

Internal Audit

## Audit Progress Report 2017-18

Mid Devon District Council  
Audit Committee

November 2017

Draft

Robert Hutchins  
Head of Audit Partnership

## 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 given priority as they either cover the Council's key financial controls or the level of income is material in the context of the Council's annual accounts.

The Core audits are primarily scheduled to start in the autumn where payroll and income collection audits have already commenced.

No material issues have been identified to date.

**Systems Audits** have formed the majority of the work in the first half year and have been summarised in the progress reports to date. Opinions for the current period are included in appendix 2 to this report.

Findings of particular interest include Housing Health and Safety and Environmental Health. These include notable risks to the Council and whilst material loss or impact to health has not been found, the management controls for maintenance, monitoring and performance management of risk areas requires improvement.

Reviews in other areas including:

- safeguarding and
- customer care,

provide assurance of an sound internal control framework that is generally operating as required.

**Other Work** - the reporting on performance and risk using the Spar system is now provided by the Group Manager Performance, Risk & Data Security though support has been provided in the earlier part of the year for this to PDGs and Committees.

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:-

*"I feel very much that the 'support approach' rather than the looking for fault and chastised, works so much better, and so allows the services to work together for the common goal."*

*"I always find Audit useful, an extra pair of unbiased eyes to critically review service delivery. As usual the team were very helpful and willing to discuss options especially when making recommendations or stating required actions. Audit is always welcome."*

Our review of the planning enforcement process has supported the direction of travel on the new improvement plan. 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

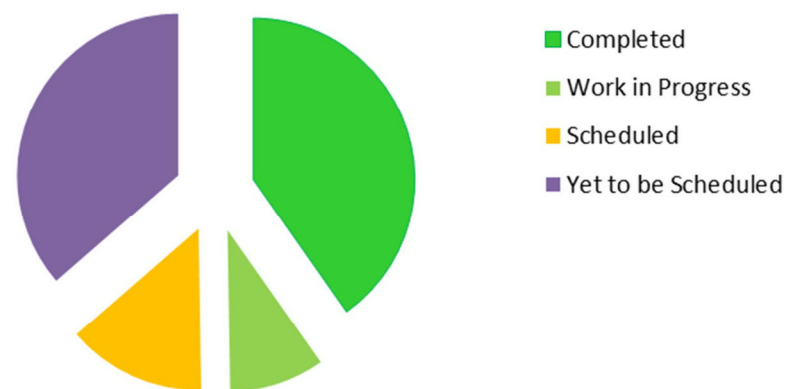
Performance against plan is generally as expected. Changes have been agreed with management;

- Housing Options deferred to last quarter;
- Street Cleaning replaced by a Leisure Centre financial procedures;
- Grounds Maintenance replaced with PCI
- Support for investigations.

Resources have been targeted to support the changes in a continually evolving organisation. Further explanation is provided in the sections on Basis for Opinion, see appendix 1.

The pie charts right shows the progress of audit against plan. The work completed is primarily systems work where the majority of the core work is scheduled for the second half of the year and has recently commenced.

### Progress of Audit Plan 2017-18



Our planned audit of Housing Options – Homelessness has been deferred until the Autumn at the client request to fit better with proposed changes with legislation. We brought forwards planned work on travel and subsistence and will look to redress the balance of work early in October.

Appendix 1 to this report provides a summary of the audits undertaken during 2017/18, along with our assurance opinion. Where a "well controlled" or "adequately controlled" 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 "poorly controlled" 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 3.

### Fraud Prevention and Detection

We are currently in the process of two reviews:

- Leisure centre income security;
- Vehicle accident complaint.

Reports and action will be taken through Human Resources as appropriate.

