

# Internal Audit

## Audit Progress Report 2019-20

### Mid Devon District Council Audit Committee

October 2019



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 2019/20 was presented and approved by the Audit Committee in March 2019. The following report and appendices set out the background to audit service provision; a review of work undertaken in 2019/20 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

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## Head of Devon Audit Partnership

## Opinion Statement

**Overall, based on work performed during 2019/20 and our experience from the current year progress and previous years' audit, the Head of Internal Audit's Opinion is of "Substantial 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>Substantial 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 have completed several reviews covering the Council's key financial controls including housing benefits, debtors and main accounting systems where reports will be produced shortly. The focus this year will, as agreed in the audit plan, be on review and documentation of the control environment with focused testing on 'hotspot' areas rather than wide ranging compliance testing.

No material issues have been identified to date and assurance is and will be of good to high standard in these reviews. Our review of the housing benefits system found the control framework to be of a high standard.

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

Findings have generally found a good level of control and opportunity value for improvement in achievement of objectives.

Of particular note is the 'High standard' of assurance seen in some reviews:

- Asset Management;

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

### Other Work

- Audit Committee guidance on effectiveness of the committees governance arrangements;
- Analysis of members knowledge and skills to identify training opportunities

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.

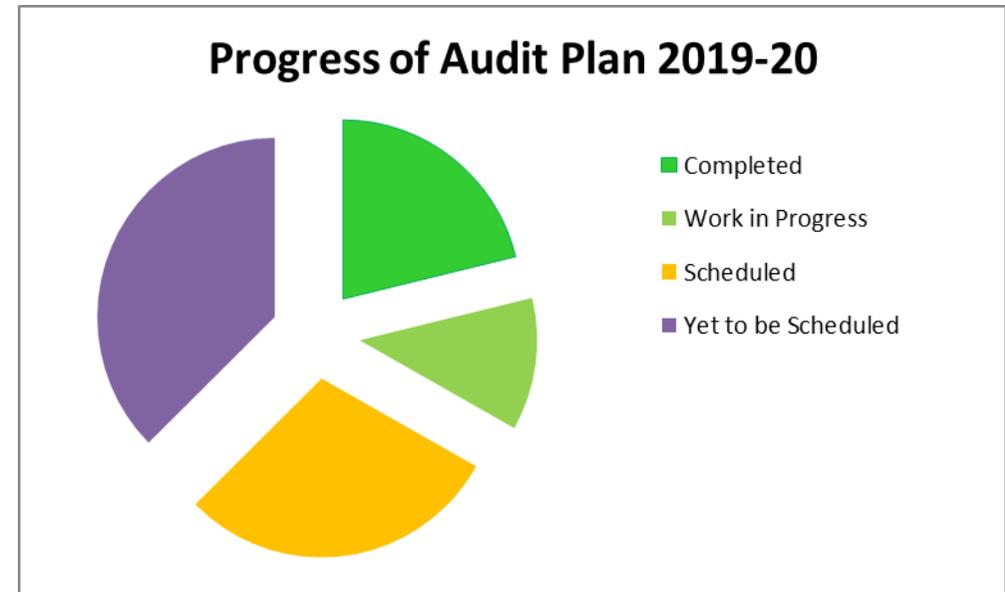
We have been working with the Authority's External Auditors to provide a joint review of the housing benefits subsidy claim for 2018/19 with a particular focus on the 'Discovery Testing'. We will work together with the Housing Benefits Team supported by the oversight of the External Auditor. This joint work should provide benefits to all parties in knowledge sharing, skill development and resource management.

## Audit Coverage and Performance Against Plan

Performance against plan has initially remains slow through the holiday season though scheduling shows work to be gaining pace. We have scheduled resource from three additional staff covering some specialist areas (including ICT) over the next few months. It is generally as expected that the larger proportion of the work to be completed in the second half of the year. This is due in part to leave arrangements and the continued development of the audit approach. It is expected that DAP will complete the audit plan by year end. Work will be prioritised to the core financial systems in the coming 3 months to fit with External Audit requirements.

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 being commenced now.

Appendix 1 to this report provides a summary of the audits undertaken since our last progress report in August 2019, 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 continues to make 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** – satisfaction returns specific to MDDC have yet to be received this year though in general for DAP, survey returns score 98% satisfaction year to date.

## Appendix 1 – Summary of audit reports and findings for 2019/20

### 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	
<b>Risk Based Reviews</b>						
<b>Housing Benefits</b> Risk / ANA: ANA – High	Good Standard  Status: Draft	<p>Our review has found that the control framework for ensuring that benefit payments are processed accurately, overpayments are monitored and recovery of any overpayments is considered to be of a high standard. This is evident where the Housing Benefits Team were found to carry out regular monitoring of performance to ensure accuracy and speed of processing claims. Performance is reported to the Director of Finance, Assets and Resources on a monthly basis and to Cabinet annually where last years report outlined that the time for processing new claims and changes in circumstances are well below the national averages, placing their performance in the top quartile nationally.</p> <p>There remain two areas where previous recommendations on systems user accounts and systems recovery procedures remain incomplete from our last review though we understand these are currently being reviewed. Removal of 'staff movers' from systems access remains the more concerning of these recommendations and a wider issue that is being addressed through a separate ICT audit report.</p>	0	4	0	 *
<b>Debtors</b> Risk / ANA: ANA – Med	Good Standard  Status: Audit completed	<p>Our review has been concluded and the draft report is being prepared for consideration by management.</p> <p>Outline conclusions are of a good level of assurance that there is a robust framework of control in place.</p> <p>We have undertaken some analysis of data quality within the debtors master file during the course of the review and have identified several areas for improvement including:</p> <ul style="list-style-type: none"> <li>- removal of old records (data protection requirements);</li> <li>- debtor name recording (to reduce poor recovery risk);</li> <li>- future digital improvement opportunities (debtor categorisation and contact info).</li> </ul>				n/a

