

# Public Document Pack



Phoenix House  
Phoenix Lane  
Tiverton  
Devon  
EX16 6PP  
[www.middevon.gov.uk](http://www.middevon.gov.uk)

All Members

Contact: **Sarah Lees**  
Telephone **01884 234310**  
Email: **[slees@middevon.gov.uk](mailto:slees@middevon.gov.uk)**

13 March 2018

Dear Member

## **Audit Committee – 20 March 2018**

I am now able to enclose, for consideration at the next meeting of the **Audit Committee**, the following report that was unavailable when the agenda was printed.

### **Agenda: Item 10**

To add to your agenda for the meeting on **20 March 2018**

10. **Audit Progress Report 2017-18** (*Pages 3 - 10*)

To receive the Audit Progress Report 2017-18 from the Head of the Devon Audit Partnership.

Yours sincerely

**Sarah Lees**  
**Committee Administrator**

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Internal Audit

Audit Progress Report 2017-18

Mid Devon District Council  
Audit Committee

Page 3  
March 2018

Robert Hutchins  
Head of Audit Partnership

Auditing for achievement

Agenda Item 10.

## Introduction

The Audit Committee, under its Terms of Reference contained in Mid Devon District Council's Constitution, is required to consider the Chief Internal Auditor's annual report, to review and approve the Internal Audit programme, and to monitor the progress and performance of Internal Audit.

The Accounts and Audit (Amendment) (England) Regulations 2015 introduced the requirement that all Authorities need to carry out an annual review of the effectiveness of their internal audit system, and need to incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

The Internal Audit plan for 2017/18 was presented and approved by the Audit Committee in March 2017. The following report and appendices set out the background to audit service provision; a review of work undertaken in 2017/18, and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual report providing an opinion that can be used by the organisation to inform its governance statement. This report provides that opinion.

### Expectations of the Audit Committee from this progress report

Audit Committee members are requested to consider:

- the assurance statement within this report;
- the basis of our opinion and the completion of audit work against the plan;
- the scope and ability of audit to complete the audit work;
- audit coverage and findings provided;
- the overall performance and customer satisfaction on audit delivery.

In review of the above the Audit Committee are required to consider the assurance provided alongside that of the Executive, Corporate Risk Management and external assurance including that of the External Auditor as part of the Governance Framework and satisfy themselves from this assurance that the internal control framework continues to be maintained.

**Robert Hutchins**  
**Head of Devon Audit Partnership**

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## Opinion Statement

**Overall, based on work performed during 2017/18 and our experience from the current year progress and previous years' audit, the Head of Internal Audit's Opinion is of "Significant Assurance" on the adequacy and effectiveness of the Authority's internal control framework.**

*This opinion statement will support Members in their consideration for signing the Annual Governance Statement.*

Internal Audit assesses whether key, and other, controls are operating satisfactorily within audit reviews, and an opinion on the adequacy of controls is provided to management as part of the audit report.

All final audit reports include an action plan which identifies responsible officers, and target dates, to address control issues identified.

Implementation of action plans is the responsibility of management yet may be reviewed during subsequent audits or as part of a specific follow-up process.

Directors and Senior Management have been provided with details of Internal Audit's opinion on each audit review to assist them with compilation of their individual annual governance assurance statements at year end.

Full Assurance	Risk management arrangements are properly established, effective and fully embedded, aligned to the risk appetite of the organisation. The systems and control framework mitigate exposure to risks identified & are being consistently applied in the areas reviewed.
<b>Significant Assurance</b>	Risk management and the system of internal control are generally sound and designed to meet the organisation's objectives. However, some weaknesses in design and / or inconsistent application of controls do not mitigate all risks identified, putting the achievement of particular objectives at risk.
Limited Assurance	Inadequate risk management arrangements and weaknesses in design, and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in a number of areas reviewed.
No Assurance	Risks are not mitigated and weaknesses in control, and /or consistent non-compliance with controls could result / has resulted in failure to achieve the organisation's objectives in the areas reviewed, to the extent that the resources of the Council may be at risk, and the ability to deliver the services may be adversely affected.

## Executive Summary of Audit Results

**Core Audits** are well underway covering the Council's key financial controls or the level of income is material in the context of the Council's annual accounts.

The Findings of particular interest include:

- reconciliation of control accounts and for completeness of processing and accuracy or error have received comment in some areas in the last progress report and here in the same context. Management have agreed all remedial actions.

No material issues have been identified to date.

**Systems Audits** the majority this work is complete with the remaining scheduled in March. Opinions for the current period are included in appendix 2 to this report.

There are no issues warranting specific mention those reviewed provide assurance of an sound internal control framework that is generally operating as required.

