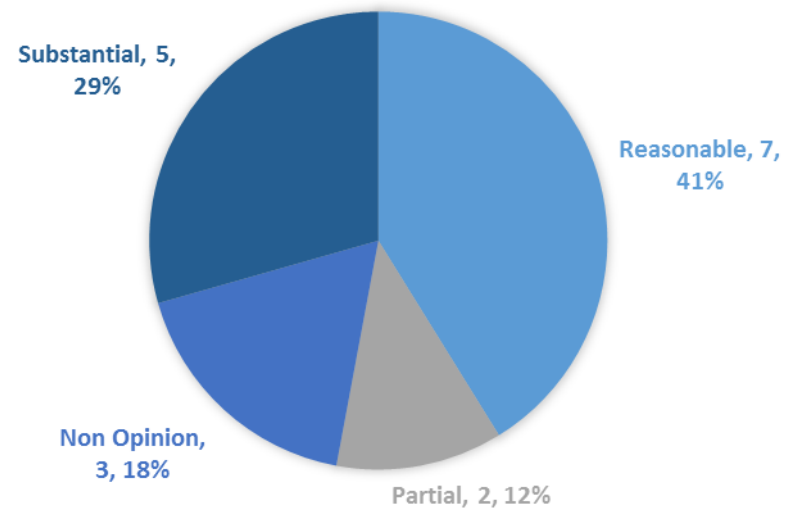
**Follow Up Audits** - are carried out to confirm that any recommendations from the original audit, where a “partial” opinion was afforded, have been completed as agreed. 1 Follow up Audit was undertaken during the period April 2014 to March 2015. Although there were action points outstanding, we were satisfied at the time of the audit that the implementation of these recommendations were being actively managed.

Summary of Control Assurance and Recommendations

**Audit Recommendations by Priority**



**Control Assurance by % Category**





Performance:

The Chief Executive of the Partnership reports performance on a regular basis.

## SWAP Performance

SWAP now provides the Internal Audit service for 13 Councils and additionally many subsidiary bodies.

Performance Target	Average Performance
<p style="text-align: center;"><b><u>Audit Plan</u></b></p> <p>Percentage Completion 90% or more</p>	<p style="text-align: center;"><b>90%</b> (2013/14 – 88%)</p> <p>The remaining 2 reviews will be completed by the end of July 2015</p>
<p style="text-align: center;"><b><u>Draft Report</u></b></p> <p>Reports Issued within 5 working days</p> <p>Reports issued within 10 working days</p>	<p style="text-align: center;"><b>83%</b> (2013/14– 76%)</p> <p style="text-align: center;"><b>92%</b> (2013/14 – 85%)</p>
<p style="text-align: center;"><b><u>Final Reports</u></b></p> <p>Reports issued within 10 working days of discussion of draft report</p>	<p style="text-align: center;"><b>53%</b> (2013/14 - 73%)</p>
<p style="text-align: center;"><b><u>Quality of Audit Work</u></b></p> <p>Individual Audit Assignment Feedback - ‘Customer Satisfaction Questions’</p>	<p style="text-align: center;"><b>77%</b> (2013/14 – 80%)</p>

Performance:

**The Chief Executive of the Partnership reports performance on a regular basis.**

## SWAP Performance

With regards to the 2014/15 Annual Plan for South Somerset District Council, 21 reviews undertaken of which 2 remain in progress equating to a completion rate of 90%. It was necessary to defer or remove a number of assignments to accommodate additional work undertaken and allow additional testing to be carried out on some audits that received partial assurance. For the reviews still showing as 'In Progress', testing has begun and these are targeted to be finalised by the end of July 2015.

At the close of each audit review a Customer Satisfaction Questionnaire is sent out to the service manager of nominated officer. The aim of the questionnaires is to gauge satisfaction against timeliness, quality and professionalism. As part of the Balanced Scorecard presented to the SWAP Board, a target of 85% is set where 75% would represent good. The latest Scorecard across the Partnership shows the current average feedback score to be 83%. For South Somerset District Council the average feedback score was 77%. As agreed with Members of this Committee, reporting on feedback during 2014/15 will be more detailed allowing greater assessment of feedback provided but also to identify those not received.

SWAP have not been able to undertake any accurate Benchmarking work as there are very few Partnerships of its size or structure. It is also not possible to obtain information on Private Sector costs from which to draw comparisons. I am pleased to report that for another consecutive year there has been no increase in the audit day rate for South Somerset District Council