

**AUDIT COMMITTEE**  
**31 MAY 2016**

**INTERNAL AUDIT OUTTURN REPORT 2015/16**

**Cabinet Member**                      **Cllr Peter Hare-Scott**  
**Responsible Officer**                **Audit Team Leader, Catherine Yandle**

**Reason for Report:** To update the Committee on the work performed by Internal Audit during the 2015/16 financial year as required by the Public Sector Internal Audit Standards.

**RECOMMENDATION(S):** That the Audit Team Leader continues to report back to the Committee on any outstanding audit recommendations as part of the regular progress reports.

**Relationship to Corporate Plan:** Effective Internal Audit plays a fundamental role in assisting the Council with its governance and assurance process.

**Financial Implications:** None

**Legal Implications:** None

**Risk Assessment:** Potential breach of the Public Sector Internal Audit Standards.

**1.0 Introduction**

- 1.1 This report summarises the activities of Internal Audit for the year ended 31 March 2016, as required by the Public Sector Internal Audit Standards (PSIAS).
- 1.2 The PSIAS define Internal Audit as; *'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.'*
- 1.3 The conclusion from the work conducted by Internal Audit is that generally the systems reviewed contained a satisfactory level of internal control, achieved their desired objectives and complied with the requirements of the Financial and Contract Procedure Rules as laid down in the Authority's Constitution.
- 1.4 If during the course of our work we have identified areas where financial and management controls could be improved or laid down procedures were not fully followed, recommendations for change and improvement have been agreed with appropriate officers and corrective action planned and/or implemented accordingly.
- 1.5 We use our Service Performance and Risk software (SPAR) to monitor and report on outstanding recommendations which has improved the management

of audit action plans. Information from SPAR regarding recommendations, completed and outstanding, is attached as appendices 1 and 2 to this report.

## **2.0 Compliance with Professional Standards**

- 2.1 The practices and procedures of Internal Audit are periodically reviewed against the PSIAS by self-assessment done annually as part of the evidence gathering process for the Annual Governance Statement.
- 2.2 Every public sector body is required to ensure an ongoing commitment to the PSIAS and, at least once every 5 years, arrange for the external assessment of the internal audit service against the standards. MDDC took the approach of an independent validation of the self-assessment findings with a formal report in November 2014.
- 2.3 The consultant was of the opinion that the content of the 2014 self-assessment of the Internal Audit service against the PSIAS presented a true and fair view.
- 2.4 PSIAS 2450 requires the Audit Team Leader to provide an annual report to the Audit Committee timed to inform the Annual Governance Statement, This must include:
- An opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control
  - The expectations of senior management, the board and other stakeholders
  - Disclose any qualifications to that opinion, together with reasons for the qualification
  - Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance
  - Draw attention to any issues the Audit Team Leader judges particularly relevant to the preparation of the Annual Governance Statement Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and targets
  - Comment on the compliance with the PSIAS
  - The results of the internal audit quality assurance and improvement programme

## **3.0 Scope of Internal Audit Activities**

- 3.1 The scope of Internal Audit within the Council is unrestricted in that the Audit Team Leader is responsible for the review of all aspects of internal control across the Council's activities.
- 3.2 Internal Audit was afforded unrestricted access to all relevant personnel, records, documents and correspondence to enable audit reviews to be conducted effectively in the 2015/16 financial year.
- 3.3 The Audit Team Leader also has access to the Chief Executive, the Section 151 Officer, the Leader of the Council and Chairperson/Vice Chairperson of

the Audit Committee as outlined in Section 18.3.3 of the Financial Regulations (approved by Cabinet on 24 April 2013).

#### **4.0 Basis and Completion of the Annual Internal Audit Plan 2015/16**

4.1 The 2015/16 Strategic Audit Plan was presented to the Audit Committee at its meeting on 24 March 2015, where it was approved. The Internal Audit Section has 2.7 FTE staff.

4.2 The sections below give a summary of the work completed by Internal Audit in the financial year against the approved Audit Plan: A total of 23 audit reviews were conducted for the 2015/16 financial year. The audit opinions are reproduced in full below.

