

ITEM

ITEM

Audit Committee – 8 April 2008

PROGRESS AGAINST THE 2007/08 INTERNAL AUDIT PLAN

Report of Strategic Director (Resources)

Statutory Powers: Section 111 Local Government Act 1972; and
Accounts and Audit Regulations 2003.

Financial Implications: None: within existing budgets.

Purpose

The purpose of this report is to inform members of the progress made to February 2008 by the Council's Internal Audit section against the 2007/08 annual audit plan, which was reviewed by members in April 2007 (Scrutiny) and June 2007 (Audit Committee).

Recommendation

That the Audit Committee RESOLVES to consider the progress made against the 2007/08 Internal Audit Plan.

Background

1. The 2007/08 Internal Audit Plan was presented to Scrutiny in April 2007 and the Audit Committee in June 2007. It is attached at **Appendix A** and has been extended to show the latest position for each audit at the date of this report. It replicates a part of the monitoring report presented to the Strategic Director (Resources) on a monthly basis.
2. There are no issues identified by Internal Audit in the work carried out so far in 2007/08 that are considered to be of significant nature in corporate terms.
3. **Exempt Appendix B** provides a summary of the main issues raised for all of the audits where a final audit report has been issued. This too forms part of the report to the Strategic Director (Resources and Deputy S.151 Officer). In addition, the Appendix shows the results of our follow up of previous audit work and tasks that have not produced an audit report.
4. The reporting regime for the Audit Committee is still at development stage, as the Internal Audit Manager needs to balance the resources required to complete the audit plan with the duty to assist the Audit Committee in achieving its objectives. This is the third report of the year informing members of the progress against the plan.

5. A detailed final report on the activities for the full 2007/08 will be brought to the Audit Committee in June 2008.

Performance

6. Internal Audit uses a range of performance indicators as part of its performance management and quality assurance framework and these will be reported to the Audit Committee in full in the year-end report. At this stage in the year, a key indicator is the 'Completion of 2007/08 Audit Plan' is as follows:

Indicator	Target %	Actual %	Comments
Audits completed from 2006/07 audit plan.	90	90	February 2007 position: 83%
Audits at the end of February at various stages of completion from 2007/08 audit plan.	90	85	Expected to complete 94% of plan. Covalent Target (February): 81%

Risk Assessment

Risk	Mitigation
The directing of scarce audit resources away from areas of high risk to the Council.	Risk based audit plan, reviewed by senior managers and members, and updated as appropriate through the year.
The external auditor placing no reliance upon the work of internal audit, resulting in additional charges to carry out the audits required to allow him/her to issue the certificate and opinion on the Council's accounts, including for the Statement on Internal Control.	Regular liaison with the external auditor. Risk based audit plan, reviewed by senior managers and members, and updated as appropriate through the year. Regular monitoring of progress by the S.151 Officer and the Audit Committee.
The Council's Statement of Internal Control cannot be signed if Internal Audit fails to complete the work set out in the approved risk based audit plan due to unforeseen circumstances.	Regular monitoring of performance by the S.151 Officer and the Audit Committee. Audit approach adheres to the appropriate professional standards. Closer links with our neighbouring Council's audit team will provide reasonable assurance that higher risk audits are covered each year.

Conclusion

7. Very few issues identified by Internal Audit in the work carried out so far in 2007/08 are of a significant nature in corporate terms.
8. This report also demonstrates that for 2007/08 to February 2008, the Council's Internal Audit section is making satisfactory progress on the work set out in the plan for the year.
9. The reporting regime for the Audit Committee is still at development stage, as the Internal Audit Manager needs to balance the resources required to complete the audit plan with the duty to assist the Audit Committee in achieving its objectives. A detailed report on the activities for the 2007/08 audit year will therefore be brought to the Audit Committee in June 2008.

