



South Somerset District Council

Report of Internal Audit Activity

Quarter 2, 2010/11

Contents

The contacts at SWAP in connection with this report are:

Gerry Cox

Head of Internal Audit Partnership
Tel: 01935 462371
gerry.cox@southwestaudit.gov.uk

Ian Baker

Group Audit Manager
Tel: 01935 462379
ian.baker@southwestaudit.gov.uk

Andrew Ellins

Audit Manager
Tel: 01935 462378
andrew.ellins@southwestaudit.gov.uk

Summary	2
Internal Audit Work Programme:	3
Operational Audits	4
Key Control Audits	5
Governance, Fraud and Corruption	5
Managed Audits	6
Additional Reviews	6
Future Planned Work	7
Conclusions	7

Our audit activity is split between:

- **Operational Audit**
- **Key Control Audits**
- **Governance, Fraud & Corruption**
- **Managed Audits**
- **Additional Reviews**

Role of Internal Audit

The Internal Audit service for South Somerset District Council is provided by South West Audit Partnership (SWAP). SWAP 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 25th February 2010. Primarily the work includes;

- Plan of Operational Reviews
- Annual Review of Key Income Streams (Key Control Audits)
- Annual Review of Key Financial System Controls (Managed Audits)
- Annual review of key governance and fraud controls

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 the Management Board and External Auditors. This year's Audit Plan was reported to this Committee at its meeting in February.

Quarter 2 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

Internal Audit Work Programme

The schedule provided at [Appendix B](#) contains a list of all audits as agreed in the Annual Audit Plan 2010/11. This allows Members to monitor the progress of all audits in the plan.

Each assignment completed to at least draft report status includes its respective “control assurance” opinion 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.

Quarter 2 Outturn:

Completed Audit Assignments In The Period

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 operational reports have been completed to at least draft stage since the last audit committee meeting. All three areas received reasonable assurance and there are only two high priority actions.

For the review of the Building Control service the lead auditor concluded that 'Overall the service appears to meet its key function of checking applications; inspecting sites and ensuring that building works in South Somerset comply with regulations and are safe. The Building Control Manager has identified that future resource will be an issue if action is not taken now. By addressing this and the other recommendations made in this review; the service will be better placed to ensure the health, safety, welfare and convenience of people using the buildings constructed within the district.'

A review of VAT was recently completed and found overall the function is well controlled requiring only one medium and one low priority actions.

One of the I.T. audits was completed to draft report stage and there were only two medium priority recommendations and reasonable assurance has been given over corporate back up routines.

- Building Control
- Corporate Back Up Routines
- Value Added Tax

Quarter 2 Outturn:

Completed Audit Assignments In The Period

Key Control Audits

Key Control Audits are specific audits to provide independent annual assurance that key income streams are adequately controlled and the Council are not exposed to risks that could impact on its ability to meet its overall objectives.

Audits over four key income areas have been completed and although there have been 43 recommendations for improvement, only two of these found during the Car Parks review are high priority. All four areas below received reasonable audit assurance.

- Car Parks
- Goldenstones
- Homelessness
- Licensing

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. Since the last quarterly report there have been three governance audits and we are pleased to report that all three reviews below found no weaknesses and received comprehensive audit assurance.

- Equalities and Diversity - Impact Assessments
- Performance - NI 179 Efficiency Statements
- Performance - NI 188 Use of Natural Resources

Quarter 2 Outturn:

Completed Audit Assignments In The Period

Managed Audits

Managed Audits are completed to assist the External Auditor in their assessment of the Council's financial control environment. These are scheduled each year to be carried out between October and the end of December. Nine managed audits are planned and most are now in progress. The plan ([Appendix B](#)) shows ten managed audits, however, in agreement with the Section 151 Officer the review of Budgetary Control will be undertaken as an element of the Main Accounting audit. At the next audit committee meeting we will be reporting the outcomes of all the managed audit reviews and expect them all to receive reasonable or comprehensive assurance.

Additional Reviews

Additional Reviews are adhoc reviews, normally non-opinion requested by the Section 151 Officer. There are two reviews so far this year which will become part of future Annual Audit Plans as they are to provide independent assurance over the fairness and accuracy of the separate accounts produced for;

- Yeovil Cemetery and Crematorium Annual Return
- Air Control Industries Site & Chard Regeneration Scheme Statement of Accounts

Both reviews have been completed and assurance provided and no priority recommendations were required.

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](#) subject to any changes agreed by the Section 151 Officer.

Conclusions

For those audits still required by the client SWAP are on target to complete those audits as planned. 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 in [Appendix C](#).

So far this year SWAP has provided 82 recommendations for improvement where weaknesses in control were identified. For the last quarter we are pleased to report that no very high priority actions were identified and only four high actions requiring priority management attention were reported. Furthermore, no partial assurances were given for the audits completed in this quarter which is an indication that the audited areas are well controlled within the scope covered in each review.