



South Somerset District Council

Report of Internal Audit Activity
Quarter 2 Update - April 2011 to date

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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 from last year have been agreed and the 2010/11 audit plan was completed several months ago.

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 any Quarter 1 audits that were not completed when we reported in June 2011 and on progress for Quarter 2 from July 2011 to date. Members are asked to comment on and note the content of this report.

Quarter 2 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. These are shown in [Appendix C](#).

Only one completed audit has received partial assurance; Wincanton Sports Centre.

The Auditor concluded 'The General Managers appointment was relatively new and she was currently reviewing local working practices at the Centre. She felt that she needed time to assess where changes were needed in order to strengthen the overall control environment.

In some areas examined in this audit the documentation of working practice had diverged from the actual working practice. In other areas changes had yet to be introduced but the General Manager was very much aware of the aspects which she wanted to change.

Quarter 2 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

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Key areas of cash handling, cash receipting and the authorisation of discounts and refunds are areas where improvements in the management controls are needed. As regards Health and Safety some changes to working practice are under consideration by the General Manager and when such changes are introduced the management processes will be improved and attendant risks lowered.

Business Continuity is however a key area where work needs to be done locally and in conjunction with key suppliers to both formulate and test effective back up arrangements in order to ensure continuity of services if normal facilities are interrupted. Purchasing practices also need to be reviewed to confirm that best value is being achieved.'

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. 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 2 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 [Appendix A](#). 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

Although there has been a partial assurance provided, overall the vast majority of reviews find that the areas are well controlled. In total SWAP have provided management with 82 recommendations for improvement but only 18 were considered high priority (12 of these were for Wincanton Sports Centre) and at half way through the year I would be able to provide reasonable assurance on the control environment as a whole.

Plan progress is on target and it is expected that SWAP shall complete the agreed audit plan by the year end.

APPENDIX A

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 Debt Recovery	Qtr 1	Completed	Reasonable	6	0	0	5	1	0
SSDC	Core Cross-Cutting Services	Register of Interests - Members Related Parties	Qtr 1	Draft		3	0	1	0	2	0
SSDC	Core Cross-Cutting Services	Scheme of Delegation	Qtr 1	Completed	Comprehensive	0	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	Annual Governance Statement	Qtr 1	Completed	Reasonable	2	0	0	2	0	0
SSDC	Core Cross-Cutting Services	Threat from Fraud & Corruption (Policy)	Qtr 1	Completed	Reasonable	7	0	0	5	2	0
SSDC	Core Cross-Cutting Services	Partnership Arrangements	Qtr 1	Completed	Reasonable	5	0	0	5	0	0
SSDC	Service Reviews	Wessex Homes Investment Loans	Qtr 1	Complete	Non Opinion	0	0	0	0	0	0
SSDC	Core Cross-Cutting Services	Information Governance	Qtr 2	Completed	Reasonable	4	0	0	3	1	0
SSDC	Service Reviews	Legal Services	Qtr 2	Completed	Reasonable	5	0	0	4	1	0
SSDC	Service Reviews	Housing Benefit Fraud	Qtr 2	Discussion Doc		3	0	1	1	1	0
SSDC	Service Reviews	Wincanton Sports Centre	Qtr 2	Completed	Partial	23	0	12	9	2	0
SSDC	ICT	Information Security Regulatory Compliance	Qtr 2	Draft	Reasonable	4	0	1	3	0	0
SSDC	Service Reviews	Boden Mill & Chard Regeneration Scheme Statement of Accounts	Qtr 2	Complete	Non Opinion	0	0	0	0	0	0
SSDC	Service Reviews	Workplace Nursery	Qtr 2	Completed	Reasonable	3	0	3	0	0	0
SSDC	Service Reviews	Yeovil Recreation Centre	Qtr 2	Completed	Comprehensive	1	0	0	1	0	0
SSDC	Service Reviews	Yeovil Town Centre Partnership Bank Account	Qtr 2	Removed	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
	Core Cross-Cutting Services	Threat from Fraud & Corruption (Analytical Review)	Qtr 2	In Progress		0	0	0	0	0	0
SSDC	Core Cross-Cutting Services	Maximising Income	Qtr 2	In Progress		0	0	0	0	0	0
SSDC	Core Cross-Cutting Services	Monitoring Compliance with Contract Standing Orders	Qtr 2	In Progress		0	0	0	0	0	0
SSDC	Core Cross-Cutting Services	Capital Accounting	Qtr 3	In Progress		0	0	0	0	0	0
SSDC	Core Cross-Cutting Services	Debtors	Qtr 3	In Progress		0	0	0	0	0	0
SSDC	Core Cross-Cutting Services	Main Accounting	Qtr 3	In Progress		0	0	0	0	0	0
SSDC	Core Cross-Cutting Services	Managing Complaints	Qtr 3	In Progress		0	0	0	0	0	0
SSDC	ICT	Data Centre Follow-Up	Qtr3	In Progress		0	0	0	0	0	0
SSDC	Service Reviews	Council Tax and NNDR	Qtr 3	In Progress		0	0	0	0	0	0
SSDC	Core Cross-Cutting Services	Creditors	Qtr 4			0	0	0	0	0	0
SSDC	Core Cross-Cutting Services	Payroll	Qtr 4			0	0	0	0	0	0

SSDC	Service Reviews	Housing & Council Tax Benefits	Qtr 4			0	0	0	0	0	0
SSDC	Service Reviews	Play & Youth Facilities	Qtr 4			0	0	0	0	0	0
SSDC	Service Reviews	Treasury Management	Qtr 4			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 (Safeguarding)	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	0	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