

AUDIT COMMITTEE
27TH JANUARY 2015

INTERNAL AUDIT PROGRESS REPORT

Cabinet Member Cllr Peter Hare-Scott
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 plan.

Financial Implications: None arising from the report

Legal Implications: None arising from the report

Risk Assessment: The role of Internal Audit is providing assurance that the risk management and internal control framework are operating effectively.

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 December 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 or are 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 have now been commenced in accordance with the Internal Audit Work Plan. The following Core audits are complete; ICT Core and Car Park Income. Council Tax/NNDR is almost complete.

2.2.3 The opinions for those audits completed since the last report are included in full in section 3.0 below.

2.3 Systems Audits

2.3.1 Systems Audits have been completed for Repairs & Maintenance, Contracts, Economic Development & Industrial Rents, Gazetteer Management Service, Leasing & Asset Management, Data Protection & Information Security, Gifts & Hospitality, Telephones, Lords Meadow Leisure Centre, Tiverton Pannier Market, Housing Health & Safety Management, VAT and Time Recording..

2.3.2 No further systems audits will be commenced until the Core audits for 2014/15 are complete. The present situation is this will result in no more being done and 4 audits being delayed until 2015/16 i.e. Listed Buildings & conservation, Grants & Donations, Vehicles and Emergency Planning.

2.3.3 The opinions for those audits completed since the last report are included in full in section 3.0 below.

2.4 Other Work

2.4.1 The Internal Audit team 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 continue to be 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. No consultancy work has been carried out in the last 2 months so as to concentrate on the audit plan.

2.5 Performance Indicators

As at end of December the Internal Audit PIs are as follows:

	Current	Target
Core	26%	50%
System	81%	80%

The Core audits are still scheduled to be complete by 30 March 2015. The Stocktake is scheduled for 31 March 2015

3.0 **Audit Opinions**

The following opinions have been issued since the last report:

3.1 **Car Park Income**

3.1.1 The responsibility for on street parking has now been transferred back to Devon County Council. Due to this and departmental restructuring the

administration for on street parking has been transferred from the Miscellaneous Income Section to the Environment and Enforcement section.

- 3.1.2 As a result of the change of staff and long term sickness, it has been difficult to complete some of the testing required for this audit, due to lack of detailed knowledge and information in some areas. Despite this the car parking service administration has been kept running by the current staff in a challenging time, and the staff deserve praise for this. They were also very helpful and tried to answer questions as best they could.
- 3.1.3 This highlights across all services the need for good procedure notes and to factor in a suitable handover period when services are restructured requiring staff to take on new duties in order to ensure a smooth transition.
- 3.1.4 Some of the 'housekeeping' tasks within the SPUR system which is used to record the Penalty Charge Notices need to be addressed as soon as possible.
- 3.1.5 The procedure for monitoring the return of staff parking permits once a member of staff leaves the council's employment also needs to be more robust.
- 3.1.6 It is the overall opinion of the auditor that the Car Parking system is adequately controlled.
- 3.1.7 There was only one high priority recommendation on this audit i.e.:

Post income in accordance with the machine tickets.

This was given a target date for completion of 31 January 2015.

Summary of Recommendations		
High	Medium	Low
1	6	0

3.2 VAT

- 3.2.1 One of the Accountants in Finance has taken on responsibility for VAT administration, preparation of the VAT returns each month and promoting awareness of VAT matters across relevant services such as legal and property services. She has also set in place excellent paperwork and processes for preparing and evidencing the VAT returns.
- 3.2.2 However, the Council is close to the 5% de minimis threshold for exempt tax and has several capital programmes planned which could affect the recovery of exempt tax in the future so care must be taken. The amount of exempt tax recovered under the Section 33 special rules is substantial; over £100k per annum on average.
- 3.2.3 Further awareness of the importance of using the correct VAT code particularly 8 and 9 needs to be promoted this could be via the procurement User Group maybe.

- 3.2.4 It is the overall opinion of the auditor that the process for reclaiming VAT is well controlled.
- 3.2.5 There was one high priority recommendations on this audit i.e.:

Consider use of a VAT consultant to scrutinise effect of planned capital expenditure.

This will be as required by the details of the project(s) under consideration.

