

Audit Committee – 28th August 2008

5. South West Audit Partnership - Quarter 1 Report 2008/2009

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Purpose of the Report

To provide the Audit Committee with a summary of internal audit activity for the period 1st April, 2008 to 30th June, 2008.

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 27th March, 2008.

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

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 6 full operational audits, from the 2008/9 plan, were completed to draft report, since 1st April, 2008. Current performance is in line with the audit plan approved by the Audit Committee on 24th April, 2008. In addition, 8 audits from the 2007/8 quarter 4 plan were completed to final in the first quarter of 2008/9.

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

Comprehensive

▲★★★★ I am able to offer comprehensive 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. Generally 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.

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 Comprehensive 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 'Comprehensive' assurance has been given in respect of one service, Community Resource Centre. This level of assurance is only occasionally achieved and it is much to the credit of the officers concerned. 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 final report stage during 2008/9, which resulted in the identification of 201 areas for improvement:

• CAR PARKS*	▲★★★★ Reasonable
• HEALTH & SAFETY AT WORK*	▲★★★★ Reasonable
• HOUSING BENEFITS*	▲★★★★ Reasonable
• IS NETWORKS*	▲★★★★ Partial
• TRAINING & DEVELOPMENT*	▲★★★★ Reasonable
• WINCANTON SPORTS CENTRE*	▲★★★★ Partial
• RENOVATION GRANTS*	▲★★★★ Reasonable
• TOURISM*	▲★★★★ Reasonable
• COMMUNITY RESOURCE CENTRE	▲★★★★ Comprehensive
• MUSEUM	▲★★★★ Reasonable
• LUFTON STORES	▲★★★★ Reasonable

In addition, the following reviews are nearing completion:

- ECONOMIC DEVELOPMENT
- PROCUREMENT
- LEISURE SERVICES AND ARTS
- YEOVIL RECREATION CENTRE

Overall, the position is a very positive one. Wincanton Sports Centre, although audited by us, is not under the direct control of SSDC and therefore the Council cannot be held substantially responsible for the poor levels of control. Indeed, remedial action can only be achieved with goodwill from all involved. The IS Networks review causes more concern as there are fundamental internal control failings. I will be able to report more detailed information regarding both these reviews to members at the meeting.

* Draft report issued in final quarter of 2007/8

Outstanding Recommendations

With Somerset County Council joining the South West Audit Partnership in October 2007 a new audit management tool, MK Insight, was introduced. Implementing the new software has proved to be a substantial piece of work and meant diverting our technical resources to concentrate their efforts in this area. In order to achieve implementation, SWAP temporarily suspended the extraction and monitoring of follow-up data.

The system went fully live on 1st July and we are currently engaged in populating the database with 2007/8 data, as well as the first quarter of 2008/9. We plan to complete this work by early September and will then be in a position to supply on demand information with regard to outstanding audit recommendations. A verbal report on the current status of audit actions will be provided to the committee.

Background Papers: *None.*
