

**Scrutiny – 18 December 2006****INTERNAL AUDIT – REPORT ON PROGRESS AGAINST THE 2006/07  
INTERNAL AUDIT PLAN****Report of the Strategic Director (Resources)**

**Statutory Powers:** Accounts and Audit Regulations 2003

**Financial Implications:** None, within existing budgets.

**Purpose**

The purpose of this report is to inform members of the principal activities and findings of the Internal Audit section of Financial Services for 2006/07 to November 2006, by:

- Providing a summary of the main issues raised by completed individual audits; and
- Showing the progress made by the section against the 2006/07 annual audit plan, reviewed by members in April 2006.

Links to **Priorities** - CP6: Improve core service performance in a cost-effective way.

**Recommendations**

**That Scrutiny RESOLVES to consider the progress made against the 2006 / 2007 Internal Audit Plan and comment on the summary of issues arising.**

**Background**

1. The Accounts and Audit Regulations 2003 and Section 54 of the Local Government Act (Northern Ireland) 1972 provide the legal basis for the establishment of internal audit in local authorities. Paragraph 5 of the Act states that 'A relevant body shall maintain an adequate and effective system of internal audit of their accounting records and control systems'.
2. CIPFA describe Internal Audit 'as 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'.
3. Internal Audit coverage is provided to the Council by a section of 2 officers based within the Financial Services section. Additional resources estimated at 80 days for 2006/07 are supplied by another Financial Services officer, the Council's European Grants Officer, depending on the demands that the grant work imposes.

4. At present the Internal Audit Manager (IAM) reports directly to the Strategic Director (Resources), the Council's Section 151 Officer, with the day to day monitoring role being provided by the Head of Financial Services (Deputy Section 151 Officer).

### **Professional Standards**

5. The audit team operates to the professional standards set out in CIPFA's 'Code of Practice for Internal Audit in Local Government'.
6. The Code 'provides clarification of the internal auditor's role and responsibilities' covering:
  - Scope of Internal Audit;
  - Independence;
  - Audit Committees or Equivalent;
  - Relationships with Management, Other Auditors and Other Review Bodies;
  - Staffing, Training and Development;
  - Audit Strategy;
  - Management of Audit Assignments;
  - Due Professional Care;
  - Reporting; and
  - Quality Assurance.
7. Effective internal audit can enhance the organisation's control environment, which helps to prevent fraud. The audit emphasis changes from year to year to create a cyclical approach, based on a new risk based 3-year plan for 2006/07 to 2008/09 which was presented to Scrutiny in April 2006.
8. Key partners are PricewaterhouseCoopers, the external audit provider to the Council, and those officers operating systems and working in establishments that are subject to review.

### **External Auditor**

9. As part of their annual audit culminating in an 'Opinion and Certificate' being given on the Council's Statement of Accounts, the external auditor carry out tests on the financial systems that they consider to be 'fundamental' to that process.
10. An agreement is in place between the external auditor and the Council, to ensure that scarce audit resources are efficiently used and that the work undertaken by internal audit satisfies their needs.
11. Under the Audit Commission's 'Managed Audit' approach, the external auditor is able to place reliance on the work of Internal Audit to reduce their testing on the main or fundamental financial systems. This dictates a significant proportion of the internal audit year.
12. Their reliance is subject to a review of our files to ensure that we have operated to the professional standards set out by CIPFA and outlined above.

## Progress against the Audit Plan – 2006/07

### *Risk Based Amendments to the Plan*

13. The 2006/07 audit plan was presented and accepted by Scrutiny at their meeting of April 2006.
14. The audit plan is continuously reviewed and updated to reflect emerging risks, and these are incorporated into the audit plan either through the contingency days e.g. extra work on the Bank Reconciliation, System of Internal Control and Best Value Performance Indicators (BVPs), or by change to the plan, depending on the significance.
15. We have become aware that one key system is likely to require additional audit time later in the year, Council Tax. New Council Tax software is expected to be introduced in February 2007 and consequently an audit will be required of the existing system, new system and the transfer of any data between the two.
16. The time required to carry out this extra audit, is estimated at 5 days, and requires a lower risk area from the original plan to be suspended:

<b>Audit</b>	<b>Planned Days</b>	<b>Reason for Suspension</b>
Housing Standards	5	Mainly officer time except for Energy Efficiency grant aid. Completion of the related Private Sector Housing Renewal audit suggests that it is unlikely that significant issues would be found in this area.
<b>Total</b>	5	

17. This suspended audit in the table above will be considered for the 2007/08 audit plan at an enhanced risk score due to the lack of coverage this year.

