

Internal Audit

## Audit Progress Report 2018-19

Mid Devon District Council  
Audit Committee

November 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**

<b>Contents</b>	<b>Page</b>
Introduction	1
Opinion Statement	2
Executive Summary Audit Results	2
Value Added	3
Audit Coverage & Progress Against Plan	3
Fraud and irregularity	3
<b>Appendices</b>	
1 – Summary of Audit Results	4
2 – Performance Indicators	6
3 – Assurance Mapping – 3 Lines of Defence	7
4 – Assurance Mapping – Possible Model	8

## 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.
<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** we progressing work 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 remain 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 I the first half of the year. Opinions for the current period are included in appendix 2 to this report.

Findings of particular interest include the opportunity to improve management level control particularly in performance monitoring which has received increased focus from Leadership and received comment in recent audit reviews including that of procurement here..

Reviews in other areas including:

- leisure services income banking and reconciliation controls;

provide assurance of an sound internal control framework that is generally operating as required across the leisure sites.

### Other Work

- Risk Management
- Assurance Mapping (see appendices 3 & 4)
- Counter Fraud Services

We are currently considering risk management arrangements and how this links to the assurance mapping for the Authority. We have included some examples here for consideration by the Audit Committee on how this could look.

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"*

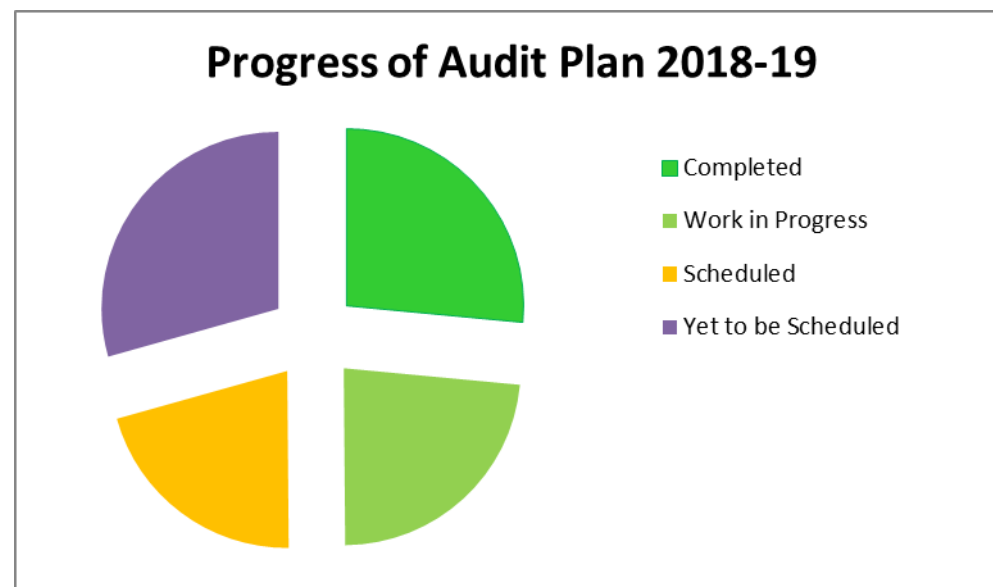
We trust that officers have found our engagement, support as a "trusted advisor" effective and constructive in these significantly changing times.

## 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. We are now back to a full compliment of staff and have scheduled a significant part o the remaining work plan for the year. As agreed at the last audit Committee 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. The proposed audits to be deferred to the next years audit planning process are job evaluation system, Culm Valley Project, benefits realisation reporting and asset management plan.

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 the key issues reported. 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

We are agreeing ways to support the Authority on its review of single persons discount for council tax.