Summary of Recommendations		
High	Medium	Low
1	1	0

3.3 Time Recording

- 3.3.1 The rules governing flexitime have been amended since the previous audit. One of the most significant changes being that for some employees there are no longer set times or 'core hours' where they have to be in their place of work. Instead, the rules now state that employees have to work a minimum number of 5 hours per day (or pro-rata if their contractual hours are less than 37 hours per week). However, there are exceptions to this rule where there is a business need e.g. Customer First which has to be staffed during certain hours.
- 3.3.2 The Human Resources department administers the Wintime system with support from four Officers in Customer Services, who manage most of the manual adjustments once they have been authorised by line managers. There is a facility within the Wintime system to produce monthly anomaly reports which can be sent to managers to enable them to monitor the time records of their staff and ensure the correct operation of the Wintime and flexi time systems. However, it was found that currently, not all managers were set up to receive these reports.
- 3.3.3 Despite the detailed guidance provided for managers and employees by HR, there are a number of weaknesses in the systems of internal check and control that need to be addressed. It is hoped that the upgraded system will address some of these; this is due to take place by 1 April 2015.
- 3.3.4 There is evidence to suggest that some employees may not be taking a mandatory lunch break, as they are failing to log out of the Wintime system during their working day for the minimum 20 minutes. This means that there is a risk that the Council may be in breach of the Working Time Rules.
- 3.3.5 Some employees regularly work outside of the office and use the Business Absence procedure to log out. If they do not return to the office that day the system automatically clocks them out at 5.00pm. It is apparent that some employees submit time reconciliations when they work beyond 5.00pm but there do not seem to be the same volume of adjustments for finishing before 5.00pm, therefore there is a lack of consistency in this area.

- 3.3.6 In the Guidance for managers for Wintime, the policy states that ‘*You may get a request from your employees whose flexi balance is over the credit limit of 20 hours (pro-rata) to move the lost hours to toil, this is not acceptable. Toil is calculated differently to flexi and you cannot convert*’. Despite this guidance, this has occurred on 2 cases out of the 30 sampled. There have also been 2 cases from the same sample where an amount of toil has been converted into pay for an employee which again is not allowed within the policy guidelines. However, it is recognised that with spending cuts and departmental restructuring, it may be necessary to allow this in exceptional circumstances and with authorisation from the Chief Executive or Head of HR & Development.
- 3.3.7 The Wintime system is not suitable for all employees e. g. in the case of Waste & Recycling operatives, who spend the majority of their time out of the office or work with others in a MDDC vehicle.

It is the overall opinion of the auditor that Flexitime is poorly controlled.

There were no high priority recommendations on this audit.

Summary of Recommendations		
High	Medium	Low
0	8	0

4.0 Conclusion

- 4.1 All the post audit surveys for systems audits sent out have come back “very satisfied” or “satisfied” so far.

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Circulation of the Report: Management Team and Cllr Peter Hare-Scott

List of Background Papers: None

Audits	Year	Recommendations									Appendix 1				
		High			Medium			Low				Total			
		C	N	O	C	N	O	C	N	O		C	N	O	
Car Park Income	2014		1			5						0	6	0	
Contracts	2014			1				1	3			1	3	1	
Housing Benefits	2011					1						0	0	1	
Housing Benefits	2012							2	1			2	0	1	
Housing Benefits	2013					1	2	1	1			2	0	3	
Leasing and Asset Management	2014						1	1				1	0	1	
Main Accounting	2013											0	0	0	
Procurement	2013			1		1	2	2	1			3	0	4	
Trade Waste	2013						6	2	7			2	0	13	
VAT	2014		1			1						0	2	0	
Gifts & Hospitality	2012								1			0	0	1	
Gifts & Hospitality	2014					1		3				0	4	0	
Tiverton Pannier Market	2014					5	4	1	1			6	5	0	
Data Protection	2014	1	1	1		2	2					1	3	3	
ICT Core	2012					1	2					1	0	2	
ICT Core	2014			1		2	3	2	1			0	4	5	
Telephones	2014							1				1	0	0	
Building Control	2012					1	3	6	4			7	0	7	
Development Management	2013					2	1	2	1			4	0	2	
Health & Safety	2013					6	4	5				11	0	4	
Leisure	2012	5		0		5	1	13	1			23	0	2	
Leisure LMLC	2014					2	2	2				4	2	0	
Payroll	2013					1	2		1			1	0	3	
Sickness & Other Time Off	2012					2		1	3			3	0	3	
Time Recording	2014						8					0	8	0	
Travel & Subsistence	2013	1		1		2	1	4	1			7	0	3	
Elections	2013						1		4			0	0	5	
Customer Care - Complaints	2013						5	2	3			2	0	8	
Income & Cash Collection	2013											0	0	0	
Recovery	2009						1					0	0	1	
Recovery	2011								1			0	0	1	
Recovery	2012	1					1		2			1	0	3	
Recovery	2013						1	1	1			1	0	2	
Grounds Maintenance	2013						1					0	0	1	
Homelessness	2013						1	1	1			1	0	2	
Housing H & S Management	2014		1				5					0	6	0	
Housing Rents	2013											0	0	0	
Housing Repairs & Maintenance	2014					1	3		2			1	0	5	
Private Sector Renewal	2013	2				2	2	1				5	0	2	
Standby	2012					2	2					2	0	2	
		10	4	5		34	30	49	49	9	37	93	43	91	

