

APPENDIX A



South Somerset District Council

Report of Internal Audit Activity
Quarter 3 Update, 2015-16

Contents

The contacts at SWAP in connection with this report are:

Gerry Cox

Chief Executive

Tel: 01935 385906

gerry.cox@southwestaudit.co.uk

David Hill

Director - Planning

Tel: 07595 711087

david.hill@southwestaudit.co.uk

Moya Moore

Assistant Director

Tel: 07720312466

moyamoore@southwestaudit.co.uk

Summary:

Role of Internal Audit	Page 1
Overview of Internal Audit Activity	
Internal Audit Work Programme 2015/16:	Page 2
Operational Audits	Page 2
Key Controls; Main Income Stream Audits	Page 3
Key Controls; Finance Audits	Page 4
Governance, Fraud and Corruption	Page 4
Information Systems	Page 5
Special Reviews	Page 5
Future Planned Work	Page 6
Conclusions	Page 6

Our audit activity is split between:

- **Operational Audit**
- **Key Controls, Finance**
- **Key Controls, Income**
- **Governance, Fraud & Corruption Audit**
- **IT Audit**
- **Special Reviews**

Role of Internal Audit

The Internal Audit service for South Somerset District Council is provided by the South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors, but also follows the CIPFA Code of Practice for internal audit. The Partnership is also guided by the Internal Audit Charter, last approved in March 2015.

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
- Annual Review of Key Financial System Controls
- Annual Review of Main Income Stream System Controls
- Cross Cutting Fraud and Governance Reviews
- IT Audit Reviews
- Other Special or Unplanned Reviews

Overview of Internal Audit Activity

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer following consultation with Directors, Assistant Directors, Service Managers and External Audit. This year's Audit Plan was approved by the Audit Committee at its meeting in March 2015. Since March, a number of minor scheduling changes have been made to the audit plan. An updated list of all audits planned for 2015/16 and their status at the end of Quarter 3 is detailed in [Appendix B](#).

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

Quarter 3 Outturn:

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

Quarter 3 Outturn:

Audit Assignments undertaken in the Quarter

- **Operational Audits**

Internal Audit Work Programme

The schedule provided at [Appendix B](#) contains a list of all audits as agreed in the Annual Audit Plan 2015/16. 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 “control assurance” opinions 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” as shown in [Appendix C](#).

Where assignments record that recommendations have been made to reflect that some control weaknesses have been identified as a result of audit work, these are considered to represent a less than significant risk to the Council’s operations. However, in such cases, the Committee can take assurance that improvement actions have been agreed with management to address these.

Operational Audits

Operational Audits are a detailed evaluation of a Service’s 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. In Quarter 3 there were 3 Operational Audits scheduled, 2 of which are in progress.

Audit Area	Audit Area	Audit Area
New Payroll System – In progress	Asset Register & Land Record Management – In Progress	Debt Management - Deferred

Debt Management has been deferred to later in Quarter 4 by the Section 151 Officer because the team currently has a vacancy. It is anticipated that this audit will be commenced in March. Remote and Mobile Working (originally scheduled for Quarter 4 has been commenced this Quarter to replace it.)

Quarter 3 Outturn:

Audit Assignments undertaken in the Quarter

- **Operational Audits (continued)**

- **Key Controls; Main Income Stream Audits**

The following Audits originally scheduled for earlier quarters, have been finalised in the Quarter 3:

- Private Sector Housing - Environmental Health - Final – Substantial Assurance
- Business Continuity – Final – Reasonable Assurance
- Choice Based lettings –Final – Reasonable Assurance (2014/15 Audit)

Work has been ongoing on audits originally scheduled for Quarters 1 and 2 as follows:

- Yeovil Innovation Centre – Discussion Document Stage
- S106 Discharge of Planning Obligations – In Progress
- Key Income Stream Management – In Progress
- Local Tax Collection – In Progress

It is anticipated that the following audit will be commenced shortly.

- Housing & Council Tax Benefit – Not started.

Main Income Stream Audits

In previous years a significant number of audit days were allocated to undertake a separate audit of each of the Councils main income streams. This is because shortfalls in income have a significant impact on the budget and are considered higher risk areas

For 2015/16 it was felt that as Substantial and Reasonable assurance had been provided for most of the income areas that a combined audit requiring less days was possible. This audit has been scheduled as an operational review (see above – Key Income Stream Management).

Quarter 3 Outturn:

Audit Assignments undertaken in the Quarter

- **Key Controls; Finance**
- **Governance, Fraud and Corruption Audits**

Key Controls, Finance Audits

In 2013/14 it was agreed by the Audit Committee to replace Key Control Audits with Operational and Governance Audits. This reflected the positive assurance opinions awarded in relation to Key Control Audits over the previous few years along with an appetite to explore other risks and processes at the Council.

Governance, Fraud and 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. There were 2 Governance audits originally scheduled for Quarter 3.

Audit Area	Opinion	Audit Area	Opinion
Contract Compliance - PPR Compliance	Not Started	Leisure Centre / Hub Contract Compliance	Removed
Lean Thinking Benefit Realisation	Removed		

It was agreed with the Section 151 Officer that the Leisure Centre audit should be removed as the 14/15 audit on this area was not completed until Quarter 2 of 15/16. Lean Thinking was also removed at the request of the Section 151 Officer. It is anticipated that the Contract Compliance PPR Audit will commence shortly.

Work has commenced on the following audits originally scheduled for Quarter 4:

- Ninesprings Café – In Progress
- Imprest Accounts – In Progress

Quarter 3 Outturn:

Audit Assignments undertaken in the Quarter

- Information Systems

Information Systems

Information Systems – IT audits provide the Authority with assurance with regards to their compliance with industry best practice. As with Operational Audits, an audit opinion is given.

There was 1 IT Audit scheduled for Quarter 3:

- Physical and Environmental Controls – Not Started

It is anticipated that this audit will commence shortly.

The following Audit scheduled for Quarter 2 has been finalised in the period:

- Telephony - Final – Reasonable Assurance

- Special Reviews

Special Reviews

I am pleased to report that since April 2015 there have been no irregularities reported to SWAP that have required investigation on behalf of SSDC.

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

Future Planned Work

This is detailed in [Appendix B](#) and is subject to any changes in agreement with the S151 officer.

Conclusions

For the audits completed to report stage, each report contains an action plan with a number of recommendations which are given service priorities. Definitions of these priorities can be found in the Categorisation of Recommendations section of [Appendix C](#).

The Committee will be aware that in June 2015, SWAP were pleased to provide an Audit Opinion for the Annual Governance Statement for 2014/15 that gave Reasonable Assurance. Work carried out to date in Quarter 3 largely supports this level of assurance for 2015/16 to date.

There have been no significant Corporate Risks identified from the work completed so far in Quarter 3.

Our approach to the audits for 2015/16 reflects this positive assurance and we are seeking to undertake more challenging and cross-cutting reviews rather than traditional service reviews that we have done over recent years, given that these areas have now proven themselves to have adequate and often good internal controls.

A list of all audits planned for 2015/16 and their status at the end of Quarter 3 are detailed in [Appendix B](#).