



South Somerset District Council

Internal Audit Plan 2012/13

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Our audit activity is split between:

- **Key Control Audits**
- **Key Income Control Audits**
- **Fraud/Governance Audits**
- **IT Audits**
- **Operational Audits**
- **Follow Up Audits**
- **Non-Opinion Reviews**
- **Support Activities**

Role of Internal Audit

The Internal Audit service for South Somerset District Council (SSDC) is provided by South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved and last reviewed by the Audit Committee at its meeting in February 2011.

Internal Audit provides an independent and objective opinion on the Authority’s control environment by evaluating its effectiveness. In order to achieve this, the audit activity is split between the reviews outlined alongside.

Background

It is recommended by the Audit Commission and is recognised best practice that an appropriate Committee of the Council scrutinises and approves the annual internal audit plan. The plan is presented as an Appendix to this report and represents the internal audit activity for the 2012/13 financial year.

There has been a reduction in the plan for this year of 40 days (459 down to 419 days), representing almost 9% and a saving to SSDC of £11,200. It should be noted that plan days are only indicative for planning our resources. At the start of each audit an initial meeting is held to agree the terms of reference for the audit which includes the objective and scope for the review; of course any changes to individual plan items, in terms of days, are managed within the annual payment made by the Council.

The plan is pulled together with a view to providing assurance to both Officers and Members that current and imminent risks faced by the Authority are adequately controlled and managed. As with previous years the plan will have to remain flexible as new and emerging risks are identified. Any changes to the agreed plan will only be made through a formal process involving Senior Management and the Council’s Client Officer.

The Annual Plan

The Annual Plan

In order to develop the plan for the year, the Audit Manager engaged with the Assistant Director (Finance and Corporate Services) and liaised with Heads of Service and the Management Team. In addition, SWAP Management facilitated a Control and Risk Self-Assessment (CRSA) session with the SWAP Management Board. This session identified emerging risks facing local authorities in general with a view to co-ordinate, where possible, with the audit plans of the other members of the South West Audit Partnership (SWAP). Joint audits of this kind derive real benefits in both reducing the overall time taken and in the shared lessons that can be learnt by all the partners.

The audit plan is broken down into the activities identified on page 1. Each of these activities is considered following consultation and assessment. The following is a summary of each activity:

Key Control Audits – focus primarily on key risks relating to the Council’s major financial systems. It is essential that all key controls identified by the External Auditors are operating effectively to provide management with the necessary assurance. To this end we have liaised with the Audit Commission representatives and included any requirements they have in providing them necessary assurance, in line with the International Auditing Standards, that they are required to audit against.

Key Income Control Audits – focus primarily on key risks relating to the Council’s major income stream systems. It is essential that there is ongoing effective governance in respect of the business income and shortfalls do not go undetected.

Fraud/Governance Audit – This year SWAP have introduced a specialised Fraud Team who will undertake proactive fraud reviews and also provide a reactive service to Partners should the need arise. These themes and the Governance reviews were identified at the CRSA session involving Partner Section 151 Officers or their representatives.

The Annual Plan - Continued

The Annual Plan - Continued

The focus of the Governance reviews is primarily the key risks relating to cross cutting areas that are controlled and/or impact at a corporate rather than service specific level. It also provides an annual assurance review of areas of the Council that are inherently higher risk. This work will, in some cases, enable SWAP to provide management with added assurance that they are operating best practice as we will be conducting most of these reviews at all our Partner Sites.

IT Audits –are completed to provide the Authority with assurance with regards to their compliance with industry best practice. The IT audit plan is a specialist area and SWAP has appointed an IT Audit Manager to lead these audits. The systems to be reviewed will be agreed between the ICT Manager and the SWAP Audit Manager.

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. The areas identified for 2012-13 are those where the Client Officer (S151 Officer) is seeking assurance; usually as significant change is planned or there have been several years since the area was last reviewed in detail.

Non-Opinion Reviews - are undertaken at the specific request of management, where they may have some concerns or are looking for advice on a particular subject matter. Such reviews are not normally afforded an audit opinion.

Follow Up Audits – Where an audit receives a Partial or No Assurance level, SWAP are required to carry out a follow up review to provide assurance that identified weaknesses have been addressed and risks mitigated. A contingency has been built in to the plan for quarters 3 and 4 so that should any early reviews be awarded this level of assurance they can be followed up in a timely manner.

The Annual Plan - Continued

The Annual Plan - Continued

Support Activities – are included to allow time for SWAP to provide on-going advice and administer the Internal Audit Service for the Council, including Committee Reporting and liaison with the Council's External Auditors.

The SSDC Annual Internal Audit Plan for 2012/13 is attached as an Appendix.