### *Progress Against the Plan*

18. The 2006/07 Internal Audit Plan presented to Scrutiny in April 2006 is attached at **Appendix A**. This has been extended to show the final position for each audit, and replicates a part of the monitoring report presented to the Strategic Director (Resources) on a monthly basis.
19. The reporting of individual high priority recommendations is set out at **Appendix B**. This is an ongoing part of the report to advise Scrutiny in detail of significant findings since the last report and confirm that the agreed action has been implemented or what progress has been made.
20. **Appendix C** 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). In addition, the Appendix shows the results of our follow up of previous audit work and tasks that have not produced an audit report.
21. **Appendix D** provides a summary of unplanned work carried out by the team. This work is by definition unexpected work, which ranges from advice to

managers on control issues, to the investigation of potential irregularities. Tasks are budgeted from the 'Contingency' line of the audit plan.

## Performance Indicators

22. Internal Audit's performance indicators will be reported to Scrutiny in full in the year-end report.
23. One of the key quality indicators for internal audit performance is the reliance by the external auditor upon the work done by the section. In previous years the external auditor has stated in their letter to members that 'we were able to rely on their work and were satisfied that they provide an adequate contribution towards maintaining sound systems of financial control'. We do not expect this position to change although the latest Audit Letter (2005/06) has yet to be received.
24. At this stage in the year, another key indicator 'Completion of 2006/07 Audit Plan' is as follows:

Indicator	Target %	Actual % to date	Comments
Audits at various stages of completion from 2006/07 audit plan (November).	90	50	Progressing reasonably given the additional work done (paragraph 14) – expecting to complete 90% by the end of the audit year, depending on the levels of unplanned work required.
Equivalent period in 2005/06 (November).	90	51	Full year: 90% target achieved.

25. The indicator for the issue of audit reports within 14 days of the completion of the work or 14 days after the draft reports are discussed is expected to be 100% successful. This is because writing the reports immediately after finishing the audit work, or the discussion meeting, is routine for the section.

## Future Audit Developments – Audit Partnership/Shared Services

### *Progress since the Last Report to Scrutiny*

26. We have discussed with Scrutiny, on several occasions, the proposed audit partnership between South Hams District Council (SHDC), Mid Devon District Council (MDDC) and Teignbridge District Council's (TDC) and its potential benefits and progress.
27. For reasons previously outlined to Scrutiny, delays occurred in formalising the partnership in the spring and early summer of this year.
28. Further attempts by the audit managers were subsequently made to bring together the Board members, to formally sign the partnership agreement, without success due to other work pressures.
29. The proposed partnership has now been superseded to some degree by the results of the Shared Services Scoping Study, with Internal Audit included in Phase 1 and described as a 'quick win'.

30. The Study's proposals differ from the partnership as it excludes Mid Devon District Council and suggests one of the benefits as a single Head of Audit. The remaining benefits described are similar to those for the original partnership.
31. We understand that changes under Shared Services will only be considered based on an acceptable business case, but regardless of the result the audit managers of South Hams and Teignbridge District Councils will continue to bring the teams closer together to achieve the benefits originally identified.
32. The work already completed will therefore not be lost, including:
- A standard Internal Audit manual;
  - A standard working methodology and audit process from starting a project through to follow-up of agreed recommendations; and
  - The development of a common audit management and reporting process with supporting tools, software etc.

*Financial Regulations and Contract Standing Orders*

33. Continuing the theme described above, the SHDC and TDC audit managers have met and are starting to progress a rewrite of the Councils' Financial Regulations and Contract Standing Orders.
34. The intention is to produce documents tailored to each Council's requirements but with the same key rules and limits to reduce the potential for confusion when the shared service agenda commences in earnest.

**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 Scrutiny.
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 Scrutiny. 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.

Proposed Partnership fails or does not provide the expected efficiency gains.