Allan Goodman
Internal Audit Manager

Audit Committee
8 April 2008

John Foxworthy
Head of Financial Services

Mark Seymour
Strategic Director (Resources)

Index of Appendices

Appendix A – Progress against 2007/08 Internal Audit Plan
Appendix B (Exempt) - Summary of the Main Issues Raised in Final Audit Reports

Background Documents:

2007/08 Internal Audit Plan
2006 CIPFA Code of Practice for Internal Audit in Local Government

SOUTH HAMS DISTRICT COUNCIL

INTERNAL AUDIT – ANNUAL PLAN 2007/08



**South Hams
District Council**

Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisations goals. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and use of resources' - *CIPFA Code of Practice for Internal Audit in Local Government 2003*

Objectives: the audit plan upholds the Council's objectives and commitments as with every audit we are seeking continuous improvement of services, making best use of available resources to fulfil priorities and deliver services with skill, competence and integrity.

FUNDAMENTAL SYSTEMS

Fundamental systems are those that the Council's external auditor considers to be so important that a failure in key controls may lead to their withholding or qualifying the opinion on the Council's statement of accounts. We therefore need to audit these systems on an annual basis; days based on the risk score, benchmarking and experience.

	Priority Rating	Council Objective		Progress	2007/08 Days
Main Accounting System and Budgetary Control	1	CP6	Accounts for the Council's activities and assists in meeting the budgets set by the Council. Linking systems and audits: <i>Accounts:</i> All financial systems; <i>Budgets:</i> Council Tax (Setting); <i>Computer audit:</i> Access to system. Audit work to also cover the small number of Trusts and Bequests and Corporate Recharging.	Completed, awaiting report	13
Payments	1	CP6	Pays the Council's creditors promptly and accurately and processes other internal debit items. Linking systems and audits: Main Accounting; Treasury Management; Council Tax (Refunds); NDR (Refunds); Housing Benefits; Petty Cash. <i>Computer audit:</i> Access to system. Including the introduction of purchase cards (<i>to be reviewed with Procurement</i>).	Final Report	12
Payroll	1	CP6	Ensures accurate calculation and timely payment of salaries and wages to employees. Linking systems and audits: Main Accounting; <i>Computer audit:</i> Access to system. To include West Devon payroll and redundancy payments.	Final Report	11
Council Tax	1	CP6	Calculates, bills, accounts for and assists in recovery of cash paid by Council Tax payers. Linking systems and audits: Main Accounting; Housing Benefits; Cash Collection; <i>Computer audit:</i> Access to system. New system 2007/08. Audit to include Parish precepts.	Final Report	14

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FUNDAMENTAL SYSTEMS (Continued)

	Priority Rating	Council Objective		Progress	2007/08 Days
NDR	1	CP6	Calculates, bills, accounts for and assists in recovery of cash paid by NDR payers. Linking systems and audits: Main Accounting; Council Tax; Creditors; <i>Computer audit: Access to system.</i>	Final Report	13
Benefits	1	CP6	Ensures accurate calculation and timely payment of Housing Benefits. Linking systems and audits: Main Accounting; Council Tax; Creditors; <i>Computer audit: Access to system.</i>	Draft Report	29
Debtors	1	CP6	Invoices, accounts for and assists in recovery of cash due to the Council. Linking systems and audits: Main Accounting; Cash Collection; <i>Computer audit: Access to the system</i>	Final Report	12
Treasury Management	1	CP6	Manages the Council's cash flow and invests monies to maximise the interest earned. Linking systems and audits: Main Accounting; Creditors; Cash Collection; <i>Computer audit: Access controls re Financial Director software.</i>	Final Report	7
Sub-Total					111

OTHER SYSTEMS AND AUDIT WORK

The planned audit work is presented mainly in service group order.

The ***bold italic sub-headings*** above each audit further groups the proposed audit areas in accordance with the CIPFA Best Value Accounting Code of Practice.

The '**Priority Rating**' above is derived from a statistical assessment of risk that includes the value of transactions, complexity, susceptibility to fraud or error, last audit coverage, impact on other systems and political sensitivity. A rating number of 1 is audit work carried out annually as required by high internal risk plus external influences such as the External Auditor or Use of Resources assessments; 2 is an annual audit as a result of the assessed risk to the Council; and, 3 a lower audit risk and frequency of coverage (once in 3 years). Those audits brought forward from last year will have their rating enhanced with a plus sign (+).

