



South Somerset District Council

Report of Internal Audit Activity
Quarter 3, 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 2010. The Annual Audit Plan for next year (2011-12) will be presented to this Committee in a separate report at this meeting.

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

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 3 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.

Quarter 3 is when the Managed Audits are all conducted and governance reviews undertaken. As a result, only one operational review was completed since the last audit committee meeting. This review of Asset Management had nine recommendations of which only one was a high priority.

The lead auditor concluded that 'The 2009 report provided only Partial Assurance because a number of serious control weaknesses were identified, the results of this follow up review show that improvements have been made. However there are areas that still need to be documented and controls that need further improvement to fully mitigate risks. The Uniform system is still not being used to appropriately manage the property elements of the commercial asset.

The audit received reasonable assurance.

- Asset Management

An operational review of Tourist Information Centers (TIC's) was originally planned, however, at the request of the Client this review has been dropped from the Audit Plan. This service is currently undergoing significant change due to the budget cuts and it was felt inappropriate to undertake a review at this time.

Quarter 3 Outturn:

Completed Audit Assignments In The Period

Key Control Audits

Key Control Audits 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.

There was only one Key Control review in Quarter 3 due to resources being prioritised on the managed audits and governance reviews.

The lead auditor concluded that 'Improvements have been made to the service to enhance the control framework within the Centre and to address the high to medium risks identified in the previous audit review. Some minor control issues have also been identified but are not significant enough to undermine the integrity of; or materially impact on; the service. As such these have not been included in the action plan but nonetheless, have been discussed with Management to address; together with the findings reported below.'

- Yeovil Recreational Centre

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 two governance audits completed and a further two that are at Draft stage but not yet agreed with Management and will therefore be reported upon in the next quarterly report to this committee.

Two separate reviews of register of interests were performed. The Members review found that this area was well controlled and comprehensive assurance was provided with only one low priority recommendation. The review over the staff register could only provide partial assurance although the lead auditor conclude 'South Somerset District Council have demonstrated their compliance with the Local Government Act through the guidance given in the Staff Code of Conduct. They also have a robust procedure for dealing with any complaints, but there are weaknesses in the recording of interests and a lack of a uniform approach across the services.'

- Register of Interests—Staff
- Register of Interests—Members

Quarter 3 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 were completed as planned. The plan ([Appendix B](#)) shows ten managed audits, however, in agreement with the Section 151 Officer the review of Budgetary Control was undertaken as an element of the Main Accounting audit.

I am pleased to report that of the nine managed audits completed, four received reasonable assurance and five received comprehensive assurance. In total there were just seven recommendations and only one medium/high priority action was required.

- Capital Accounting
- Council Tax
- Creditors
- Debtors
- Housing Benefits
- Main Accounting (including Budgetary Control)
- NNDR
- Payroll
- Treasury Management

Additional Reviews

Additional Reviews are adhoc reviews, normally non-opinion requested by the Section 151 Officer. There have been two more reviews started since the last report to this committee but both are still in progress and will be reported in the next quarterly audit report.

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 103 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 two high actions requiring priority management attention were reported. Furthermore, only one partial assurance was 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. In particular all of the managed audits received reasonable assurance or greater.