**Other Work** – the audit plan for 2018-2022 has been completed.

We are currently considering risk management arrangements and have fed into the revision of the risk management policy which is a sound document.

Tender documents have been verified as usual.

## Value Added

We know that it is important that the internal audit service seeks to "add value" whenever it can and we believe internal audit activity has added value to the organisation and its stakeholders by:

- Providing objective and relevant assurance;
- Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.

Feedback has led us to change the clearance process of audit findings with the introduction of a debrief at the close of audit. This will bring the feedback to an earlier stage and smooth the clearance process of the draft report.

Recent audit feedback surveys have stated:-

*"very well organised throughout"*

*"helpful in supporting Finance's messages to management."*

*"identified issues of business continuity that needed assurance on"*

We trust that officers have found our engagement, support as a "trusted advisor" effective and constructive in these significantly changing times.

## Audit Coverage and Performance Against Plan

Performance against plan is generally as expected. Changes have been agreed with management;

- Community engagement and consultation has been deferred to 2018-19 at the clients request with time given instead to advice, as a 'Trusted Partner', on risks and strategy associated to this area.

Resources have been targeted to support the changes in a continually evolving organisation.

The pie charts right shows the progress of audit against plan. The work completed in this period is primarily Core work with some.

We have completed the additional audit of PCI though this has yet to be issued as a draft report.

Appendix 1 to this report provides a summary of the audits undertaken since our last progress report in 2017/18, along with our assurance opinion. Where a "high standard" or "good standard" of audit opinion has been provided we can confirm that, overall, sound controls are in place to mitigate exposure to risks identified; where an opinion of "improvements



required" has been provided then issues were identified during the audit process that required attention. We have provided a summary of some of the key issues reported that are being addressed by management. It should be pointed out that we are content that management are appropriately addressing these issues.

**Key performance indicators** on progress against audit recommendations reveals that the council is making progress though there remain several recommendations outstanding from prior year audits. See appendix 2.

## Fraud Prevention and Detection

There have been no reviews this period.

## Appendix 1 – Summary of audit reports and findings for 2017/18




### Risk Assessment Key

Spar – Local Authority Risk Register score Impact x Likelihood = Total & Level  
 ANA - Audit Needs Assessment risk level as agreed with Client Senior Management  
 Client Request – additional audit at request of Client Senior Management; no risk assessment information available



### Direction of Travel Assurance Key

Green – action plan agreed with client for delivery over an appropriate timescale;  
 Amber – agreement of action plan delayed or we are aware progress is hindered;  
 Red – action plan not agreed or we are aware progress on key risks is not being made.  
 \* report recently issued, assurance progress is of managers feedback at debrief meeting.

## TRANSFORMATION AND CHANGE

Risk Area / Audit Entity	Audit Report					
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low		Direction of Travel Assurance	
<b>Core Audit – Key Financial Systems</b>						
<b>Main Accounting System</b> Risk / ANA: ANA – High	Good Standard  Status: Final	The Main Accounting System process framework operates effectively. Controls for the budget setting and monitoring procedures are well established and work well, as are the accounts closedown processes. There is a need to improve the effectiveness/timeliness of the controls within the reconciliation and budget amendment processes in the Main Accounting System; control of many of the other aspects is of high standard.	0	4	1	
<b>Council Tax and NNDR</b> Risk / ANA: ANA – High Spar 3x2=6 low/orange	Good Standard  Status: Final	Council Tax and NNDR processes were found to be operating effectively within an overall sound control environment; processes are generally operating as expected and as required by the organisation. Consideration of the implementation of the recommendations made in this report would further enhance the existing control framework.  Recovery elements have not been looked at during this audit and will be looked at in detail during the next audit review.	3	2	1	
<b>Trade Waste</b> Risk / ANA: ANA – Medium	Good Standard  Status: Final	The framework of control of expenditure for the services is sound and found to be fully implemented, operating to a high standard. The control framework for the income procedures is generally sound and improving in efficiency though the service has identified further opportunities. The control over completeness of return of waste transfer notices (contract) remains from the previous report together with documentation storage. There was some small inconsistencies in timeliness of billing of sundry associated income and retention of associated documentation that would improve assurance on collection effectiveness. Direct debit income collection is being piloted and work well. It is expected this will improve income collection cash flow and efficiency in the near future.	0	3	3	