Council's Priorities The link to the Council's published priorities.

Proposed Quarter column shows the proposed quarter of the year in which a specific audit will be started. It has been drawn up giving regard to known audit needs and service pressures. However, the plan is flexible enough to take account of unforeseen matters for both internal audit and service managers, so the proposed quarter is effectively indicative.

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OTHER SYSTEMS AND AUDIT WORK (Continued)					
	Priority Rating	Council Objective		Progress	2007/08 Days
BUSINESS DEVELOPMENT					
Highways, Roads And Transport Services					
Car and Boat Parking	2	CP2 CP3	Audit covers all aspects of the car park services based on a rolling sub plan, with pay and display, season tickets and standard charges key.	Draft Report	9
Recycling	3	CP4	Audit work relating to the income, expenditure and Performance Indicators relating to the Council's recycling scheme.	Final Report	7
Sub-Total					16
COMMUNITY REGENERATION					
Planning and Development Services					
Planning Policy including S.106 Agreements	3	CP3	Review of the processes relating to planning policy with particular emphasis on the management of S.106 Agreements.	Commenced	7
Sherford New Community	3	CP3	Review of the expenditure relating to this significant project for the Council.	Commenced	6
Sub-Total					13
CORPORATE SERVICES					
Central Services					
Electoral Registration	3	CP6	Review of the income, expenditure and processes for the preparation and maintenance of the register of electors.	Final Report	6
Land Charges	3+	CP6	Audit of the systems in place surrounding the maintaining of the local land register and requests for certificates of search. Audit to include street naming.	Final Report	6
Sub-Total					12
CUSTOMER SERVICES					
Customer Services/Complaints	3	CP5	Cashiering function covered in 2006/07, including feed by the cashiers system to the ledger. This time put aside for other control issues and processes, in association with the Head of Service.	Suspended 5 days	0
Sub-Total					0

Continued Overleaf

OTHER SYSTEMS AND AUDIT WORK (Continued)				Progress	2007/08 Days
	Priority Rating	Council Objective			
ENVIRONMENTAL HEALTH					
<i>Environmental Services</i>					
Housing Standards	3+	CP1	Review of the expenditure used to ensure that private sector residents live in safe and sanitary accommodation.	Final Report	5
<i>Housing Services</i>					
Private Sector Housing Renewal	2	CP1	Common area for fraud. Coverage will include system for providing grants & loans.	Final Report	6
Sub-Total					11
FINANCE					
<i>Holding Accounts</i>					
Insurance	3	CP6	Review of all aspects of the Council's insurance including cover, costs, claims and recharging.	Final Report	7
<i>Other</i>					
Capital Expenditure	2	CP6	Audit of expenditure of a capital nature to ensure that monies spent in line with the Capital Programme and Financial Regulations/Contract Standing Orders.	Final Report	7
Sub-Total					14
ICT					
<i>Holding Accounts</i>					
Drawing Office	3	CP6	Audit of the systems in place to control all aspects of the drawing office's business.	Draft Report	6
Sub-Total					6
IMPROVEMENT					
<i>Other</i>					
Best Value - including Performance Indicators	1	Various	The Council's Performance Indicators selected by the Audit Commission are subject to audit by the Council's external auditor. Our work on the key indicators reduces the work that the external auditors need to do.	Final Report	35
Sub-Total					35

