

APPENDIX A



South Somerset District Council

Report of Internal Audit Activity
Quarter 3 Update, 2013-14

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Our audit activity is split between:

- **Operational Audit**
- **Key Controls, Finance**
- **Key Controls, Income**
- **Governance, Fraud & Corruption Audit**
- **IT Audit**
- **Special 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, but also follows the CIPFA Code of Practice for internal audit. The Partnership is also guided by the Internal Audit Charter last approved in August 2013.

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

- Operational Audit Reviews
- Annual Review of Key Financial System Controls
- Annual Review of Main Income Stream System Controls
- Cross Cutting Fraud and Governance Reviews
- IT Audit Reviews
- Other Special or Unplanned Reviews

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 Directors, Assistant Directors, Service Managers and External Audit. This year's Audit Plan was approved by the Audit Committee at its meeting in June 2013, following a revision to the plan approved in February 2013. Since June, a number of minor scheduling changes have been made to the audit plan. An updated list of all audits planned for 2013/14 and their status at the end of Quarter 3 is detailed in [Appendix B](#).

Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

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

Quarter 3 Outturn:

Audit Assignments undertaken in the Quarter

- Operational Audits

Internal Audit Work Programme

The schedule provided at [Appendix B](#) contains a list of all audits as agreed in the Annual Audit Plan 2013/14. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “control assurance” opinions 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.

Operational Audits

Operational Audits are a detailed evaluation of a Service’s 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. In Quarter 3 there was one Operational audit planned and completed;

- Payroll – Final – Substantial Assurance

Quarter 3 Outturn:

Audit Assignments undertaken in the Quarter

- **Key Controls; Finance**

Quarter 3 Outturn:

Audit Assignments undertaken in the Quarter

- **Key Controls; Main Income Stream Audits**

Key Controls, Finance Audits

In a change to previous years, it was agreed by the Audit Committee to replace Key Control Audits with Operational and Governance Audits for 2013/14. This reflects the positive assurance opinions that have been awarded in relation to Key Control Audits over the last few years, and an appetite to explore other risks and processes at the Council. A complete list of audits planned for the year 2013/14 is detailed in Appendix B.

Key Controls, Main Income Stream Audits

Main income stream audits remain in the plan. Although there were none planned for Quarter 3, several have already commenced.

A complete list of audits planned for the year 2013/14 (including the Main Income stream audits, scheduled for quarter 4) is detailed in Appendix B.

Quarter 3 Outturn:

Audit Assignments undertaken in the Quarter

- **Governance, Fraud and Corruption Audits**

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. It also provides an annual assurance review of areas of the Council that are inherently higher risk.

There were 4 Governance audits scheduled for Quarter 3.

Audit Area	Opinion	Audit Area	Opinion
Unofficial Voluntary Funds	In Progress	Business Rates – Managing New Risks and Liabilities	In progress
Social Networking	In Progress	Bailiffs	Draft

An update on the above audits will be available in the next quarterly report. In addition to these audits, 3 follow up audits, originally scheduled for Quarter 4 were completed:

- TEN Risk Management System Follow-Up
- Better Contract Management Follow-Up
- Contract Management Standing Orders Compliance Follow-Up

And 2 audits (also scheduled for quarter 4) are in progress:

- Debt Management
- Asset Management Leasing

Cash Receipting & Bank Reconciliation (& Cash Collection Contract) has been moved to 2014/15 and replaced with an audit that Committee asked for on S106 Agreements - Discharging Planning Obligations.

Fighting Fraud Locally (reported at Draft last quarter) has now been finalised with Reasonable assurance.

Quarter 3 Outturn:

Audit Assignments undertaken in the Quarter

- Information Systems
- Special Reviews

Information Systems

Information Systems – IT audits provide the Authority with assurance with regards to their compliance with industry best practice. As with Operational Audits, an audit opinion is given.

There was one IT Audits scheduled for Quarter 3:

- Disaster Recovery Planning – In Progress.

An update on this audit will be available in the next quarterly report.

In addition to this, the ICT Strategy Audit, originally scheduled for Quarter 4 is at Discussion Document stage and the Event, Incident and Problem Management Audit (also scheduled for Quarter 4) is in progress.

Special Reviews

I am pleased to report that since April 2013 there have been no irregularities reported to SWAP that have required investigation on behalf of SSDC.

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](#) and is subject to any changes in agreement with the S151 officer.

Conclusions

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 of [Appendix C](#).

The Committee will be aware that in May 2013, SWAP were pleased to provide an Audit Opinion for the Annual Governance Statement for 2012/13 that gave Reasonable Assurance. Work carried out to date in Quarter 3 largely supports this level of assurance for 2013/14.

There have been no significant Corporate Risks identified from the work completed so far in Quarter 3.

Our approach to the audits for 2013/14 reflects this positive assurance and we are seeking to undertake more challenging and cross-cutting reviews rather than traditional service reviews that we have done over recent years, given that these areas have now proven themselves to have adequate and often good internal controls.

A list of all audits planned for 2013/14 and their status at the end of Quarter 3 are detailed in [Appendix B](#).