Audit arrangements remain as they are. Regular monitoring of performance by the Partnership Management Board of S.151 Officers and Scrutiny.

## Conclusion

35. Very few issues identified by Internal Audit in the work carried out so far in 2006/07 is of a significant nature, and these appear in the Appendices to this report with a summary of the results of all audits completed.
36. The appendices to this report also demonstrate that for 2006/07 to November 2006, the Council's Internal Audit section is making satisfactory progress on the work set out in the plan for the year. We also expect to have completed more than our target 90% of the plan in terms of days.
37. The section continues to reach the standards set out in CIPFA's Code of Practice for Internal Audit in Local Government enabling the external auditor to place reliance on the work of the section.
38. A report on the activities for the full audit year will be brought to Scrutiny after the end of the 2006/07 financial year.

Allan Goodman  
Internal Audit Manager

Scrutiny  
18 December 2006

Mark Seymour  
Strategic Director (Resources)

## Summary of Appendices

- Appendix A: Audit Plan 2006/07 – Progress to November 2006
- Appendix B: Planned Audit 2006/07 – Final Reports: Detailed Items
- Appendix C: Planned Audit 2006/07 – Summary of Results
- Appendix D: Unplanned Audit 2006/07 – Summary of Results

## Background Documents

- CIPFA Code of Practice for Internal Audit in Local Government 2003.
- SHDC 3-year Audit Plan 2006/07 to 2008/09.

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## SOUTH HAMS DISTRICT COUNCIL

## INTERNAL AUDIT – ANNUAL PLAN 2006/07 AS SUPPORTED BY SCRUTINY IN APRIL 2006



**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.

<b>FUNDAMENTAL SYSTEMS</b>
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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	2006/07 Planned Days
<b>Main Accounting System and Budgetary Control</b>	1	CP6	Accounts for the Council's activities and assists in meeting the budgets set by the Council. <b>Linking systems and audits:</b> <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 remaining mortgages.	Commenced	13
<b>Cash Collection</b>	1	CP6	Processes and accounts for cash received by the Council both physically over the counter and electronically via the Council's bankers. <b>Linking systems and audits:</b> Main Accounting; Council Tax; NDR; Sundry Debtors; Car Parks, Rents etc. <i>Computer audit:</i> Access to system.		10
<b>Payments</b>	1	CP6	Pays the Council's creditors promptly and accurately and processes other internal debit items. <b>Linking systems and audits:</b> Main Accounting; Treasury Management; Council Tax (Refunds); NDR (Refunds); Housing Benefits; Petty Cash. <i>Computer audit:</i> Access to system. Audit work to include control advice on the setting up of electronic ordering.	Electronic Ordering Commenced (5 days)	16
<b>Payroll</b>	1	CP6	Ensures accurate calculation and timely payment of salaries and wages to employees. <b>Linking systems and audits:</b> Main Accounting; <i>Computer audit:</i> Access to system. To include some additional testing re West Devon payroll.		13

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## APPENDIX A

### FUNDAMENTAL SYSTEMS (Continued)

	Priority Rating	Council Objective		Progress	2006/07 Planned Days
<b>NDR</b>	1	CP6	Calculates, bills, accounts for and assists in recovery of cash paid by NDR payers. <b>Linking systems and audits:</b> Main Accounting; Council Tax; Creditors; <i>Computer audit:</i> Access to system.		10
<b>Council Tax</b>	1	CP6	Calculates, bills, accounts for and assists in recovery of cash paid by Council Tax payers. <b>Linking systems and audits:</b> Main Accounting; Housing Benefits; Cash Collection; <i>Computer audit:</i> Access to system. <b>New computer system expected in February, so audit work required on the old, new and any data transfer.</b>	Commenced	12 + 5
<b>Benefits</b>	1	CP6	Ensures accurate calculation and timely payment of Housing Benefits. <b>Linking systems and audits:</b> Main Accounting; Council Tax; Creditors; <i>Computer audit:</i> Access to system.		29
<b>Debtors</b>	1	CP6	Invoices, accounts for and assists in recovery of cash due to the Council. <b>Linking systems and audits:</b> Main Accounting; Cash Collection; <i>Computer audit:</i> Access to the system. <b>Work to include transfer of all remaining data on old system to the new.</b>	Draft Report	9
<b>Treasury Management</b>	1	CP6	Manages the Council's cash flow and invests monies to maximise the interest earned. <b>Linking systems and audits:</b> Main Accounting; Creditors; Cash Collection; <i>Computer audit:</i> Access controls re Financial Director software.	Draft Report	7
<b>Sub-Total</b>					<b>124</b>