Continued Overleaf

OTHER SYSTEMS AND AUDIT WORK (Continued)				Progress	2007/08 Days
	Priority Rating	Council Objective			
LANDSCAPE & LEISURE					
<i>Culture And Related Services</i>					
Leisure Centres - Client	3	CP6	Review of the arrangements in place to monitor the leisure management contract, and the related financial transactions.	Draft Report	5
<i>Planning And Development</i>					
Environmental Initiatives	3	CP3	Audit of costs that are related to protecting or improving the natural environment.	Completed	6
Sub-Total					11
MARITIME					
<i>Highways, Roads And Transport Services</i>					
Salcombe Harbour	2	CP3	Audit work normally based on a sub-plan to ensure coverage of all harbour activities over a period of years.	Final Report	10
Sub-Total					10
OPERATIONS					
<i>Environmental Services</i>					
Public Conveniences	3	CP4	Review of arrangements for running, cleaning and maintaining public toilets.	Final Report	7
<i>Highways, Roads And Transport Services</i>					
Dartmouth Lower Ferry	2	CP2	Audit work normally based on a sub-plan to ensure coverage of all ferry activities over a period of years.	Final Report	10
Transport and Heavy Plant	3	CP4 CP6	Consideration of all aspects of vehicle fleet management, including recharging of costs.	Final Report	7
Sub-Total					24
PLANNING AND BUILDING CONTROL					
<i>Planning And Development</i>					
Development Control – Planning Applications and Advice	3	CP3	Audit of the system for processing planning applications and the related financial transactions. To include Performance Indicators and Listed Buildings.	Carry Forward to 2008/09	7
Development Control - Enforcement	3+	CP3	Review of systems relating to the monitoring and enforcing of planning conditions.	Carry Forward to 2008/09	6
Sub-Total					13

Continued Overleaf

OTHER SYSTEMS AND AUDIT WORK (Continued)				Progress	2007/08 Days
	Priority Rating	Council Objective			
PROPERTY SERVICES					
<i>Environmental Services</i>					
Flood Defence and Land Drainage	3	CP3	Review of the expenditure used for activities relating to drainage and the prevention of flooding such as flood defences, advice and information.	Final Report	5
<i>Planning And Development</i>					
Employment Estates	3+	CP2	Links to employment estates, audit will consider controls over both expenditure and related income.	Final Report	6
Investment Properties	3+	CP2	Links to employment estates, audit will consider controls over both expenditure and related income.	Final Report	6
Sub-Total					17
OTHER					
Petty Cash, including postage	3	CP6	Audit of expenditure from petty cash.	Suspended 4 days	0
Telephones (Mobile/Network)	3	CP6	Audit testing of the provision and use of landline and mobile telephones	Commenced	5
Follow Up Of Previous Year's Audits	1	Various	A revisit of the previous year's recommendations to ensure that the agreed actions have been implemented and are working satisfactorily.	Completed	5
Contingency (unplanned)	1	Various	An allowance for the numerous unexpected audit tasks and control advice to managers, including investigation of any suspected irregularities.	60 days	60
<i>Overspends (Paragraph 13)</i>				-56 days	-
<i>Additional time European Grants Officer (Paragraph 15)</i>				+57 days	-
Sub-Total					70
COMPUTER AUDIT					
Internet Monitoring	2	CP6	Regular review of the use of the Internet with the aid of dedicated software, to ensure Council's policy for Internet use is adhered to.	Final Report	4
Computer Audit	2	CP6	Computer audit subject to a separate planning process including liaison with the external auditors' Computer Auditor.		22
Sub-Total					26

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OTHER SYSTEMS AND AUDIT WORK (Continued)			Progress	2007/08 Days	
	Priority Rating	Council Objective			
NON-FINANCIAL AUDITS					
CPA: Use of Resources/ Corporate Governance	1	CP6	Work relating to Use of Resources assessments. Audit of the Council's Local Code of Corporate Governance and subsequent report with the S.151 and Monitoring Officer to Scrutiny and the Standards Committee.	10	
System of, and Statement, on Internal Control (SIC)	1	CP6	Internal Audit in its annual report to the Council must include an opinion of the overall adequacy and effectiveness of the internal control environment and bring to the Council's attention any issues that will impact on the preparation of the SIC. (SIC Control Environment: achievement of objectives, policy and decision making, complying with policies etc., risk management, financial management, best value and performance management) The SIC is to be approved at a meeting of the Council on the recommendation of Scrutiny, who should seek to satisfy themselves that they have obtained sufficient, relevant and reliable evidence to support the disclosures made. Following approval the SIC is to be signed by the most senior officer and most senior member of the Council.	Audit C'ttee Sept 2007 Final Report	15
Risk Management/Business Continuity Including audit based on risk register:	1	CP6	Audit of the Council's risk management process as required by the Council's Strategy, and business continuity. Budget also includes: Advice to the Risk Management Group and individual risk workshops. The selection of an area for audit that appears in the Council's risk register as a high risk to the Council.		8 12
• Recruitment			For 2007/08 the selected area is the Council's recruitment process and will include expected new computer software.	Commenced	
Freedom of Information and Data Protection		CP5 CP6	To review the arrangements that the Council has made for the necessary processes to meet the requirements of the Freedom of Information Act. Continues to comply with the Data Protection Act.	Final Report	5
Procurement including Leasing		Various	To consider the Council's policies and arrangements for procurement to include the review of any leasing agreements and the use of purchase cards.	Carry Forward to 2008/09	5
<i>Partnership Management</i>	3	CP6	<i>Review of a sample of partnerships to ensure that they are being managed within the requirements of related Council policies.</i>	Commenced	8
Sub-Total					63