## 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<br>High / Med / Low |    |   | Direction of Travel Assurance   |
| Systems Audits – Risk Based   |   |  |  |    |   |   |
| <b>Housing Health &amp; Safety</b><br>Risk / ANA: ANA – High<br><br>Spar 5x1=5very low/green<br><br>Spar 5x1=5very low/green<br><br>Spar 5x5=25 very high/red | Well controlled<br><br>Adequately controlled<br><br><b>Poorly controlled</b><br><br><br>Status: Final | The review covered the procedures and controls for management of inspection, monitoring and management of housing stock maintenance in relation to four key areas. It is our overall opinion of the auditor that the health & safety management arrangements system is adequately controlled.<br><b>Gas and electrical</b> management of testing, monitoring and maintenance is well controlled.<br><b>Asbestos</b> inspections are completed in a risk prioritised basis, inspections overdue are low risk property.<br><b>Legionella</b> management systems do not provide sufficient evidence to support works/testing, and although legionella risk categorisation has been carried out by system type/design this has yet to be formally documented for each property type. Information systems are in part manual and plans to incorporate information on the database (Integrator have yet to be completed).<br><br>Risk Management for each area required review and update. | 2  | 10 | 0 |    |
| <b>Environmental Health</b><br>Risk / ANA: ANA –Medium<br><br>Spar 4x1=4very low/green<br><br>Spar 4x1=4very low/green  | Adequately controlled<br><br><br><br><b>Poorly controlled</b>   | The review covered the procedures for inspection and monitoring of both business and private sites for food safety and water supply and that of air quality action.<br><b>Food Safety</b> inspection procedures and management control is clear and understood with appropriate controls and statutory returns completed as required. Improvement opportunities exist on management information systems.<br><b>Private Water Supply</b> sampling is completed for customers as required, however, although improving, the management systems for information, monitoring and control are recognised to require further improvement where they are currently on several manual systems with associated integrity, reconciliation and performance management risks.  | 0  | 11 | 1 |  |

## TRANSFORMATION AND CHANGE

| Risk Area / Audit Entity  | Audit Report                                       |   |  |   |   |
|---|--|---|--|---|---|
|   | Assurance opinion                                  | Executive Summary / Residual Risk   | Summary of Recommendations<br>High / Med / Low |   |   |
| Spar 5x1=5 low/green  | Well Controlled<br><br>Status: Final               | <b>Air Quality</b> – processes for air quality monitoring, delivery of action plans and completion of associated statutory returns are working effectively.<br><br>Risk Management for each area required review and update.  |  |   |   |
| <b>Safeguarding</b><br>Risk / ANA: ANA – High<br>Spar 4x4=16 high/red | Adequately controlled<br><br><br><br>Status: Final | The review covered procedures and controls in place to help meet safeguarding requirements in the areas of governance, policy & procedure, training, reporting and monitoring. The areas of achievement regarding safeguarding awareness and training for employees were recognised during the audit and it was our overall opinion that this area was adequately controlled.<br><br>The areas of work that still need to be addressed include training/awareness for Members, formal minutes to be taken of the Safeguarding Designated Officers quarterly meetings and updating tender documents where appropriate to include safeguarding arrangements; all of these areas will be addressed by the end of March 2018.   | 1  | 3 | 1 |
| <b>Leisure Services – Lords Meadow</b><br>Risk / ANA: ANA – Low       | Adequately controlled<br><br><br>Status: Final     | The review covered procedures and controls for the management of financial processes, training and time recording, establishing if reporting lines were clear within each area of responsibility and assessment of the centre's progress against performance and improvement plans including its contribution to achieving the overall targets of the Leisure Service.<br><b>Financial processes</b> -Issues identified at the previous audit in 2014 in respect of the banking process and petty cash procedures had been addressed, and only minor issues were identified during testing of financial procedures. However, a reporting issue relating to financial information produced by the Leisure centres software identified in previous audits has not yet been addressed.<br><b>Training</b> - The overall responsibility for training for the 3 Leisure sites is now managed by the Leisure Manager for Operation, Health & Safety and this is working effectively.<br><b>Time recording</b> - The rota system is still a manual task, done on a 3 week cycle. Extra hours and enhanced/upgraded duties are recorded manually and analysed by the Duty Officer before submitting to payroll. This is managed effectively.<br><b>Financial Analysis</b> - An analysis was of the enhancement and refurbishment project carried out at LMLC since the previous audit showed that the assumptions made for income generation within the business case had been achieved though profitability requires review. | 0  | 7 | 0 |



## TRANSFORMATION AND CHANGE

| Risk Area / Audit Entity                                       | Audit Report                           |  |  |   |   |
|--|--|--|--|---|---|
|  | Assurance opinion                      | Executive Summary / Residual Risk  | Summary of Recommendations<br>High / Med / Low |   |   |
| <b>Travel &amp; Subsistence</b>                                | Well Controlled<br>Status: Final       | The Travel and Subsistence system processes are now self-service (MyView) making the application and authorisation process automated. Processes are operating effectively and as expected by the organisation.   | 0  | 4 | 1 |
| <b>Customer Care &amp; Complaints</b><br>Risk / ANA: ANA - Med | Adequately Controlled<br>Status: Final | <p>The customer complaints process is generally sound, effective and followed in most areas of the Council. The key area of non-compliance is in leisure services where feedback is often not via the 'Web' based process and therefore not recorded on the CRM System. The effect of this is that the otherwise effective process of reporting complaints is compromised. Evidence to support the review of the complaint is also not strong and whilst it can be seen that they have been dealt with, this reduces assurance on satisfaction levels.</p> <p>The Council recognises that the CRM system is not the most effective, however, accepting this it is felt that more effective use management reports would provide better assurance on completeness of review and lessons learnt.</p> | 0  | 5 | 1 |

