

Internal Audit

Audit Progress Report 2018-19

Mid Devon District Council
Audit Committee

September 2018

Robert Hutchins
Head of Audit Partnership



Auditing for achievement

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 2018/19 was presented and approved by the Audit Committee in March 2018. The following report and appendices set out the background to audit service provision; a review of work undertaken in 2018/19, 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 2018/19 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.
Significant Assurance	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 we have started covering the Council's key financial controls or where the level of income is material in the context of the Council's annual accounts this. This is earlier than historically but we feel may better suit work flows.

The Findings of particular interest include:

- there are no major concerns on controls from the reviews completed.

No material issues have been identified to date.

Risk Based Audits have formed the majority of the work in the first part of the year. Opinions for the current period are included in appendix 2 to this report.

Findings of particular interest include refuse and recycling and carpark income. Both provide significant income levels and controls over their operation have been found to be effective with no material concerns identified.

Reviews in other areas including:

- equality impact assessments;
- recruitment;

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

Other Work

- Risk Management
- Audit Committee guidance
- Counter Fraud Services

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 sensible and professional recommendations”

“in-depth review of support service handling of garden waste permits”

“audit support enable change to be implemented”

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

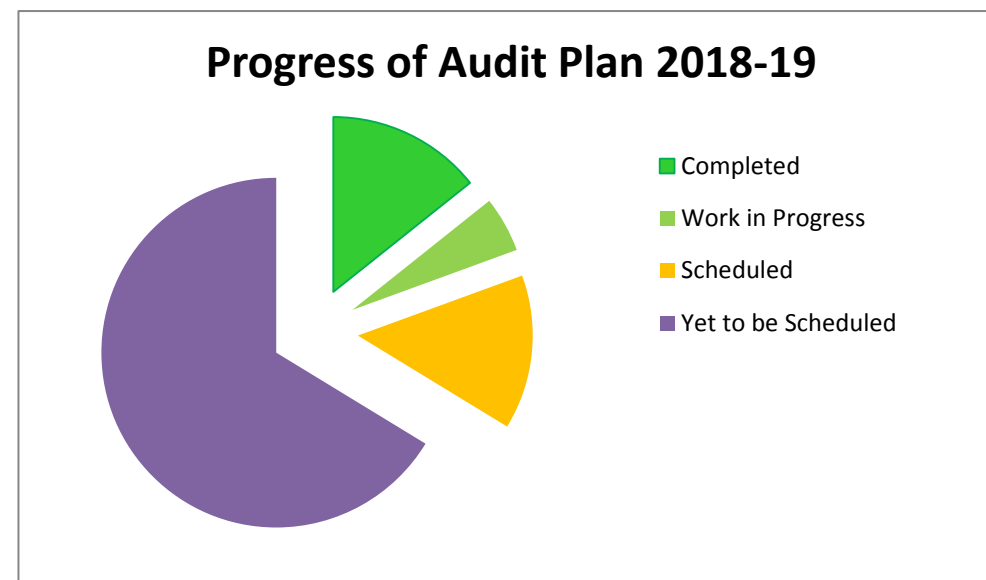
Audit Coverage and Performance Against Plan

Performance against plan is generally as expected with the larger proportion of the work to be completed in the second half of the year. This is due to the maternity leave of a key member of the Audit Team. It is expected that DAP will complete the significant part of the audit plan (85%) within the budget envelope recognising that there is additional cost to maternity cover. This adjustment has been agreed with management, work will be prioritised to the core financial systems and the key risks in other areas.

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 risk based work with some core key financial systems completed.

Appendix 1 to this report provides a summary of the audits undertaken since our last progress report in 2018/19, 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. We have been working with the Council to improve procedures to ensure that these are monitored more effectively such that they are brought to a close more quickly.

Fraud Prevention and Detection

There have been no reviews this period.

Customer Satisfaction – survey returns score 98% satisfaction year to date.



Appendix 1 – Summary of audit reports and findings for 2018/19




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.

Risk Area / Audit Entity	Audit Report					
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low			Direction of Travel Assurance
Core Audit – Key Financial Systems						
Car Park Income Risk / ANA: ANA – Medium Spar	Good Standard Status: Final	Fees and charges for pay and display car parking and the number of vends are closely monitored and regularly reported. Reconciliations of the expected income and cash received are well controlled and operate effectively - a high level of assurance can be given. Car parking permit fees are also regularly monitored. A technical issue on transaction analysis on data transfer into the accounting system requires resolve to improve monitoring information.	1	1	5	
Risk Based Reviews						
Equality Impact Assessments Risk / ANA: ANA – Med Spar 3x3=9 Medium/orange	Good Standard Status: Final	The Council's Single Equality Statement is updated and approved each year, it is published on the Council's website and supported by sound procedure and process. In line with legislation, the Council publishes statistics on the general population, staff and members, service users and departments within the Council. There is, however, no formal procedure in place to monitor whether EqIA's have been completed, to prevent non-compliance risk, although the GM for Performance, Governance and Data Protection reviews a large proportion of reports. This is further mitigated where the Scrutiny Committees also have the authority 'call in' any report and challenge proposed changes to policies which may affect equality and diversity. The Corporate Equality Forum has not met for some considerable time and this needs to be addressed to ensure that equality issues can be highlighted and monitored regularly.	1	3	1	

