

Audit Committee - 27th August 2009

5. Internal Audit Quarter 1 Report 2009-10

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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 2009 to 31st June 2009.

Recommendation

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

The Role of Internal Audit

The Internal Audit service for SSSC is provided by 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 also reviewed and endorsed by the Audit Committee on 26th February 2009.

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 (Managed Audits)

Internal Audit Work Programme for 2009/10

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. Three full Operational audits and three Governance audits, from the 2009/10 plan have to date been completed and final reports issued. In addition, two further audits are at draft report stage and will be issued shortly.

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

▲★★★ **Comprehensive** - 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.

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▲★★★★ **Partial** - 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.

Where low to medium control or administrative weaknesses are identified, normal expectation is for reviewed areas to be assessed into the 'Reasonable' category of assurance. However, where the assessed area falls below 'Reasonable', management is expected to address the risks identified as a matter of priority and monitor their progress against the agreed action plan.

The following is a summary of the reviews. Those completed at least to draft stage have resulted in 56 agreed actions for improvement:

3 Operational audits were completed and final reports issued. The assurance level and the auditor's conclusion are detailed below:

- Fleet Management - ▲★★★★ **Reasonable**

This audit has found some areas where the Services best practices have lapsed due to having to prioritise within available resources, however, this has not had a significant impact in terms of the risk exposure and there are no breaches of the "O" Licence that could result in it being removed.

- Human Resources - ▲★★★★ **Reasonable**

Overall I am satisfied that the HR team are achieving their objectives and that there are generally good controls in place. It is also understandable that at this particular time there have been some process delays due to the additional workload that the extended JE process has brought to the team.

- CCTV -- ▲★★★★ **Comprehensive**

The current set up is very well managed with a clear strategy, good quality equipment, an effective maintenance programme, knowledgeable and experienced staff following best practice and good working relations with affected parties, notably the Police.

3 audits are at draft stage pending client approval:

- Asset Management
- Development Control
- Parks and Open Spaces

Governance Audits

This year, for the first time, we have introduced a new specialist area of Governance, Fraud and Corruption. The audit process focuses primarily on key risks relating to cross cutting areas that are controlled and/or impact at a Corporate rather than Service specific level. The reviews that have been completed have resulted in 10 agreed actions for improvement.

- Absence Management (2)
- Gifts and Hospitality – Register of Interests (3)
- Health and Safety – Lone Working (5)

Internal Audit will use the findings of these reviews to support the assurance we are required to provide as part of the Council's Annual Statement on Governance. I am pleased to report that whilst there are some areas where improvement is required there are no high risks that require the immediate attention of Management.

2008/09 Audits

Three audits were outstanding from the 2008-09 plan and these have now completed to final report stage:

- Insurances - ▲★★★ **Reasonable**

The former Insurance Manager has now retired and I was pleased to see that there was a handover period so that the Insurance Officer could learn from the Insurance Manager before he left the Council. There are only a few improvements recommended and this area could obtain full assurance in the near future.

- Corporate Governance - ▲★★★ **Reasonable**

Our most important findings relate to checks completed prior to recruitment to ensure that appropriately qualified individuals with the relevant level of CRB clearance are employed by the Authority. Extending checks to appraise previous employment histories will help to identify any potential irregularities and tease out individuals where circumstances require further investigation. Employing the right calibre of officers with the skills to efficiently carry out tasks and drive the strategic direction of the Authority is a key element of good governance. Audit will continue to appraise governance arrangements as an ongoing part of the annual audit plan.

- Goldenstones-▲★★★ **Reasonable**

This was a Key Financial systems review and will be performed annually to give the Council assurance that the expected key controls are in place and that any associated risks are managed in a "satisfactory" manner.

Although weaknesses were identified, they are not related to matters raised last time and are primarily of an administrative nature. Overall there appears to be considerable improvement since our last review, much to the credit of the new Manager.

2009/10 Quarter 2

The following audits from the audit plan are planned for quarter 2:

- Business Continuity (Communications)
- Fees and Charges
- Information Governance
- Performance Indicators – Quality Check
- Procurement Cards and Petty Cash
- Corporate Information Security Controls – SISC
- Yeovil Recreation Centre
- Car Parks
- Community Resource Centre
- Licensing

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- Markets
- Officers Claims and Allowances
- Strategic Housing

Conclusion

Overall, based on the work completed to date this financial year, I can report that risks are generally well managed and the systems of internal control are working effectively. SSDC management respond positively to internal audit suggestions for improvements and corrective action is often taken immediately, wherever this is possible or practical.

Background Papers: *None.*
