

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 and improvement 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 early November 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 ICT Core audit is complete, the opinion is included in section 3.0 below, and Car Park Income has been commenced.

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 and Housing Health & Safety Management.

2.3.2 Systems Audits have been commenced on VAT and Time Recording. No further systems audits will now be commenced until the Core audits for 2014/15 are complete.

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 September the Internal Audit PIs are as follows:

	Current	Target
Core	3%	0%
System	61%	60%

3.0 **Audit Opinions**

The following opinions have been issued since the last report:

3.1 **ICT Core**

3.1.1 There were only a few tests carried out for this audit as the ICT department is currently in the process of replacing their Helpdesk system so it was felt that full systems testing would not be beneficial. After discussions with the Head of Business Information Services (BIS) it was agreed that we would review some of the current processes to see if we could identify any areas that needed to be included during the change over to the new system; Support Works from Hornbill.

3.1.2 It is the overall opinion of the auditor that the ICT system remains adequately controlled at present.

3.1.3 There was only 1 high priority recommendation on this audit i.e.:

Remind Line Managers that they need to inform ICT as a matter of urgency when an agency workers starts, leaves or moves within MDDC.

This was given a target date for completion of 31 October 2014.

Summary of Recommendations		
High	Medium	Low
1	5	3

3.2 Gifts & Hospitality

3.2.1 All Members were required to declare any 'Disclosable Pecuniary Interest' and 'non Pecuniary Interests' after election in 2013. Whilst there have not been any new Members since the last audit Members do amend their Register of Interest forms frequently as changes occur.

3.2.2 New employees are required to agree to the terms and conditions of the Officers' Code of Conduct before they start work. This area seems to be well monitored with 8 out of 8 forms being returned, although 3 out of the 8 were signed after the employee's start date; 2 were signed within the first week and the other one was signed 12 working days after the start date.

3.2.3 It is difficult to monitor the area of gifts and hospitality as it relies on staff and Members declaring fully any items/hospitality received. There have been quite a few declarations received from members of staff but a lot of them are for a value below £10 (which does not need to be declared). There were 7 declarations of over £10; some of these items exceeded the £25 threshold. There were 2 declarations of gifts from Members. The wording in the Constitution with regard to acceptance of gifts and hospitality is ambiguous and needs clarification.

3.2.4 Civic Expenses expenditure was examined as part of this audit and all expenses were found to be legitimate and well within budget.

3.2.5 An annual reminder for staff and Members with regard to registering of interests and declaring gifts and hospitality is appropriate; however it seems that the reminder for 2014 has not yet been carried out.

3.2.6 It is the overall opinion of the auditor that gifts and hospitality and register of interests are adequately controlled.

3.2.7 There were no high priority recommendations on this audit.

Summary of Recommendations		
High	Medium	Low
0	1	3

3.3 Telephones

3.3.1 The cost of mobile phones and landlines has decreased significantly over the past 5 years, and the ICT (telephones) section has achieved savings by negotiating more competitive rates in contracts.

A mini competition tendering exercise was carried out recently and the mobile contract has been re-tendered by the existing supplier. This also applies to the landline telephones contract which has been awarded to a new supplier under one of the framework agreements that the Council is a member of.

3.3.2 However, there is a weakness in the procedure for notifying changes in users: Currently when an employee leaves, an HR leaver's memo is sent to the ICT helpdesk, their system access is removed and the internal directory is updated accordingly. Employees are supposed to hand over all Council property on their last day (or before), but where a department has purchased a handset, the phone stays with the department which means ICT may not be informed of a new user until sometime later. There is a risk therefore, that the phone is being used by another employee without them having read and signed the mobile phone user's policy so they may not be aware of the document, and could use the phone inappropriately. There would also be a cost implication as the department could be paying the monthly charge for a phone which is not being used; however it is appreciated that the cost is minimal as the monthly charge is very small.

3.3.3 It is the overall opinion of the auditor that the telephone system is well controlled.

3.3.4 There were no high priority recommendations on this audit.

Summary of Recommendations		
High	Medium	Low
0	0	1

3.4 Lords Meadow Leisure Centre

3.4.1 Management take staff training very seriously, and ensure that all staff receive the mandatory training in terms of Health and Safety, which is of paramount importance to ensure the safe running of Lords Meadow Leisure Centre. The two Leisure centres with pools are inspected in alternate years by the Royal Life Saving Society, and have to undergo numerous quality assurance checks in order to achieve ATC (Approved Training Centre) status, which they hold.

3.4.2 The Duty Managers have now been assigned distinct budget areas which they are responsible for. This will allow them to concentrate their efforts and to be more focused in their areas.

3.4.3 However, there are a number of weaknesses in some processes and procedures that need to be addressed.

The paperwork process and writing up of transactions for Petty Cash recording requires improvement, and there are also issues with weak

practices in terms of till and cashing up procedures; e.g. till sessions where one user logs in and other members of staff use the same till without starting a new session; some of the daily takings sheets have not been countersigned by a Duty Manager.

Whilst there is no evidence to suggest that there have been any significant errors or discrepancies, there is a risk of suspicion resting with a number of staff if a major discrepancy was identified, and these procedures need to be improved to provide assurance that the process is more robust and protect staff.

3.4.4 It is the overall opinion of the auditor that the system is adequately controlled.

3.4.5 There were no high priority recommendations on this audit.

Summary of Recommendations		
High	Medium	Low
0	4	2

3.5 Tiverton Pannier Market

3.5.1 It is clear that the Market Manager has worked hard to maintain a good relationship between himself and the traders at the Pannier Market. Recent events hosted at the Pannier Market have been successful in bringing people into the town centre and it is hoped that this will be built on with a list of events leading up to Christmas and more being planned in the New year.

3.5.2 However, there are a number of weaknesses in the systems of internal check and control that need to be addressed, including the banking of cash. Although the recording of this this has been accurate, the banking of the market tolls needs to be done more regularly.

3.5.3 Where the Pannier Market is used for external events which are outside of the normal terms and conditions of hire, there must be a written agreement which is signed off by both parties to ensure that their respective responsibilities are clearly defined and understood.

3.5.4 It is the overall opinion of the auditor that the Pannier Market system is adequately controlled.

3.5.5 There were no high priority recommendations on this audit.

Summary of Recommendations		
High	Medium	Low
0	9	2

3.6 Housing Health & Safety Management

3.6.1 There is a comprehensive programme and systems in place to ensure all required servicing takes place on a timely basis. There are also robust procedures in place to address occasions when access is not given by a tenant in order to fulfil our legal requirements as a landlord.

- 3.6.2 However, there are a number of weaknesses in the systems of internal check and control that need to be addressed. Some of these weaknesses are significant and need to be addressed as a matter of urgency in particular getting the Integrator database up to date.
- 3.6.3 Since the audit 2 fixed term employees have been taken on for 3 months to specifically update Integrator including the Asbestos Register. An independent health and safety consultant has also been engaged.
- 3.6.4 It is the overall opinion of the auditor that the Housing Health and safety arrangements are adequate.
- 3.6.5 There was only 1 high priority recommendation on this audit i.e.:

Ensure that the Integrator system is promptly updated, with works already carried out to properties, as a matter of urgency. Integrator must then be kept up to date on an on-going basis.

This was given a target date for completion of 31 March 2015 but 2 fixed term staff have already been engaged to carry out this work.

Summary of Recommendations		
High	Medium	Low
1	5	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