### 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).

**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.

## APPENDIX A

### OTHER SYSTEMS AND AUDIT WORK (Continued)

	Priority Rating	Council Objective		Progress	2006/07 Planned Days
<b>BUSINESS DEVELOPMENT</b>					
<i>Highways, Roads And Transport Services</i>					
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.		9
<b>Sub-Total</b>					<b>9</b>
<b>COMMUNITY REGENERATION</b>					
<i>Highways, Roads And Transport Services</i>					
Transport Policy and Public Transport	3	CP2 CP3	Low priority audit now brought in to the plan due to changes in legislation and suspension in previous years.	Final Report	4
<b>Sub-Total</b>					<b>4</b>
<b>CORPORATE SERVICES</b>					
<i>Central Services</i>					
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.		6
<i>Environmental Services</i>					
Cemeteries and Burials	3	CP3	Low priority audit (few transactions) brought in to the plan by revised risk assessment due to suspension of work in favour of higher priority audits in previous years.		3
<i>Other</i>					
Print Room	3	CP6	Audit of the systems in place to control all aspects of the print rooms business.	Final Report	6
<b>Sub-Total</b>					<b>15</b>
<b>ENVIRONMENTAL HEALTH</b>					
<i>Central Services</i>					
Emergency Planning	3	Aim	Low priority audit now brought in due to suspension in previous years.	Final Report	6
<i>Environmental Services</i>					
Community Safety	3	Aim	Low priority audit now brought in due to suspension in previous years.	Final Report	5
Food Safety	3	CP6	Reviewing the Council's arrangements to ensure food safety requirements are met.		6

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**APPENDIX A**

**OTHER SYSTEMS AND AUDIT WORK (Continued)**

	Priority Rating	Council Objective		Progress	2006/07 Planned Days
<b>ENVIRONMENTAL HEALTH (Continued)</b>					
<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.	Suspended	5 - 5
<i>Housing Services</i>					
Private Sector Housing Renewal	2	CP1	Common area for fraud. Coverage will include system for providing grants & loans.	Draft Report	5
<b>Sub-Total</b>					<b>22</b>

**FINANCE**

<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.		6
<b>Sub-Total</b>					<b>6</b>

**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	30
<b>Sub-Total</b>					<b>30</b>

**LANDSCAPE & LEISURE**

<i>Culture And Related Services</i>					
Totnes Pavilion	2	Aim	Audit of Leisure Centre activities, detail of which will be finalised when the result and timescales for management transfer are known.	Commenced	8
Quayside Leisure Centre	2	Aim	Audit of Leisure Centre activities, detail of which will be finalised when the result and timescales for management transfer are known.	Commenced	8
South Dartmoor Leisure Centre	2	Aim	Audit of Leisure Centre activities, detail of which will be finalised when the result and timescales for management transfer are known.	Commenced	8
Dartmouth Leisure Centre	2	Aim	Audit of Leisure Centre activities, detail of which will be finalised when the result and timescales for management transfer are known.	Commenced	8

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**APPENDIX A**

**OTHER SYSTEMS AND AUDIT WORK (Continued)**

	Priority Rating	Council Objective		Progress	2006/07 Planned Days
<b>LANDSCAPE &amp; LEISURE (Continued)</b>					
<b>Culture And Related Services</b>					
Marketing and Tourism	3	CP2	Review of expenditure to encourage people to visit the area.		5
<b>Sub-Total</b>					<b>37</b>
<b>MARITIME</b>					
<b>Highways, Roads And Transport Services</b>					
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
<b>Sub-Total</b>					<b>10</b>
<b>OPERATIONS</b>					
<b>Highways, Roads And Transport Services</b>					
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	8
<b>Planning And Development</b>					
Street Cleaning	3	CP3 CP4	Review of systems supporting the sweeping and removal of litter from land, fly-tipped rubbish, removal of dead animals etc.	Final Report	6
<b>Sub-Total</b>					<b>14</b>
<b>PERSONNEL &amp; PAYROLL</b>					
<b>Central Services</b>					
Car Leasing & Loans Schemes	3	CP6	Review of the officer car leasing and loans schemes to ensure appropriate controls in place for lease/loan payment, re-charge and contributions/recovery.	Final Report	5
<b>Sub-Total</b>					<b>5</b>
<b>PLANNING AND BUILDING CONTROL</b>					
<b>Planning And Development</b>					
Development Control - Enforcement	3	CP3	Review of systems relating to the monitoring and enforcing of planning conditions.		6
<b>Sub-Total</b>					<b>6</b>