4.3 Four of these, included at 23-26 below, have not previously been discussed at Audit Committee.

4.4 **Core Audits** – All core audits for 2015/16 were completed i.e. Payroll, Housing Rents, Ctax/NNDR & Recovery (combined), Creditors, Treasury Management, Income & Cash Collection and Housing Benefits, ICT Core, Trade Waste (biennial with Car Parking Income) and Main Accounting. Deeds was included with Main Accounting.

4.5 **Systems Audits** – The following 13 were completed: Emergency Planning, Vehicles & Fuel, Listed Buildings & Conservation, Recruitment, Selection & JE, Legal Services, Culm Valley Sports Centre, Insurance, Grants & Donations, Gifts & Hospitality, Freedom of Information, Appraisals & Training, Corporate Health & Safety and Procurement.

4.6 The 5 systems audits not completed in 2015/16 were prioritised in the 2016/17 plan; they are all now complete and will be sent out for consideration at the next meeting.

4.7 **Corporate Work** – Included work on SPAR, analysing and reviewing the adequacy of the council's risk management arrangements, job evaluation panels for Human Resources, data quality, investigations, and the annual Stores stock take.

#### **5.0 Emergency Planning**

5.1 For this audit we felt that the scope was limited in that the Emergency Plan is being completely re-written and Part 3 was not yet available. In addition the Emergency Plan is un-tried, and at this point in time un-tested. Therefore we could not express an audit opinion and the report took the form of a review and bullet points. An extract follows:

5.2 *This is very much a work in progress due to Emergency Planning being re-established and revitalised in March 2014 when it was passed over to the Community Safety Officer, therefore the audit will be conducted on the information currently available. For this reason our usual "Action Plan" is not considered appropriate.*

- 5.3 Considerable progress has been made since the review particularly as regards wheeling out training plans for key staff.

Summary of Recommendations		
High	Medium	Low
0	2	3

- 5.4 Note: Part 3 of the Emergency Plan has now been completed and released.

## 6.0 Vehicles & Fuel

- 6.1 The responsibility for fleet management has recently been re-assigned to the Waste and Transport Manager, who is currently involved with the new Waste Collection pilot scheme.

- 6.2 An improved system for obtaining the best price for the Council's fuel has been adopted by using a County wide preferred list which ensures value for money when filling the fuel tank at Station Yard.

A 12 monthly inspection of the vehicle fuelling bulk tank was carried out on 3 March 2015 which is also considered best practice.

- 6.3 The Waste Management Officer is about to start a monthly usage chart of fuel for HGVs which will help to analyse the efficiency of the vehicles.

The Council's Transport Policy has been outstanding for some time, and with the pressures of other projects and a changing remit for the Waste and Transport Manager, this policy is unlikely to be reviewed until the third quarter of the current financial year. However, some of the background planning and work to support the Transport Policy is being put in place.

With this in mind, the findings of this Audit report should help influence the processes implemented going forward, to ensure best practise and that the Council operates within Driver and Vehicle Standard Agency (DVSA, formerly the Vehicle and Operator Services Agency VOSA) & Department of Transport (DoT) guidelines.

There are a number of weaknesses which require attention, these being:

- A vehicle maintenance agreement needs to be in place with regard to the HGV vehicles and a copy kept in the possession of the Council.
- General vehicle maintenance needs to be looked at and an informed decision as to the most efficient and cost effective option going forward needs to be put in place i.e. tender process or leasing option etc.
- 6 weekly inspections must be adhered to and records kept should there be a delay in the inspection. All inspection sheets must be obtained promptly and kept for 15 months.

Some of these weaknesses are already reflected in the Service Business Plan to be addressed in 2015-16.

- 6.4 It is the overall opinion of the auditor that Fleet Management, in its inherited state, is poorly controlled. However, since the appointment of the Waste and Transport Manager; measures and controls are being addressed but inevitably it will take time to bring the service up to a good standard.

Summary of Recommendations		
High	Medium	Low
4	8	0

## 7.0 Listed Buildings & Conservation Areas

- 7.1 There are three Conservation Officers and each one is allocated to an area. All three Conservation Officers are part time and it is felt that, at times, there can be a workload beyond the time available, as it is mainly reactive, especially when you consider time out for training and holidays. This could cause the workload to be very time pressured and affect achievement of targets.