The following audits are either in progress or to be started imminently.  
Insurance and Elections & Electoral Registration, Payroll, Income collection, ICT Inventory

## Appendix 2 - Basis for Opinion

The Chief Internal Auditor is required to provide the Council with an opinion on the adequacy and effectiveness of its accounting records and its system of internal control in the Council. In giving our opinion, it should be noted that this assurance can never be absolute. The most that the internal audit service can do is to provide reasonable assurance, formed from risk-based reviews and sample testing, of the framework of governance, risk management and control.

This report compares the work carried out with the work that was planned through risk assessment; presents a summary of the audit work undertaken; includes an opinion on the adequacy and effectiveness of the Authority's internal control environment; and summarises the performance of the Internal Audit function against its performance measures and other criteria. The report outlines the level of assurance that we are able to provide, based on the internal audit work completed during the year. It gives:

- a statement on the effectiveness of the system of internal control in meeting the Council's objectives;
- a comparison of internal audit activity during the year with that planned;
- a summary of the results of audit activity and;
- a summary of significant fraud and irregularity investigations carried out during the year and anti-fraud arrangements.

In its' drive to deliver quality services within an environment of reducing budgets, increasing costs and changing demand, the Council continues to develop new and innovative models of service delivery. As a result the 2017/18 Audit Service and Plan has been subject to some change, with audit resources being engaged through Devon Audit Partnership.

As a result, though the audit plan has not changed the service delivery model is evolving in its approach and methodology in line with the councils wishes.

In assessing the level of assurance to be given the following have been taken into account:

all audits completed during 2017/18, including those audits carried forward from 2016/17;

any follow up action taken in respect of audits from previous periods;

any significant recommendations not accepted by management and the consequent risks;

the quality of internal audit's performance;

the proportion of the Council's audit need that has been covered to date;

the extent to which resource constraints may limit this ability to meet the full audit needs of the Council;

any limitations that may have been placed on the scope of internal audit.