**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						
<b>Housing Benefits</b>  Risk / ANA: ANA – Medium  Spar 4x3=12 Medium / Orange	Good Standard  Status: Final	Procedures for monitoring performance e.g. number of days to process new claims and changes of circumstances operate to a high standard and are carried out on a regular basis. The process for the annual uprating is robust and a high level of assurance can be given that the controls in place ensure that the uprating is carried out in a timely manner and is accurate. Monitoring of accuracy of processing Housing Benefit claims has been carried out on a regular basis by the Benefits Supervisors. The roll out of Universal Credit has been the subject of extensive planning by the Housing Benefits Section no material concerns were noted.	0	2	1	
Risk Based Reviews						
<b>Procurement</b>  Risk / ANA: ANA – Med  Spar	Good Standard  Status: Final	Mid Devon District Council is s member of Devon District Procurement Group; the local authorities involved have all adopted their Procurement Strategy (2015 - 2018). Operationally, there is a sound control framework for procurement and the contract tendering process which ensures compliance with legislation. Evidence obtained during the audit demonstrated that many of the objectives under the themes highlighted in the DDPG strategy have been achieved. However, although performance is monitored at officer level there is limited formal reporting of outcomes and benefits realisation to Leadership and Members.  The Authority does not, however, have a corporate procurement strategy to align its corporate objectives with procurement needs and to enable the Authority to monitor and measure success against the corporate aims and service priorities. This is mitigated to some extent where the Procurement Manager and Procurement and Contracts Officer are in regular liaison with departments to help identify, and encourage early engagement in relation to the purchase of goods, works and services. This assists in ensuring that procurement rules and legislation are complied with.	1	6	0	

Risk Area / Audit Entity	Audit Report				
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low		
<b>Culm Valley Leisure Centre</b>  Risk / ANA: ANA – Low  Spar: - Health and Safety related	Good Standard  Status: Final	Controls in place for cashing up and security of cash at CVSC operate effectively although, there is increased risk in income management where supervision of income reconciliation is not effective.  There is clear evidence in specific circumstances that mandatory training has been completed although not in all cases. Management control records over mandatory training of staff are ineffective to demonstrate training received and required and reduce assurance that can be given.	0	6	0
					

The following audits have been completed:

- draft reports are being prepared – Council Tax and NNDR

The following audits are in progress VAT partial exemption, Cyber Security and computer systems, Construction Design and Management in housing repairs and maintenance.

No material concerns have been identified with these reviews. Opinions will be provided in the January 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		System accountant recently appointed and will progress with the invoice scanning project asap
Housing Benefits	2018					2			1		0	3	0		
Income & Cash Collection	2017					1	2	1	1		1	2	2		These 2 outstanding recommendations may not be pertinent now due to change over to Council going cashless
Main Accounting System	2017				3	1		1			4	1	0		
Payroll	2017	2	1		5	2					7	3	0		
Treasury	2017	2			1		1				3	0	1		Delegation of powers need to be formalised
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 Nov 2018
Customer Care & Complaints	2017				5	1		1			6	1	0		
Development Management S106	2017			2			3				0	0	5		Progress being monitored by LT. S106 Governance arrangements to be approved by Cabinet
Electronic Payments/ Online Forms	2017	1			1	1					2	1	0		
Emergency Planning	2015				3		1	1			4	0	1		Business Continuity Plan - documents available and training provided
Equality Impact Assessment	2018			1	2		1			1	2	0	3		Incorporated some actions into Customer Engagement Strategy. Attending DCC equality forum 6th Nov. Target to be extended to 31 March 2019.
Housing H&S Management	2017	2			8		1				10	0	1		Performance indicator are in the process of being 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
Recruitment, Selection & Succession Planning	2018	1			1	1					2	1	0		
Safeguarding	2017	1			3	1					4	1	0		
Sickness & Other Time Off	2016				6	2					6	2	0		Policy update not yet due
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.
Vehicles & Fuel	2015	5			6		1				11	0	1		Transport policy (fleet management)
		21	2	4	68	14	17	7	3	1	96	19	22		