Continued Overleaf

OTHER SYSTEMS AND AUDIT WORK (Continued)				Progress	2007/08 Days
	Priority Rating	Council Objective			
PARTNERSHIP WORKING					
External Partners					
Dartmouth Town Council	2	CP6	Systems based and final accounts audit carried out to the standards set by the Town Council's external auditor.	Final Report	5
External Audit	1	CP6	By agreement, audit work on financial systems and performance indicators.	-	-
Neighbouring Councils					
Teignbridge District Council	1	CP6	Exchange of audit resource where mutually beneficial, including computer audit advice.	-	-
Sub-Total					5
AUDIT MANAGEMENT				Days Used	Days
Audit Administration			-	25	20
Audit Management, including Audit Planning			-	17	15
Audit Monitoring Reports to Management and Audit Cttee			-	12	15
Training			-	3	10
Miscellaneous e.g. Shared Services			-	13	5
Financial Instructions				Completed	<i>Increased to 6</i>
Contract Standing Orders				Completed	
Sub-Total					66
TOTAL RESOURCES REQUIRED 2007/08					523
From above					
RESOURCES AVAILABLE					2007/08 Days
2 Whole Time Officers					522
European Grants Officer - Estimated					115
Sickness Basis of Estimate: CIPFA Guidance				-	-40
Bank Holidays					-20
Annual Leave					-54
TOTAL RESOURCES AVAILABLE					523
Allan Goodman					
Internal Audit Manager					
March 2007					



**South Hams
District Council**

SOUTH HAMS DISTRICT COUNCIL

INTERNAL AUDIT

ANNUAL COMPUTER AUDIT PLAN – 2007/08

AUDIT AREAS	Priority Rating	Council Objective	Progress	2007/08 Days
Installation & Healthcheck , including: <ul style="list-style-type: none"> • Database Management • Environment Controls • Input Data and Running Files • Access control • Back-up • Disaster Recovery 	1	CP6		8
Security & Strategy CIPFA Guidance - <ul style="list-style-type: none"> • IS/ICT Strategy. 	3	CP6		7
E Commerce CIPFA Guidance - <ul style="list-style-type: none"> • E Commerce. 	3	CP6		7
Other Reviews <ul style="list-style-type: none"> • Follow up of prior year reports; • E-Government; • Telecommunications Network; • CAATs; • Follow up of prior year reports; and • Other – through liaison with the external auditors and updating of the risk assessment. 	2	CP6		Included above or in main audit plan
TOTAL RESOURCES REQUIRED				22
RESOURCES AVAILABLE				2007/08 Days
Computer Audit in Main Audit Plan (Appendix A)				22
TOTAL RESOURCES AVAILABLE				22

The computer audit plan was also derived from an audit assessment of all of the systems within the Council requiring audit 'the Computer Audit Universe'. Once these systems were identified an assessment of risk was applied, based on a statistical methodology in the same way as the main audit plan (see Appendix A).

The 3-year computer audit plan is based on the CIPFA 'Computer Audit Guidelines'. Again the priority rating has been simplified. Work will be carried out either annually or once only in 3 years depending on the audit risk.

Our computer audit plan also upholds the Council's aims and priorities as with every audit we are seeking continuous improvement of services, making best use of available resources to fulfil priorities and deliver services with skill, competence and integrity.

Allan Goodman
Internal Audit Manager
March 2007