SWAP

South West Audit Partnership

South Somerset District Council

Report of Internal Audit Activity

Quarter 1 Update - April 2011 to date

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Contents

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SWAP
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Our Audit Activity is split between:
- **Operational Audit**
- **Key Control Audit**
- **Governance Audit**
- **IT Audit**
- **Other Reviews**

Role of Internal Audit

The Internal Audit service for South Somerset District Council is provided by the South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors. The Partnership is also guided by the Internal Audit Charter which is reviewed annually.

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

- Operational Audit Reviews
- Cross Cutting Fraud and Governance Reviews
- Annual Review of Key Financial System Controls
- IT Audit Review
- Other special or unplanned reviews

Overview of Internal Audit Activity

Internal Audit work is largely driven by an Annual Plan. Following consultation with Senior Management and External Audit, the plan for 2011/12 was reviewed and agreed by the Audit Committee at its meeting on 24th February 2011.

A summary of Internal Audit Activity for 2010/11 was presented to the Committee in June of this year. I am pleased to report that all outstanding reports have been completed with only one report still at draft stage; Printing and Copying. Early indication is that this is the only outstanding report that may receive a Partial Assurance level and should that be the case I will update the Committee with the details next time.

The Audit Charter requires Internal Audit to provide the Audit Committee with regular updates on audit activity against the plan. The purpose of this report is to update the Committee on progress for Quarter 1 from April 2011 to date. Members are asked to comment on and note the content of this report.

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SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors and the CIPFA Code of Practice for Internal Audit in England and Wales.

Quarter 1 Outturn:

We provide an assurance opinion and rank our recommendations on a scale of 1 to 5, with 1 being minor or administrative concerns to 5 being areas of major concerns requiring expedient corrective action by the Service.

We also assess the Service Risk exposure at a Corporate level.

Internal Audit Work Programme

The schedule provided at Appendix A contains a list of all audits as agreed in the 2011/12 Annual Audit Plan. It is important that Members are aware of the status of all audits and this information helps them to place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective 'assurance opinion' rating together with the number of recommendations that have been raised with management. The 'assurance opinion. Rating have been determined in accordance with the Internal Audit 'Audit Framework Definitions' as shown in Appendix B.

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 degree of risk to the Authority's operations. However, in such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. Irrespective of the 'assurance opinion' I shall also provide a schedule of all level 4 or 5 priority actions for the Committee's information. To date none of the completed audits have actions at these levels.

I am pleased to report that none of the assignments completed to date have been awarded a 'Partial Assurance'. Where this should be the case, I will provide the Committee with further detail of the reasons for this assessment.

Should an audit review identify a significant corporate risk, either 'High' or 'Very High', as described in Appendix B, I will also bring these to the attention of the Audit Committee. Again I can report that there have been no such risks identified in any of the completed reviews. On occasion there will be risks assessed as 'High' but this will be very much as a result of the nature of the activity i.e. High Impact but Low Probability; I will not report these.

Quarter 1 Outturn:

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

The audit plan for 2011/12 is detailed in <u>Appendix A</u>. Should there be any changes to the plan, this will be agreed with the Council's Section 151 Officer and reported to the Audit Committee.

Conclusions

As can be seen, good progress has been made against the plan to date. Those audits currently completed have not identified any serious risk to the Council and there have been no level 4 or 5 priority actions.