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**APPENDIX A**

**OTHER SYSTEMS AND AUDIT WORK (Continued)**

	Priority Rating	Council Objective		Progress	2006/07 Planned Days
<b>PROPERTY SERVICES</b>					
<i>Planning And Development</i>					
Employment Estates	3	CP2	Links to employment estates, audit will consider controls over both expenditure and related income.		6
Investment Properties	3	CP2	Links to employment estates, audit will consider controls over both expenditure and related income.		5
Headquarters - Inventories	3	CP6	Audit of the equipment inventories for Follaton House. Inventories for other Council properties are audited cyclically under the respective heading.	Draft Report	5
<b>Sub-Total</b>					<b>16</b>
<b>OTHER</b>					
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.	Commenced	5
Audit of Government Grants	2	Various	Internal audit of several grants, required by the grant paying bodies to give assurance that expenditure incurred by the Council and its partners is in line with the grant conditions. DEFRA Devon Composting and Cycleau European Funding.	Completed	7
Contingency (unplanned)	1	Various	An allowance for the numerous unexpected audit tasks and control advice to managers, including investigation of any suspected irregularities.	34 days used	59
<b>Sub-Total</b>					<b>71</b>
<b>NON-FINANCIAL AUDITS</b>					
CPA/Corporate Governance	1	CP6	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.	Use of Resources (2 days used)	10

**Continued Overleaf**

**APPENDIX A**

**OTHER SYSTEMS AND AUDIT WORK (Continued)**

	Priority Rating	Council Objective		Progress	2006/07 Planned Days
<b>NON-FINANCIAL AUDITS (Continued)</b>					
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.	Final Report	10
Risk Management/Business Continuity Including audit based on risk register: • Recruitment	1	CP6	Audit of the Council's risk management process as required by the Council's Strategy, and business continuity. Budget also includes the selection of an area for audit that appears in the Council's risk register as a high risk to the Council. For 2006/07 the selected area is the Council's Recruitment process and will include the new computer software.		8 12
Single Status	3	CP6	Audit of aspects of the job evaluation process by arrangement with managers.	Job Evaluation Forms Completed	6
Partnership Management	3	CP6	Review of a sample of partnerships to ensure that they are being managed within the requirements of related Council policies.		8
<b>Sub-Total</b>					<b>54</b>
<b>COMPUTER AUDIT</b>					
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.	Draft Report	4
Computer Audit	2	CP6	Computer audit subject to a separate planning process (Appendix B) including liaison with the external auditors' Computer Auditor.		22
<b>Sub-Total</b>					<b>26</b>

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**APPENDIX A**

**OTHER SYSTEMS AND AUDIT WORK (Continued)**

	Priority Rating	Council Objective		Progress	2006/07 Planned Days
<b>PARTNERSHIP WORKING</b>					
<i>External Partners</i>					
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.	Ongoing	-
<i>Neighbouring Councils</i>					
Computer Audit	1	CP6	Computer audit work included in the separate computer audit plan and development of the audit partnership.	-	-
<b>Sub-Total</b>					<b>5</b>

<b>AUDIT MANAGEMENT</b>	Used	Days
Audit Administration	10 days	20
Audit Management, including Audit Planning	6 days	20
Audit Monitoring Reports to Management and Scrutiny	8 days	10
Training	9 days	9
Revision Of Standing Orders for Contracts	Commenced	3
<b>Sub-Total</b>		<b>62</b>