CORE
SYSTEM


C = Completed

70%

Not progressing 


N= Not yet due

14%

Progressing some  
overdue 

O= Overdue

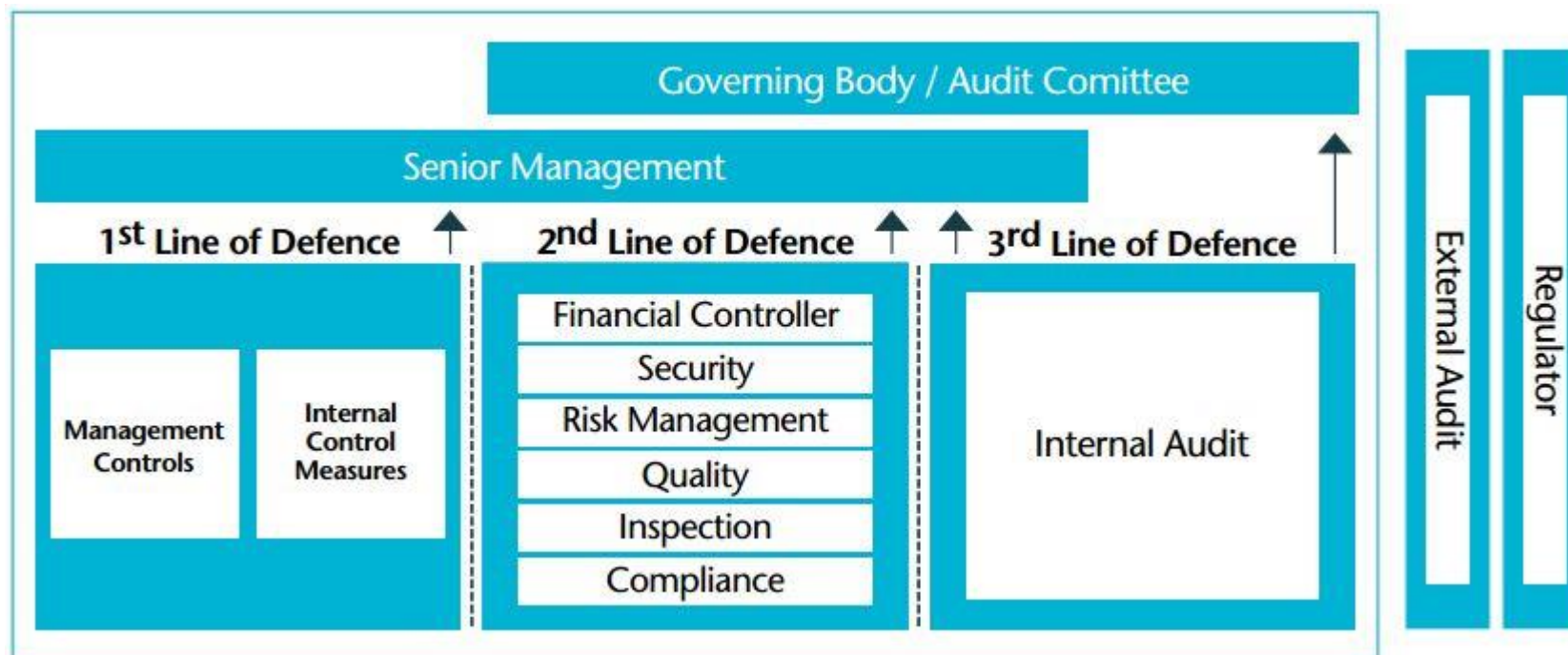
16%

On Target   
\* report just issued



## Appendix 3 - Assurance Mapping

3 Lines of Defence Model (source IIA.org.uk)



### 1. First line of defence

Under the first line of defence, operational management has ownership, responsibility and accountability for directly assessing, controlling and mitigating risks.

### 2. Second line of defence

The second line of defence consists of activities covered by several components of internal governance (compliance, risk management, quality, IT and other control departments). This line of defence monitors and facilitates the implementation of effective risk management practices by operational management and assists the risk owners in reporting adequate risk related information up and down the organisation.

### 3. Third line of defence

Internal audit forms the organisation's third line of defence. An independent internal audit function will, through a risk-based approach to its work, provide assurance to the organisation's board of directors and senior management. This assurance will cover how effectively the organisation assesses and manages its risks and will include assurance on the effectiveness of the first and second lines of defence. It encompasses all elements of an institution's risk management framework (from risk identification, risk assessment and response, to communication of risk related information) and all categories of organisational objectives: strategic, ethical, operational, reporting and compliance.



## Assurance Mapping – possible model for Mid Devon

Risk Area	Mitigation Controls								3 <sup>rd</sup> Line defence	External / Regulatory	
	1st Line defence		2 <sup>nd</sup> Line defence						Internal Audit	External Audit	Regulatory Bodies
	Internal Control Measures	Management Controls	Financial Controller	Security	Risk Management	Quality	Inspection	Compliance			
Housing Benefits	G	G	G	-	G	-	-	G	G	G	-
Procurement	G	A	A	-	A	G	-	A	A	-	-
Culm Valley Leisure Centre	G	A	G	G	G	-	A	G	G	-	-
Key - Red - Amber - Green											

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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).