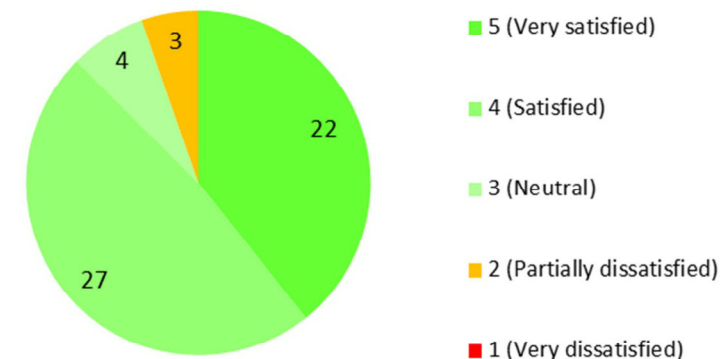


## Appendix 3 – Performance Indicators

| Incomplete Audits                 | Year | Recommendations |   |   |        |    |    |     |   |   |       |    |    | Direction of Travel<br>R,A,G |   |
|-----------------------------------|------|-----------------|---|---|--------|----|----|-----|---|---|-------|----|----|------------------------------|---|
|                                   |      | High            |   |   | Medium |    |    | Low |   |   | Total |    |    |                              |   |
|                                   |      | C               | N | O | C      | N  | O  | C   | N | O | C     | N  | O  |                              |   |
| Appraisals & Training             | 2015 | 1               |   |   | 13     |    | 1  | 2   |   |   | 16    | 0  | 1  | →                            | * |
| Car Park Income                   | 2016 |                 |   |   | 3      |    | 2  |     |   |   | 3     | 0  | 2  | →                            |   |
| Cemeteries & Bereavement          | 2016 |                 |   |   | 5      | 1  |    |     |   |   | 5     | 1  | 0  | ↑                            |   |
| Council Tax/NNDR                  | 2016 |                 |   |   | 5      |    | 3  |     |   |   | 5     | 0  | 3  | →                            |   |
| Creditors                         | 2016 |                 |   |   |        | 1  | 1  |     |   |   | 0     | 1  | 1  | ↓                            |   |
| District Offices                  | 2017 |                 |   |   |        | 2  | 6  | 1   |   |   | 1     | 2  | 6  | ↓                            |   |
| Electronic Payments/ Online Forms | 2017 |                 |   | 1 |        | 3  |    |     |   |   | 0     | 3  | 1  | ↓                            |   |
| Emergency Planning                | 2015 |                 |   |   | 3      |    | 1  |     |   | 1 | 3     | 0  | 2  | →                            |   |
| Environmental Health              | 2017 |                 |   |   |        | 15 |    |     |   | 1 | 0     | 16 | 0  | ↑                            |   |
| Housing H&S Management            | 2017 | 2               |   |   | 6      | 1  | 2  |     |   |   | 8     | 1  | 2  | ↑                            |   |
| Housing Rents                     | 2016 |                 |   |   | 2      |    | 1  |     |   |   | 2     | 0  | 1  | →                            |   |
| ICT Core                          | 2016 | 1               |   |   | 6      |    |    | 2   |   | 1 | 9     | 0  | 1  | →                            |   |
| Income & Cash Collection          | 2016 |                 |   |   | 4      | 0  | 1  |     |   |   | 4     | 0  | 1  | →                            |   |
| Insurance                         | 2015 |                 |   |   |        |    | 1  |     |   |   | 0     | 0  | 1  | ↓                            |   |
| Legal Services                    | 2015 |                 |   |   | 2      | 1  | 1  |     |   |   | 2     | 1  | 1  | ↓                            |   |
| Leisure CVSC                      | 2015 |                 |   |   | 5      |    | 1  |     |   |   | 5     | 0  | 1  | →                            |   |
| Leisure EVLC                      | 2016 |                 |   |   | 6      |    | 1  |     |   |   | 6     | 0  | 1  | →                            |   |
| Licensing                         | 2016 | 1               |   |   | 5      | 1  |    |     |   |   | 6     | 1  | 0  | ↓                            |   |
| Main Accounting - Capital         | 2017 |                 |   |   |        |    |    |     |   |   | 0     | 0  | 0  | ↑                            |   |
| Planning - Enforcement            | 2017 |                 |   |   |        | 1  | 5  |     |   |   | 0     | 1  | 5  | →                            |   |
| Procurement - Contract register   | 2017 |                 |   |   | 5      |    | 2  |     |   |   | 5     | 0  | 2  | →                            |   |
| Recruitment & Selection & JE      | 2015 |                 |   |   | 6      | 1  |    | 4   |   | 1 | 10    | 1  | 1  | →                            |   |
| Safeguarding                      | 2017 |                 |   | 1 |        | 4  |    |     |   |   | 0     | 5  | 0  | ↑                            |   |
| Sickness & Other Time Off         | 2016 |                 |   |   | 5      | 2  | 1  |     |   |   | 5     | 2  | 1  | ↓                            |   |
| Standby                           | 2016 |                 |   |   | 2      |    | 1  |     |   |   | 2     | 0  | 1  | ↓                            |   |
| Trade Waste                       | 2015 |                 |   |   | 8      | 2  |    |     |   |   | 8     | 2  | 0  | ↑                            |   |
| Treasury                          | 2016 |                 |   |   |        |    |    | 1   | 1 |   | 1     | 1  | 0  | →                            |   |
| Vehicles & Fuel                   | 2015 | 5               |   |   | 4      | 2  | 1  |     |   |   | 9     | 2  | 1  | →                            |   |
|                                   |      | 10              | 1 | 1 | 95     | 37 | 32 | 10  | 2 | 3 | 115   | 40 | 36 |                              |   |

## Customer Satisfaction

### Customer Satisfaction Survey Returns:- 7



The results are good with 95% positive feedback to survey questions. The two audits where there was some constructive feedback related in one instance to the timing of the audit and the other audit with two comments on report findings and clarity. In this latter instance the service stated *“report amendment was needed to better reflect the actual risk and to recognise improvements already made/direction of travel in place. All changes were agreed with the exception of the overall audit opinion of risk in respect of private water supplies. There was nonetheless adequate opportunity to discuss the findings”*

CORE

SYSTEM

C = Completed

N = Not yet due

O = Overdue

60%

21%

19%

Not progressing

Progressing some

overdue

On Target

\* report just issued

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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).