<b>TOTAL RESOURCES REQUIRED 2006/07</b>	<b>From above</b>	<b>516</b>
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<b>RESOURCES AVAILABLE</b>	2006/07 Days
2 Whole Time Officers	520
European Grants Officer - Estimated	80
Sickness Basis of Estimate: CIPFA Guidance	-10
Bank Holidays	-16
Annual Leave	-58
<b>TOTAL RESOURCES AVAILABLE</b>	<b>516</b>

**THE COUNCIL'S AIM and PRIORITIES**

Aim	To improve the well-being of the people of the South Hams
CP1	Secure a supply of housing for local people at affordable levels.
CP2	Create the conditions for the growth and maintenance of quality economic activity.
CP3	Maintain the district's distinctive environment whilst enabling access and sensitive development.
CP4	Maintain a clean environment.
CP5	Work with others to improve access to key services.
CP6	Improve core service performance in a cost-effective way.

**Allan Goodman**  
**Internal Audit Manager**  
**March 2006**

Exempt Information  
Not for publication by virtue of  
Paragraph 7 of Part 1 of Schedule  
12A to the Local Government Act 1972

**Detailed Report Items**


There are no issues identified so far in 2006/07 to date that are significant enough to bring to the attention of Scrutiny.

Exempt Information  
 Not for publication by virtue of  
 Paragraph 7 of Part 1 of Schedule  
 12A to the Local Government Act 1972


## Summary of Final Audit Reports Issued

This appendix shows the progress made to November on planned audit work and links with Appendix A: the annual audit plan for 2006/07; and Appendix B: Detailed Report Issues.



### Community Regeneration

Subject		Conclusion
Transport Policy and Public Transport		Satisfactory. Basis of the payments for Devonwide Partnership appear reasonable but South Hams audit team were not in a position to verify the data provided. The Leader of the Council was of the view that audit teams from the Districts will need to come together to achieve this. We understand subsequently that the partnership is looking at procuring an audit including the bus companies' records.

### Corporate Services

Subject		Conclusion
Print Room		Satisfactory. Recommendations made re basis of charges, including labour costs, to assist in reversing the current trading deficit.


### Environmental Health

Subject		Conclusion
Community Safety		Satisfactory. The Council is meeting its statutory duty to work with other local agencies and organisations to develop and implement strategies to tackle crime and disorder. Relatively minor recommendations made including a need to formally review the benefits of remaining a part of the South Devon and Dartmoor Community Safety Partnership in the future.
Emergency Planning		Satisfactory. The Council is meeting its statutory duty under the Civil Contingencies Act 2004. Relatively minor recommendations made, the most significant of which relate to


		keeping the Council's Business Continuity Plan and Major Emergency Procedures up to date.
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### Summary of Final Audit Reports Issued (Continued)


#### Improvement

Subject		Conclusion
Best Value Performance Indicators – 2005/06 Results		Generally satisfactory. Some improvements have been made on specific previously audited indicators, but in general terms there is still scope for better, controls, audit trails and translation of the guidance in producing PP results.


#### Personnel and Payroll

Subject		Conclusion
Car Leasing and Loans		Satisfactory. Minor recommendations included the need to ensure that the employee holds the relevant insurance and driving requirements throughout the loan and leasing periods.

#### Maritime


Subject		Conclusion
Salcombe Harbour		Satisfactory. Main issues highlighted, due mainly to the interim staffing arrangements as a result of the Harbour Master vacancy, includes basic recording in the stores system falling behind; the availability of additional reports from the harbour management system to enhance controls/audit trails; and the updating of the security contract.

#### Operations


Subject		Conclusion
Dartmouth Lower Ferry		Generally satisfactory. Recommendations made to further improve controls in the cash collection and ticketing system, including some reporting aspects of the related computer software.

## Summary of Final Audit Reports Issued (Continued)


### Operations (Continued)

Subject		Conclusion
Street Cleaning		<p>Satisfactory.</p> <p>The Council is meeting its statutory requirement. However, there appears to be some conflict between the favourable results of the performance indicators and the views of some Council members over the standards achieved.</p> <p>Our main recommendation is for a formal service review taking account of the success, or otherwise, of the budget bid for a second mechanical sweeper.</p>

### Other

Subject		Conclusion
Salcombe Harbour Creek Boat Park – Follow Up of 2005/06 Report		<p>Satisfactory.</p> <p>Outstanding issues from the previous report include system records for income should be produced daily; prompt banking where the safe insurance limit is likely to be exceeded; and, financial coding between the boat park system and the Council's accounting system.</p>