CORE

C = Completed

SYSTEM

N= Not yet due
O= Overdue

Audit Report - High Priority Outstanding Recommendations Appendix 2

Annual report for 2014-2015

Arranged by Service

Filtered by Flag: Include: Audit Recommendations

Filtered by Performance Status: Include Project Status: No Data available,
Milestone Missed, Behind schedule, On / ahead of schedule

Exclude Project Status: Cancelled, Completed and evaluated

Key to Performance Status:

Projects:		No Data available	Milestone Missed	Behind schedule	On / ahead of schedule	Completed and evaluated
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Audit Report - High Priority Outstanding Recommendations Appendix 2

Service: Human Resources	Head of Service: Jill May	Portfolio: n/a
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Projects

Project Status	Code	Objective	Project End	Last Review Date	Achieved	Arising
Behind schedule	A - 2013 - TS 2.2 - H	<u>Provision for reviewing and recording drivers' insurance details consistently and in a centralised manner should be agreed and included in the Transport Policy. (see 2.4 below)</u>	31/03/2014 (due)	12/09/2014		New Waste/Transport Manager commenced employment 01/09/14. Working with him to bring Transport Policy which should address this by 31/03/15.

Service: I C T	Head of Service: Christina Cross	Portfolio: n/a
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Audit Report - High Priority Outstanding Recommendations Appendix 2

Service: I C T		Head of Service: Christina Cross			Portfolio: n/a	
Projects						
Project Status	Code	Objective	Project End	Last Review Date	Achieved	Arising
On / ahead of schedule	A - 2014 - DP - 3.1 - H	<u>The issue of who is monitoring the non PC users' acceptance of the DPP and Information Security needs to be resolved as soon as possible.</u>	31/10/2014 (due)	15/01/2015	Induction process is being changed to ensure managers brief non - computer using staff on compulsory policies.	Service Managers' responsibility
No Data available	A - 2014 - IC - 2.2 - H	<u>Remind Line Managers that they need to inform ICT as a matter of urgency when an agency workers starts, leaves or moves within MDDC.</u>	31/12/2014 (due)	15/01/2015 (overdue)	Starters and Leavers process is on Hornbill	

Service: Procurement		Head of Service: Andrew Jarrett			Portfolio: n/a	
Projects						
Project Status	Code	Objective	Project End	Last Review Date	Achieved	Arising
Behind schedule	A - 2013 - PC - 1.1 - H	<u>Put contracts in place where spend is</u>	31/05/2014 (due)	19/11/2014		The post of Corporate Procurement Manager is

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Audit Report - High Priority Outstanding Recommendations Appendix 2

Service: Procurement

**Head of Service:
Andrew Jarrett**

Portfolio: n/a

Projects

Project Status	Code	Objective	Project End	Last Review Date	Achieved	Arising
		<u>over £50,000 in a year in accordance with the Financial Rules.</u>				not being back filled so work on this will not commence until April 2015
Behind schedule	A - 2014 - CON - 2.1 - H	<u>Ensure that the supplier spend monitoring process resumes as soon as possible to ensure that the Council obtains the best prices and value for money.</u>	31/08/2014 (due)	19/11/2014		The post of Corporate Procurement Manager is not being back filled so work on this will not commence until April 2015

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