Risk Area / Audit Entity	Audit Report					
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low			Direction of Travel Assurance
Recruitment, Selection & succession planning Risk / ANA: ANA – Low Spar 3x2=6 low/orange	Good Standard Status: Final	<p>Controls around the recruitment and selection policy generally work well, and the policy gives detailed guidance on the procedure. However, it is felt that officers would benefit from having a structured refresher training on the process. Testing identified that the recruitment process is followed in line with the HR policy although, evidence to support completion of the induction process requires improvement.</p> <p>The is an opportunity for the Council to have a more structured approach to Succession Planning, by introducing a Policy or Framework; this would help to reduce the risk to business continuity when key staff leave the Councils' employment.</p> <p>There is an extensive learning and development programme available to employees which is now managed though a web based e-learning system, supported by the Learning and Development Team.</p>	1	2	1	
Refuse and Recycling Risk / ANA: ANA – High Spar 4x4=16 High/ Red No data	Good Standard Status: Final	<p>The measures in place to ensure that the Waste Transfer Station activities complies with the Environment Agency license operate to a high standard.</p> <p>Responsibilities within the management system are clear, procedures have been followed correctly, and all documented evidence is retained where necessary.</p> <p>The current agreement with Exeter CC for obtaining the best prices for certain recyclables works well and all evidence of prices is retained and monitored. The agreement needs to be formalised to ensure that responsibilities, ethical requirements, procedures and timescales are clearly defined.</p> <p>The Chargeable Garden Waste Scheme currently operates adequately, but there are areas of the administration process that require improvement to ensure greater efficiency.</p>	1	3	0	
Housing Repairs Stores Stocktake Risk / ANA: ANA – Low Client request	High Standard Status: Final	<p>Procedures are effective for ensuring a reliable stock take is undertaken. Variances from stock overall are lower than previously showing improvement. The net adjustment to stock records is minimal and a review is being completed of variances for improvement purposes.</p>	0	1	0	

The following audits have been completed:

- draft reports are being prepared - Housing Benefits,

No material concerns have been identified with these reviews. Opinions will be provided in the November progress report.

The remaining plan work is scheduled for completion by the year end.

Appendix 2 – Performance Indicators

Incomplete Audits	Year	Recommendations									Direction of Travel R,A,G	Comments			
		High			Medium			Low					Total		
		C	N	O	C	N	O	C	N	O			C	N	O
Creditors	2017	1			1	1		1			3	0	1		
Income & Cash Collection	2017					1	2	1	1		1	2	2		
Main Accounting System	2017				3	1		1			4	1	0		
Council Tax & NNDR	2017	3			2			1			6	0	0		
Trade Waste	2017				4			2			6	0	0		
Payroll	2017	2	1		5	2					7	3	0		New form currently being tested
Treasury	2017	2			1	1					3	1	0		
Appraisals & Training	2015	1			13	1		2			16	0	1		Setting of performance indicators
Care Services - Alarm Call	2017	2	1	1	3						5	1	1		Data sharing agreement - in progress for completion Sept. 2018
Customer Care & Complaints	2017				3	2	1		1		3	3	1		
Development Management S106	2017			2		3					0	3	2		"S106 agreements from 2009 onwards have now been captured on a master spreadsheet and payments cross checked against the financial ledger.
Electronic Payments/ Online Forms	2017	1			1	1					2	0	1		
Emergency Planning	2015				3	1		1			4	0	1		Business Continuity Plan - documents available and training provided
Environmental Health	2017				13	2				1	13	0	3		
Housing H&S Management	2017	2			8	1					10	0	1		Performance indicator needs to be set up and scored
ICT Inventory	2017	2			2	2					4	0	2		
Insurance	2017	1			1	2			1		2	3	0		
Legal Services	2015				2	2					2	0	2		Date extended, digital archiving system required
Planning - Enforcement	2017				6	1					6	0	1		
Safeguarding	2017	1			3	1					4	1	0		
Sickness & Other Time Off	2016				6	2					6	0	2		Policy update required
Standby	2016				2	1					2	0	1		Will be taken into account during a review of the whole Standby service, due by the end of 2018.
Travel & Subsistence	2017	1	1		2			1			4	1	0		
Vehicles & Fuel	2015	5			6	1					11	0	1		Transport policy (fleet management)
		24	3	3	90	13	19	10	3	1	124	19	23		

CORE
SYSTEM

C = Completed 75%
N= Not yet due 11%
O= Overdue 14%

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 .