

**AUDIT COMMITTEE**  
**29<sup>TH</sup> SEPTEMBER 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 2015/16 financial year.

**RECOMMENDATION(S):** The Committee notes the contents of this report and agrees the changes to the deadlines referred to in Section 4.5.

**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 2015/16 to 2018/19 and annual work plan for 2015/16 were presented to the Audit Committee at its meeting on 24 March 2015, where they were approved.
- 1.2 The purpose of this report is to provide the Committee with a progress report on performance against the 2015/16 Internal Audit work plan for the period from 1 April 2015 to early September 2015.

**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. As these audits are allocated a larger number of days, as part of the risk based audit planning process, they are carried out annually. Trade Waste and Car Park Income are carried out biennially; this year we are due to do Trade Waste (in December).

2.2.2 The Core audits for 2015/16 were started in August as planned; the first, Payroll, has been completed, the exit interview was on 18 September and the report will be included in the next progress report in November.

2.2.3 The audit on Housing Rents has been commenced.

## 2.3 Systems Audits

2.3.1 Systems Audits have been completed for Emergency Planning, Vehicles & Fuel, Listed Buildings & Conservation, Recruitment, Selection & JE, Legal Services, Culm Valley Sports Centre and Insurance.

2.3.2 The audit opinions on Legal Services, Culm Valley Sports Centre and Insurance are reproduced below in full.

## 2.4 Other Work

2.4.1 The Internal Audit team report on performance and risk using the Spar system and present the quarterly corporate performance and risk reports to PDGs and Committees. This work is going to be divided between the Audit Team Leader and the Auditors in future in order to give the 2 Auditors a new development opportunity.

2.4.2 Data quality checks are carried out on committee and other reports as requested. Tender documents have been verified as usual.

2.4.3 The Audit Team have assisted with 1 investigation and sat on 1 job evaluation panel so far this year. Their annual appraisals are all completed and their training needs reviewed.

2.4.4 The Audit Team Leader attends the Corporate Health & Safety Committee as Risk Advisor. The Auditors attend the ICT and Procurement User groups.

2.4.5 The Audit Team Leader has also attended a 4 day Institute of Internal Auditors (IIA) course on Information Systems Auditing, she has already briefed the Head of Business Information Systems and it is proposed that the Audit Team will include a briefing on this for the Audit Committee as part of the item "Current Audit Issues" proposed for the November 2015 Audit Committee meeting, with the Committee's agreement.

2.4.6 One Auditor has completed an IIA Certificate in Internal Audit and Business Risk, the other has commenced a distance learning course with Petroc College about Team Leading.

## 2.5 Performance Indicators

As at early September the Internal Audit PIs are as follows:

	Current	Target
Core	15%	20%
System	43%	38%

### **3.0 Audit Opinions**

The following opinions have been issued since the last report:

#### **3.1 Legal Services**

- 3.1.1 The Legal Section has faced several staff changes within the department during the financial year 2014-15, in particular the post of Principal solicitor (formerly, the post of Solicitor).
- 3.1.2 With the original post holder retiring in June 2014, the opportunity was taken to reassess the post in light of the recommendations from the Legal Services Working Group; they had felt that the new post holder should take on more managerial responsibility and to also have the necessary advocacy skills they felt the post required. The Solicitor was replaced in good time with a 1 month hand-over. Unfortunately, in December 2014 the new employee left Mid Devon and was replaced with a temporary, part time member of staff who has now been made permanent, full time, which has brought the department back to full capacity in terms of the number of Solicitors.
- 3.1.3 One member of the Team has been on maternity leave but her return is imminent and she will return as a 0.70 FTE. Due to management restructuring the team are now managed by a different member of Management Team.
- 3.1.4 In order to assist with the back log of Section 106 agreements, the decision to appoint an extra Solicitor using agency staff was taken in January 2014. This resulted in an extra £9k of income being generated by Legal Services, which was offset by the costs of the agency staff at £20.5K. However, it should be noted that there were 2 solicitors within that time and it was only the first one who concentrated wholly on S106 agreements; the second solicitor only did 7 and the rest of the time was covering for maternity leave.
- 3.1.5 The main area of concern during this audit was the Legal Services Helpdesk. This system was built in-house some years ago and is now no longer supported by ICT.
- 3.1.6 The system has many failings and is not fit for purpose, as it is little more than a logging system. It should therefore be replaced by a suitable helpdesk system or alternative specialised Legal software to ensure that when calls are logged, they are able to be monitored properly to ensure the efficiency of Legal Services.
- 3.1.7 The Legal Service has a high volume of paper files which need to be scanned and saved as part of the digital transformation project. Going forward, the Service needs to decide the best course of action and structure for saving documents digitally to ensure this is embedded into the day to day tasks. This will improve efficiency in saving documents, emails and any paperwork relating to legal cases.