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Client	Directorate/Service	Audit Area	Quarter	Status	Opinion	No. of recs	Major - Recommendations - Minor				
							5	4	3	2	1
SSDC	Service Reviews	Licensing	Qtr 1	Complete	Reasonable	2	0	0	2	0	0
SSDC	Service Reviews	Pest Control	Qtr 1	Complete	Reasonable	4	0	0	2	2	0
SSDC	Service Reviews	Homelessness	Qtr 1	Completed	Reasonable	6	0	0	5	1	0
SSDC	Core Cross-Cutting Services	Register of Interests - Members	Qtr 1	Draft		3	0	2	1	0	0
SSDC	Core Cross-Cutting Services	Scheme of Delegation	Qtr 1	In Progress		1	0	0	0	0	1
SSDC	Service Reviews	Streetscene - Enforcement	Qtr 1	Completed	Reasonable	5	0	0	3	2	0
SSDC	Service Reviews	Streetscene - Workshops	Qtr 1	Completed	Reasonable	8	0	0	7	1	0
SSDC	Core Cross-Cutting Services	Maximising Income	Qtr 1	Created		0	0	0	0	0	0
SSDC	Core Cross-Cutting Services	Annual Governance Statement	Qtr 1	Draft		2	0	0	2	0	0
SSDC	Core Cross-Cutting Services	Threat from Fraud & Corruption	Qtr 1	Draft		7	0	0	5	2	0
SSDC	Core Cross-Cutting Services	Partnership Arrangements	Qtr 1	In Progress		5	0	0	4	0	0
SSDC	Service Reviews	Wessex Reinvestment Trust	Qtr 1	Complete	Non Opinion	0	0	0	0	0	0
SSDC	Core Cross-Cutting Services	Contract Management	Qtr 2	In Progress		0	0	0	0	0	0
SSDC	Core Cross-Cutting Services	Information Governance	Qtr 2	In Progress		0	0	0	0	0	0
SSDC	Service Reviews	Legal Services	Qtr 2	In Progress		0	0	0	0	0	0
SSDC	Service Reviews	Housing Benefit Fraud	Qtr 2	In Progress		3	0	1	1	1	0
SSDC	Service Reviews	Wincanton Sports Centre	Qtr 2	Discussion		0	0	0	0	0	0
SSDC	ICT	Information Security Regulatory Compliance	Qtr 2	In Progress		0	0	0	0	0	0
SSDC	Service Reviews	ACI Site & Chard Regeneration Scheme Statement of Accounts	Qtr 2	Created		0	0	0	0	0	0
SSDC	Service Reviews	Workplace Nursery	Qtr 2	In Progress		0	0	0	0	0	0
SSDC	Service Reviews	Yeovil Recreation Centre	Qtr 2	Created		0	0	0	0	0	0
SSDC	Service Reviews	Yeovil Town Centre Partnership Bank Account	Qtr 2	Created	Non Opinion	0	0	0	0	0	0
SSDC	Service Reviews	Yeovil Cemetary & Crematorium Annual Return	Qtr 2	Complete	Non Opinion	0	0	0	0	0	0
SSDC	Core Cross-Cutting Services	Capital Accounting	Qtr 3			0	0	0	0	0	0
SSDC	Core Cross-Cutting Services	Creditors	Qtr 3			0	0	0	0	0	0

SSDC	Core Cross-Cutting Services	Debtors	Qtr 3			0	0	0	0	0	0
SSDC	Core Cross-Cutting Services	Main Accounting	Qtr 3			0	0	0	0	0	0
SSDC	Core Cross-Cutting Services	Managing Complaints	Qtr 3			0	0	0	0	0	0
SSDC	Core Cross-Cutting Services	Payroll	Qtr 3			0	0	0	0	0	0
SSDC	Service Reviews	Council Tax	Qtr 3			0	0	0	0	0	0
SSDC	Service Reviews	Housing & Council Tax Benefits	Qtr 3			0	0	0	0	0	0
SSDC	Service Reviews	NNDR	Qtr 3			0	0	0	0	0	0
SSDC	Service Reviews	Play & Youth Facilities	Qtr 3			0	0	0	0	0	0
SSDC	Service Reviews	Treasury Management	Qtr 3			0	0	0	0	0	0
SSDC	Core Cross-Cutting Services	Fees and Charges	Qtr 4			0	0	0	0	0	0
SSDC	Core Cross-Cutting Services	Health and Safety	Qtr 4			0	0	0	0	0	0
SSDC	Core Cross-Cutting Services	Managing with Reduced Resources	Qtr 4			0	0	0	0	0	0
SSDC	Core Cross-Cutting Services	MTFP Process	Qtr 4			0	0	0	0	0	0
SSDC	ICT	ICT Service Management & Governance	Qtr 4			0	0	0	0	ICT	0
SSDC	Service Reviews	Car Loans	Qtr 4			0	0	0	0	0	0
SSDC	Service Reviews	Car Parks	Qtr 4			0	0	0	0	0	0
SSDC	Service Reviews	Care Line	Qtr 4			0	0	0	0	0	0
SSDC	Service Reviews	Goldenstones	Qtr 4			0	0	0	0	0	0
SSDC	Service Reviews	Octagon Theatre	Qtr 4			0	0	0	0	0	0
SSDC	Service Reviews	Property Services	Qtr 4			0	0	0	0	0	0
SSDC	Service Reviews	Section 106 & Commuted Sums	Qtr 4			0	0	0	0	0	0

Audit Framework Definitions

Control Assurance Definitions

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 in relation to the areas reviewed and the controls found to be in place. Some key 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.

Categorisation Of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors, however, the definitions imply the importance.

Priority 5: Findings that are fundamental to the integrity of the unit's business processes and require the   immediate attention of management.

Priority 4: Important findings that need to be resolved by management.

Priority 3: The accuracy of records is at risk and requires attention.

Priority 2: Minor control issues have been identified which nevertheless need to be addressed.

Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

Definitions of Risk

Risk	Reporting Implications
Low	Issues of a minor nature or best practice where some improvement can be made.
Medium	Issues which should be addressed by management in their areas of responsibility.
High	Issues that we consider need to be brought to the attention of senior management.
Very High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.