Risk Area / Audit Entity	Audit Report					
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low			Direction of Travel Assurance
<b>Main Accounting System</b> Risk / ANA: ANA – High	Good Standard  Status: Audit completed	Our review has been concluded and the draft report is being prepared for consideration by management.  Outline conclusions are of a Good level of assurance that there is a robust framework of control in place that has seen improvement since our last review.				n/a
<b>Risk Based Reviews</b>						
<b>Asset Management</b> Risk / ANA: ANA – Low Spar 3x3=9 Med/Orange	High Standard  Status: Final	Our review found that there is a high level of assurance that MDDC has established a robust Asset Management Strategy, to ensure the effective management and monitoring of Council assets. Evidence relating to the completion of targets within the action plan should be documented and reported to improve performance monitoring and transparency.  Progress in currently being made to update the Capital asset database held in the Uniform (CAPS) System, recording ownership and leasing information held within Legal deeds. This will improve access to information for the Corporate Property and Commercial Assets (CPCA) service. Progress with this exercise should be monitored to ensure this is completed within the expected timeframe. There also needs to be sufficient training given to the CPCA Business Support Team once the responsibility for maintaining the information is transferred to CPCA to ensure that the database continues to be managed and maintained effectively.  The VFM exercise included in the CPCA business plan for 2019/20 will provide meaningful performance information to the Council on how MDDC asset management is performing, against other local authorities.	0	2	2	
<b>Safeguarding</b> Risk / ANA: ANA – High Spar 5x2=10 Med/Orange	Good Standard  Status: Final	This review was reported as part of the annual report in August 2019. Recommendations have now been finalized and management action agreed.	2	4	0	

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low
<p>The following audits have been completed:            Draft reports are being prepared for:</p> <ul style="list-style-type: none"> <li>- Housing Benefits,</li> <li>- Debtors,</li> <li>- Main Accounting</li> <li>- Housing Services - Adaptations</li> </ul> <p>No material concerns have been identified with these reviews. Opinions will be provided in the December progress report.</p> <p>The remaining plan work is scheduled for completion by the year end.            We are bringing in three additional staff with different skill sets for specific audits including ICT</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
Standby	2016				2		1				2	0	1	IR
Care Services - Alarm Call	2017	2		2	3						5	0	2	IR
Development Management S106	2017			2		1	2				0	1	4	IR
Payroll	2017	3			6		1				9	1	0	OR
ICT Inventory	2017	2			3		1				5	0	1	OR
Procurement	2018			1	4						4	0	1	OR
Housing Rents	2018	3	1		4		2				7	1	2	OR
VAT - Partial Exemption	2018			2	1		1	2			3	0	3	OR
Equality Impact Assessment	2018		1		3					1	3	1	1	OR
Partnerships - Building Control	2018	2			3	3	2				5	3	2	OR
Creditors	2018				1		3	1		2	2	0	5	OR
Housing Health & Safety	2018	1				6	9	1	1		2	7	9	OR
Vehicles & Fuel	2015	5			6		1				11	1	0	GT
Insurance	2017	1			3					1	4	0	1	GT
Housing Benefits	2018					2	0	1			1	2	0	GT
Ctax and NNDR and recovery	2018	1			1	1	1	3			5	1	1	GT
Business Continuity Planning	2018					2					0	2	0	GT
Culture and Ethics	2018				2			1	1		3	1	0	GT
Leisure CVSC	2018				5		1				5	1	0	GT
Grounds Maintenance	2018				2		1	2			4	1	0	GT
Risk Management	2018		6			7				0	0	13	0	GT
Safeguarding	2019		2			4					0	6	0	GT
Private Sector Housing	2019					5		1	1		1	6	0	GT
Housing Lettings	2019					1					0	1	0	GT
ICT Service Transition	2019		4			8					0	12	0	GT
		20	14	7	49	46	22	12	5	4	81	65	33	GT

Comments

Will be taken into account during a review of the whole Standby Service, extended to end of 2019.

We are waiting for the impact of the West Somerset and Taunton Deane merger (to form Somerset West and Taunton) to be known in terms of call centre capacity/provisioning.

Progress being monitored by LT. S106 Governance arrangements to be approved by Cabinet. Reconsidering systems design. CIL action plan Call logged with Zellis, awaiting information on how to set up auditing using the auditing report

Create a policy for returning equipment

Corporate Procurement Strategy outstanding.

Officers now allocating time each week to carry out work to deal with backlog of refunds for accounts in credit. ICT helpdesk request raised for workflow Review process has been added to the VAT calculation, further elements will be built into the wider VAT monitoring process.

Incorporated some actions into Customer Engagement Strategy. Target extended to August 2019.

Draft policy had now been written & is with GM working group for sign off.

Insurance checks for external contractors - in discussion with Procurement.

These outstanding recommendations relate to ICT functions. AK has reviewed and extended the completion dates. This relates to s106 developer payment (sundry debt raised). Developer continuing to pay monthly at a rate of £2k per month. Outstanding debt is currently £156K

New procedures in place. Amended target date to reflect on-going review/testing of process in partnership with HR. Departmental SLA's for grass cutting

Risk register - front line services. Requests sent to GM's to add to SPAR

CORE
SYSTEM

C = Completed

45%

Not progressing IR

N = Not yet due

36%

Progressing some overdue OR

O = Overdue

18%

On Target GT

\* 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).