

Audit Committee – 25th October 2007

9. Internal Audit Half-Year Report 2007/2008

Head of Service: Gerry Cox, Head of Internal Audit Partnership
Lead Officer: Gerry Cox, Head of Internal Audit Partnership
Contact Details: gerry.cox@southwestaudit.gov.uk or (01458 257410)

Purpose of the Report

To provide the Audit Committee with a summary of internal audit activity for the period 1st April, 2007 to 30th September, 2007.

Recommendation

The Audit Committee is recommended to note the content of this report.

The Role of Internal Audit

The Internal Audit service for SSDC 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 approved by the Audit Committee at its meeting on 26th February 2004 and by Council on 18th March 2004. The Charter was reviewed and endorsed by the Audit Committee on 22nd February 2007.

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

- 4 -Year Plan of Operational Audit Reviews
- Annual Review of Key Financial System Controls
- Follow Up Reviews

Internal Audit Work Programme For 2006/7

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. In total 7 full operational audits, from the 2007/8 plan, were completed to draft report, since 1st April, 2007. Current performance is in line with the audit plan approved by the Audit Committee on 12th April, 2007.

As part of the Auditor's Opinion, each review is given a 'star' rating offering management the following levels of assurance:

▲★★★★ **Full** - 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.

▲★★★ **Reasonable** - 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** - 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.

▲★★★ **None** - 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.

Normal expectation is for reviewed areas to be assessed into the 'Reasonable' category of assurance and for management to address the issues identified and move the next audit assessment toward Full assurance. Where the assessed area falls below 'Reasonable', management is expected to address the risks identified and when the audit is followed up later, if those weaknesses have been addressed, then the service area can be reassessed upward.

It should be noted that 'Full' assurance has been given in respect of one service, Registration of Electors. This level of assurance is rarely achieved with only 2 previous instances recorded since SWAP was formed, across the whole partnership. This is an exceptionally well run service, where risks are properly managed, and I am pleased to acknowledge the excellent performance of the officers involved.

The following is a summary of reviews completed to draft report or final report stage, which resulted in the identification of 133 areas for improvement:

• Yeovil Town Council	▲★★★ Reasonable
• Cemetery & Crematorium	▲★★★ Reasonable
• Goldenstones	▲★★★ Partial
• Democratic Services	▲★★★ Reasonable
• Housing Benefits Fraud	▲★★★ Reasonable
• Corporate Policy & Performance (BVPI)	▲★★★ Reasonable
• Registration of Electors	▲★★★★ Full

In addition, the following reviews are nearing completion:

- Fleet Management
- Octagon Theatre
- Car Parks
- Information Systems Networks
- Housing Benefits

Special Reviews

Internal audit were asked to conduct a one special, ad hoc, review during the second half of the year on Strategic Housing.

Outstanding Recommendations

From October 2007, every service manager will be provided with a monthly detailed list of outstanding actions. Service managers are required to identify which actions have been completed and which remain outstanding and return the list to internal audit. Any action areas that have not been completed within the agreed timescale will be reported to both the responsible Director and the Corporate Governance Group. In some cases,

internal audit may agree revised dates for completion of actions but these will be the exception rather than the norm.

In addition all outstanding actions, where the risk has been identified as 'high' and the implementation date has passed, will be reported to the Audit Committee. Internal audit will randomly check that actions have been completed as stated, but will check all those actions where the stated risk is 'high'.

Background Papers:None.