### Non Financial Audits

Subject		Conclusion
System of Internal Control		<p>Generally satisfactory.</p> <p>The Statement on Internal Control was recommended for approval by Scrutiny, and subsequently approved by the Council in September 2006.</p> <p>Our report to management on the process noted the general improvement but recommended more training on Service Planning for the small number of Heads of Service whose self assessment of controls was hampered by the lack of clarity in the relevant area of the Service Plan, not helped by reusing out of date templates and guidance.</p>

**Summary of Final Audit Reports Issued (Continued)****Partnership Working**

<b>Subject</b>		<b>Conclusion</b>
Dartmouth Town Council	-	Issues reported are those identified from the audit of the 2005/06 Statement of Accounts and the related financial systems, under the guidance sent to the Council by their external auditor.

**Draft Audit Reports Issued**



Draft audit reports are issued to managers following completion of the work, setting out the background to the audit work and making recommendations to improve controls as required. These recommendations are given a priority rating high, medium or low, and it is in this area that developments have been made to enable the high priority recommendations to be reported to Scrutiny (Appendix B), as discussed earlier in this report.

A closing meeting is held to discuss the contents of the report and complete an action plan containing the response to each audit recommendation, the officer responsible for the agreed action and a target date for implementation.

Although findings are normally discussed with officers as the audit progresses to restrict the numbers of 'surprises' in a report, the purpose of the meeting is also to check that the report reflects the facts.


For this reason the findings of the draft reports may be subject to change upon finalising.

**Fundamental Systems**


<b>Subject</b>		<b>Conclusion</b>
Sundry Debtors		Generally satisfactory. The key controls for the new system have been developed and improved since its implementation. However, further progress is needed in the frequency of recovery runs (delayed due to the extra detailed work to clear the old system), clearing of the suspense account, control over access to the system and some technical issues relating to the links with the ledger.
Treasury Management		Satisfactory. Mainly minor issues raised, the most significant of which is the timeliness of the reconciliation of the investment register and interest received.

**Draft Audit Reports Issued (Continued)**


**Environmental Health**

Subject	E/F	
Private Sector Housing Renewals		Satisfactory. Controls over the evaluation and payment of grants and loans are working with an anti-fraud emphasis and high standard of record keeping. Issues raised concern maintaining a separation of duties, and the impact of the change in payment methods to the agency used and their refund of all 2006/07 fees levied in October 2006.

**Property Services**

Subject		Conclusion
Follaton House Inventories		Generally satisfactory. Many sections in Follaton House have not kept their inventory of equipment up to date as required by Financial Regulations.

**Computer Audit**

Subject		Conclusion
Internet Monitoring		Satisfactory. The majority of the use of the Internet is conducted within the Council's guidelines, although these are currently being reviewed as part of the ICT Security Policy to clarify further the boundaries of use.

**Work Complete (No Audit Report)**

Subject	Comments
Single Status	Job Evaluation forms completed and submitted for all audit staff.

**Planned Audit 2006/07 – Follow Up**

Audit reports are now to be 'followed up' 6 months after the issue of the final report, as well as in the following year for annual audits, to ensure that the agreed action has been implemented and is working satisfactorily.

## Follow Up of Previous Audits with 2006/07 Audits

Subject	Comments
Treasury Management – 2005/06	Mainly implemented. Repeated report points include the timeliness of the reconciliation of expected interest.
Internet Monitoring - 2005/06	Mainly implemented. Update of the guidelines remains an issue.
Private Sector Housing Renewal – 2005/06	Mainly implemented. A small number of agreed actions remained incomplete as the deadline date had yet to be reached, due to this annual audit being completed only 7 months after the previous.
Debtors – 2005/06	Mainly implemented. Repeat points in 2006/07 include the management of the system and software access, remote printing etc.
Salcombe Harbour, including Creek Boat Park - 2005/06	Mainly implemented. Outstanding issues from the previous report include system records for income should be produced daily; prompt banking where the safe insurance limit is likely to be exceeded; and, financial coding between the boat park system and the Council's accounting system.
Dartmouth Lower Ferry 2005/06	Some recommendations implemented, and some agreed actions repeated as deadline date not yet passed.
Street Cleansing 2003/04	No outstanding issues identified.
Best Value Performance Indicators – 2004/05 results - 2005/06 audit	Mainly implemented – some recommendations repeated again relating to several specific indicators mainly concerning the calculation, translation of guidance or audit trails.
System of Internal Control 2004/05 – 2005/06 audit	Mainly implemented – issues in relation to the using of out of date Service Planning templates and guidance, and, the timeliness and quality of self assessment by a small number of Heads of Service reported again.
Print Room – 2004/05 audit	Mainly implemented – single point re calculation of labour costs outstanding and reported again.