- 3.1.8 It is the overall opinion of the auditor that the Legal Service is adequate but the use of technology and working towards digital transformation has not been addressed.

Summary of Recommendations		
High	Medium	Low
0	4	0

### 3.2 Culm Valley Sports Centre

- 3.2.1 The system for collecting the Direct Debit payments is the BACsIP software which all the Council Departments use. The processes for this area are well documented, secure and well controlled.
- 3.2.2 There are also other areas where CVSC demonstrates good practice; the Petty Cash process is well controlled, and the system of clocking in is also used correctly.
- 3.2.3 However, despite the clocking in system being used properly by staff, the system of completing rota's and timesheets before passing them to payroll is complex and time consuming; many staff have numerous contracts along with casual arrangements which means that they are paid at different rates of pay for each role.
- 3.2.4 Staff are responsible for completing timesheets each week when they work more than their contracted hours, these then have to be checked by the Duty Managers before being signed off and entered onto monthly timesheets. A spreadsheet is then compiled using the monthly timesheets, for Payroll, by the Centre Manager. It has been estimated that processing the timesheets and arranging the rota's takes approximately 10hrs of staff time each month including Payroll staff time (approximately £178.00 per month including on-costs; £2,136 annually). It should be noted that this system is not exclusive to CVSC, and this process is repeated at the other leisure facilities, which would also incur staff time and costs for those sites.
- 3.2.5 It is the overall opinion of the auditor that system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	6	0

### 3.3 Insurance

- 3.3.1 There were several good practices found for the area of insurance. An excel spreadsheet is maintained by the 2 Accountants responsible for the insurance function, which includes information about insurance claims, and also information on uninsured losses. This is a good monitoring tool and allows the accountants to ensure that the excess levels are kept at an acceptable level in comparison with the annual fee. As there are 2 Insurance experts, this creates an adequate level of cover during times of holiday and sickness.

- 3.3.2 There has been a big improvement to the promptness, where it's necessary, for employees to submit insurance claims and chasing of open claims. Although claims are not submitted until relevant information is available, due to the fact that submission of unnecessary claims can push up the insurance premium, and this relevant information can be difficult to obtain therefore causing a risk that it is too late to claim.
- 3.3.3 One area of weakness found was that the checking of employee's insurance policies to ensure that they are covered for business use is not currently happening.
- 3.3.4 It is the overall opinion of the auditor that the insurance system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	4	1

#### **4.0 Conclusion**

- 4.1 We will continue to monitor and report on our progress at each Audit Committee meeting.
- 4.2 Six post-audit surveys have been sent out so far, five have been returned, and were scored by the client as 4-5 for all questions meaning they were satisfied or very satisfied with the process.
- 4.3 Outstanding audit recommendations are summarised at Appendix 1. Since the last Progress report 27 recommendations have been added to SPAR, the % overdue remains the same.
- 4.4 Overdue high priority recommendations are at Appendix 2. Since the last Progress report one overdue high priority recommendation has been actioned and no further high priority recommendations have been made or become overdue.
- 4.5 We would like the Committee's agreement to change the project end dates for the 2 recommendations on Appendix 2 to 31 March 2016.

**Contact for more Information:** Catherine Yandle, Audit Team Leader, x4975

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

**List of Background Papers:** None