

AUDIT COMMITTEE AGENDA ITEM: 6 9TH JULY 2014
INTERNAL AUDIT PROGRESS REPORT

Cabinet Member Cllr Neal Davey

Responsible Officer Audit Team Leader

Reason for Report: To update the Committee on the work performed by Internal Audit for the 2014/15 financial year.

RECOMMENDATION(S): The Committee notes the contents of this report.

Relationship to Corporate Plan: Effective Internal Audit plays a fundamental role in assisting the Council to deliver its corporate and improvement plan.

Financial Implications: None

Legal Implications: None

Risk Assessment: None

1.0 Introduction

1.1 The four-year strategic audit plan for 2014/15 to 2017/18 and annual work plan for 2014/15 were presented to the Audit Committee at its meeting on 11 March 2014, where they were approved.

1.2 The purpose of this report is to provide the Committee with a progress report on performance against the 2014/15 Internal Audit work plan for the period from 1 April 2014 to 20 June 2014.

2.0 Progress to date and scope of audit activities

2.1 The Audit Plan is split into the following sections:

- Core Audits
- Systems Audits
- Other Work (including fraud/ irregularity/ consultancy/contingency)

2.2 Core Audits

2.2.1 The Core Audits are given priority as they cover the Council's key financial controls and also the areas where the level of income is material in the context of the Council's annual accounts. These audits are required to be carried out on an annual basis as part of the risk based audit process with the exception of Trade Waste and Car Park Income which are carried out alternately.

2.2.2 The Core Audits will not be commenced until the third quarter of 2014/15, in accordance with the Internal Audit Work Plan, when the auditor who is on maternity leave is expected to return. MDDC Report [Internal Audit Progress Report] Agenda item 6

2.3 Systems Audits

2.3.1 Systems Audits have been completed for Repairs and Maintenance and Contracts. The opinions are included in full in section 3.0 below. The audit on Economic Development and Industrial Rents is almost completed.

2.4 Other Work

2.4.1 The Internal Audit team will continue to audit and report on performance and risk using the Spar system and present the quarterly corporate performance and risk reports to PDGs and Committees.

2.4.2 Data quality checks are carried out on committee and other reports as requested.

2.4.3 1 Auditor sat on a job evaluation panel and the Audit Team have carried out 2 investigations so far this year. Further consultancy work will be limited so as to concentrate on the audit plan.

3.0 Audit Opinions

The following opinions have been issued since the last report:

3.1 Contracts

3.1.1 The Contracts process is now managed using the Pro Contract software, through the supplyingthesouthwest.org.uk procurement portal. Where a contract has been advertised and awarded through Pro Contact, all the documents relating to the invitation to tender, contract evaluation documents and letters to the tenderer's are saved onto the system along with the date and time this was done which ensures a good audit trail.

3.1.2 There is clear evidence that when a decision to award a contract has been challenged by an unsuccessful tenderer, that procedures for responding to a written 'request for reasons' are followed. The tenderer is notified within the agreed timescales and given an explanation on all the points raised by them to as to why their tender application was unsuccessful. .

3.1.3 Mid Devon DC is part of the Devon Procurement Partnership (DPP) which is made up of procurement representatives from the Devon Public Sector Organisations. Through collaboration with these organisations, DPP aims to share knowledge, expertise and best practice, and maximise Devon's purchasing influence.

3.1.4 MDDC also utilises a number of frameworks available to Public Sector organisations and the Procurement team at MDDC is responsible for maintaining a framework spreadsheet on behalf of the DPP, which is available for the other members to access.

3.1.5 However, there are a number of weaknesses. The Council needs to ensure that it gets value for money from all the suppliers it regularly uses, but who are not necessarily on a contract. Therefore supplier spend needs to be MDDC Report [Internal Audit Progress Report]
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monitored to establish if MDDC is paying any suppliers over the £50k limit where a contract would normally have to be in place; this spend would be within a financial year or over the period of time in which the services are provided.

Although there is evidence that work has commenced on this area, there is no target date for completion on the Procurement workplan and the current status is 'on hold'. There is a risk, therefore, that the Council could not be getting value for money for goods or services, and that it is not complying with the Financial Regulations on contract procedures.

3.1.6 Although the Financial Regulations state that Service Managers are responsible for ensuring that all of their staff who are required to use Contract Procedure Regulations as part of their job have to confirm that they have read and understood the Contract Procedure Regulations as part of their induction, it is not possible to prove that this is done or monitored.

3.1.7 It is the overall opinion of the auditor that the Contracts system is adequately controlled.

3.2 Repairs and Maintenance

3.2.1 There have been many improvements in the Repairs and Maintenance Service since the previous audit with performance being regularly monitored and benchmarked against other Housing providers.

3.2.2 The Repairs Handbook is given to tenants when they sign their tenancy agreement and is also available on the Housing webpage. The Handbook lists what the Council is responsible for repairing and what tenants are expected to replace or pay for when a repair is carried out by MDDC.

3.2.3 The process for recharging tenants for repairs, once the repair is identified as rechargeable, is well documented and more automated now that the workflow function within the Orchard system is being utilised. However, evidence suggests that not all rechargeable items are being identified at the first point of contact, which means that the Council may not be collecting income which is due. While the monetary value of the samples selected was not significant, this issue still needs to be addressed.

3.2.4 The process for logging calls for repairs has changed since the previous audit, as Customer First are now logging calls and using the diagnostic (Omfax) module in the Housing Orchard System. The script used for the diagnosis is updated by the Maintenance Supervisor (Cyclical & Systems) regularly to ensure that repairs are diagnosed correctly. The call logging and diagnosis part of the process is working well, and there is no evidence that calls are being misdiagnosed, although as mentioned above not all rechargeable repairs are being identified at first point of contact so further amendments to the scripts may be needed to address this.

3.2.5 The number of inspections carried out by the Maintenance Supervisor for damp and mould problems in Council properties accounted for 32% of all appointments made for him in 2013/14. The Repairs Handbook advises MDDC Report [Internal Audit Progress Report]
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tenants that the Council expects them to keep their home properly heated and ventilated to prevent condensation and also gives advise on how to do this. Damp and mould seems to be a common problem and is often due to 'lifestyle' issues however remedial works associated with these inspections are not charged for. It is worth noting that some of the works carried out are done on wet rooms for the elderly where the tenants cannot adequately ventilate rooms or cleanse mould issues at an early stage.

3.2.6 It is the overall opinion of the auditor that the Repairs and Maintenance system is adequately controlled.

4.0 Conclusion

4.1 Progress has been slow so far this year partly as a result of a lot of annual leave having been taken in the first quarter of 2014/15 the effect of this will however even out over the year.

4.2 All the post audit surveys for systems audits sent out have come back "very satisfied" or "satisfied" so far.

4.3 Outstanding Recommendations

Summary audit reports for the various areas showing progress to date for outstanding recommendations will follow.

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Circulation of the Report: Management Team and Cllr Neal Davey

List of Background Papers: None