## Follow Up of Previous Audits by Written Confirmation

Subject	Comments
Benefits	Mainly implemented, to be followed up in full with the annual audit.
Salaries and Wages – 2005/06	Letter sent October 2006, no reply to date, will be followed up in full with the annual audit.
Community Grants and Loans – 2005/06	Implemented.
Capital Receipts – 2005/06	Letter sent October 2006, no reply to date.

## Follow Up of Previous Audits by Written Confirmation

Subject	Comments
Capital Expenditure – 2005/06	Letter sent October 2006, no reply to date, will be followed up in full with the annual audit.
Main Accounting and Budgetary Control – 2005/06	Mainly implemented, to be followed up in full with the annual audit.
Treasury Management – 2005/06	Mainly implemented, to be followed up in full with the annual audit.
Risk Management – 2005/06	Letter sent. Internal Audit Manager aware of progress being made as acts as advisor to Risk Management Group, the officers implementing the recommendations. Will also followed up in full with the annual audit.
Data Protection and Freedom of Information – 2005/06	Letter sent. Internal Audit Manager aware of progress being made as acts as advisor to Information Compliance Group, the officers implementing the recommendations.
Debtors (Old and New Systems) – 2005/06	Mainly implemented, to be followed up in full with the annual audit.
Creditors – 2005/06	Mainly implemented, to be followed up in full with the annual audit.
Best Value Performance Indicators – 2004/05 results - 2005/06 audit	Sent as reminder only pending full follow up during 2006/07 audit.
Dartmouth Leisure Centre – 2005/06	Letter sent. No response received to date. Any outstanding issues to be dealt with in audit of Leisure Transfer (also applies to the other 3 Leisure Centre audits from 2005/06).
Pannier Markets -2005/06	Implementation dates for those actions not completed extended to 30 September 2006, pending appointment of Street Scene Manager.

**Unplanned Audit – 2006/07**

Unplanned audit work is budgeted from the 'Contingency' line in the audit plan.

The work will vary from enquiries from managers over control issues and Council regulations, to investigation of potential irregularities.

The following table outlines some of the more significant areas covered so far.

Description	Main Issues
<p>Minor enquiries and issues investigated, including some planned work, which by its nature does not require a report. Resourced from the contingency line of the audit plan.</p>	<ul style="list-style-type: none"> <li>• Debtors advice re transfer of debt from old system to new system;</li> <li>• Mobile phone billing;</li> <li>• Dartmouth Leisure Centre change float;</li> <li>• Follaton House – missing monies;</li> <li>• Suspicious quotation for Disabled Facilities grant;</li> <li>• Assistance in transfer of the authorisation of all utility bills to Property Services from service teams;</li> <li>• Advice re West Devon payroll provision;</li> <li>• General Payroll issues;</li> <li>• General IT issues;</li> <li>• General Legal issues;</li> <li>• Data Quality – assistance with CPA Key Lines of Enquiry checklist;</li> <li>• Further testing on the 2005/06 bank reconciliation at the request of the external auditor;</li> <li>• Dartmouth Lower Ferry – accusation from member of the public re ticketing: numbered tickets found as expected and no evidence of fraud;</li> <li>• Control issues in relation to the introduction of purchase cards;</li> <li>• Data Protection – support to the Information Compliance Group;</li> <li>• Update and broadly align Financial Regulations and Contract Standing Orders with Teignbridge District Council;</li> <li>• Overview and summary report of Harberton Flood Management Scheme overspend with other officers and Executive member;</li> <li>• Numerous minor control issues, advice on financial controls and procurement procedures given to service officers at all levels and contribution to various draft policies and strategies.</li> </ul>