**TRANSFORMATION AND CHANGE**

Audit Report						
Risk Area / Audit Entity	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low			Direction of Travel Assurance
<b>Treasury Management</b> Spar 5x1=5 low/green	Good Standard	The Treasury Management (TM) function has been found to be well managed and monitored. Whilst it is evident that the security of the Council's financial assets is paramount, the rate of return is also monitored to obtain the best value for the Council. Controls are working well though improvement in separation of duties would provide better assurance for staff and to the Council.	2	2	0	
<b>Systems Audits – Risk Based</b>						
<b>Markets Website</b>	Opportunity  Status: Final	A new website is being developed. Our review considered the content and information from a customer perspective. Feedback was provided to support the quality of information.		n/a		
<p>The following audits have been completed:</p> <ul style="list-style-type: none"> <li>- draft reports are being prepared - Housing Rents, PCI</li> <li>- queries being resolved – Housing benefits and Core ICT</li> </ul> <p>No material concerns have been identified with these reviews. Opinions will be provided in the annual audit report in May.</p> <p>The remaining plan work is scheduled for completion by the year end and with the addition of review of the year end stocktake.</p>						



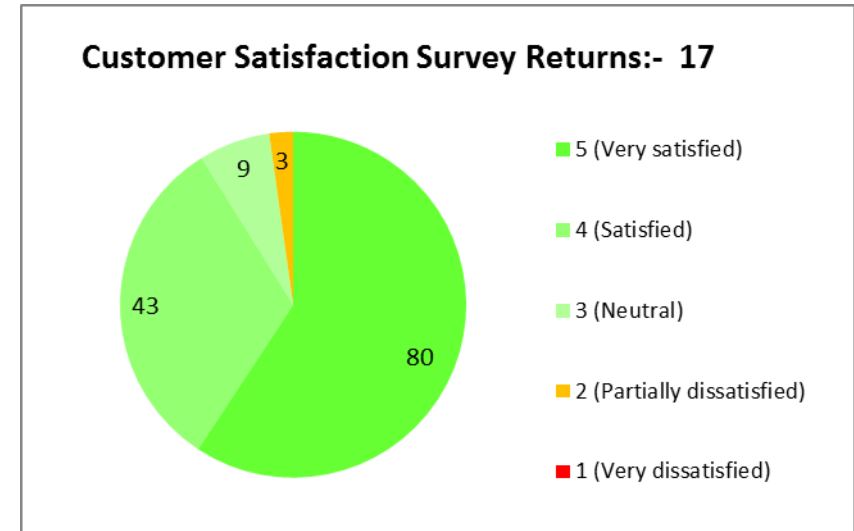
## Appendix 2 – Performance Indicators

Incomplete Audits	Year	Recommendations									Direction of Travel R,A,G			
		High			Medium			Low				Total		
		C	N	O	C	N	O	C	N	O		C	N	O
Car Park Income	2016				3		2				3	0	2	R
Creditors	2017	1			1	1					1	0		G
Housing Rents	2016				2		1				2	0	1	G
ICT Core	2016	1			6			2		1	9	0	1	A
Income & Cash Collection	2017						4				1	0	4	A
Payroll	2017	1	2		2	2	2				1	2	4	G
Treasury	2016							2			2	0	0	G
Appraisals & Training	2015	1			13		1	2			16	0	1	A
Care Services - Alarm Call	2017		3	1		2	1				0	5	2	A
Cemeteries & Bereavement	2016				5		1				5	0	1	A
Customer Care & Complaints	2017				4	2			1		4	3	0	G
District Offices	2017				1		6	1			2	0	6	A
Electronic Payments/ Online Forms	2017			1			3				0	3	1	R
Emergency Planning	2015				3		1			1	3	0	2	R
Environmental Health	2017					8	7		1		0	9	7	A
Raising H&S Management	2017	2			6	1	2				8	1	2	A
ICT Inventory	2017		1	1			4				0	5	1	G
Insurance	2017			1		2	1			1	2	2	1	A
Legal Services	2015				2	1	1				2	1	1	A
Leisure LMLC	2017						6				0	0	6	R
Leisure EVLC	2016				6		1				6	0	1	A
Planning - Enforcement	2017					1	5				0	1	5	R
Recruitment & Selection & JE	2015				6	1		5			11	1	0	G
Safeguarding	2017			1			4				0	0	5	R
Sickness & Other Time Off	2016				6	1	1				6	1	1	A
Standby	2016				2		1				2	0	1	R
Travel & Subsistence	2017	1		1		2				1	3	0	2	G
Vehicles & Fuel	2015	5			4	2	1				9	2	1	R
		12	4	8	76	30	48	12	3	3	97	37	59	

CORE
SYSTEM

**C = Completed** 50%  
**N= Not yet due** 19%  
**O= Overdue** 31%  
 Not progressing   
 Progressing some overdue   
 On Target   
 \* report just issued

## Customer Satisfaction



The results are good with 98% positive feedback to survey questions.

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## Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon & Torridge councils. We aim to be recognised as a high quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at [robert.hutchins@devonaudit.gov.uk](mailto:robert.hutchins@devonaudit.gov.uk) .