The process for signing off officer reports has been that Area Planning Officer's (APO) sign off reports for their own Team. As of 1 April 2015 the Head of Planning decided to give delegated authority for APO's to sign decision notices on all planning and other applications together with related matters. This delegation will help to reduce any delays in signing off decisions and provide cover for other areas in the absence of an APO.

- 7.2 There must be an adequate audit trail on CAPS to provide an explanation where an application has exceeded the target date and the applicant has been advised.
- 7.3 It is the overall opinion of the auditor that the Listed Buildings and Conservation Areas system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	2	0

## 8.0 Recruitment, Selection & JE

- 8.1 There are a number of area's within recruitment and selection where robust processes are in place, particularly in the interview selection scoring for shortlisting and also the scoring system for interview questions. This ensures transparency and equality and also demonstrates that these processes are fair and consistent.
- 8.2 One area of the process which does lack consistency is the guidance on the Vacancy Approval Form. There have been updates via Management team for the process of filling vacancies which has changed because of budget constraints, but it is unclear if these have been adopted and therefore the guidance is confusing.
- 8.3 Since new legislation was introduced in April 2014 to protect government information, it is now a requirement for Local Government to carry out DBS

checks on all new employees. Human Resources have been doing this for all new starters and for existing employees who access the GSI mailbox system. Another requirement is to obtain 3 years employment for each new employee; this requirement has been found to be challenging in some cases when previous employers ignore requests for information.

- 8.4 Overall the JE process looks fair and consistent with procedures and guidance in place for employees and JE panellists although there is sometimes a delay between JE forms being submitted and being referred to a panel. Transparency is important in case of challenge or an equal pay audit, so all processes need to be carefully recorded, including Pay and Grading meetings.
- 8.5 However, it is the opinion of the Auditor that other means of evaluating jobs should be considered, including software and benchmarking, to establish if there is a more efficient alternative.
- 8.6 It is the overall opinion of the auditor that the Recruitment and Selection process is adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	9	5

## 9.0 Legal Services

- 9.1 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).
- 9.2 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.
- 9.3 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.
- 9.4 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.

- 9.5 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.
- 9.6 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.
- 9.7 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.
- 9.8 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

## 10.0 Culm Valley Sports Centre

- 10.1 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.
- 10.2 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.
- 10.3 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.
- 10.4 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.

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

Summary of Recommendations		
High	Medium	Low
0	6	0

## 11.0 Insurance

11.1 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.

11.2 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.

11.3 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.

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

Summary of Recommendations		
High	Medium	Low
0	4	1

## 12.0 Payroll

12.1 There are areas and processes within the Payroll system which are well controlled; the BACs payment system ensures clear separation of duties and authorisation at every stage, access to the Aurora payroll and HR system is well controlled and since the introduction of Real Time Information (RTI) submissions, all have been made to HMRC on time.

12.2 There are a number of employees who now work flexible hours which means that they may concentrate hours at the start or end of a week. This adds another complication to salary calculations which will be kept under review to ensure MDDC remains in accordance with common practice in the public sector.

12.3 The process for ensuring that employees return Council property on the cessation of their employment needs to be monitored more closely by Line Managers.



- 12.4 There seems to be a lack of knowledge on how to produce some reports from the Payroll system, which could be addressed by providing extra training.
- 12.5 It is the overall opinion of the auditor that the Payroll System is adequately controlled, with some elements being well controlled.

Summary of Recommendations		
High	Medium	Low
1	5	1

### 13.0 Housing Rents

- 13.1 It is worth noting that the previous audit of this area was carried out in February 2015, but due to the timetable for published Accounts being brought forward and the new regime since the General Election the review has been carried out now; there have not been any significant changes to the systems of control since then.
- 13.2 The separation of duties between raising the rent debit and collection process continues to be well controlled and the process of writing off former tenant bad debts was also found to be well controlled and documented.
- 13.3 However, as pointed out in the previous Audit, there are still a small number of users of the Orchard System who have changed roles, no longer require access and have not had that access removed.
- 13.4 It is the overall opinion of the auditor that the Housing Rent system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	5	0

### 14.0 Grants & Donations

- 14.1 The Grants & Funding Officer is located within the Communities & Governance Service; the budget for Strategic Grants is £189,250 and for Seed Funding £23,500. There is an additional “pot” of money administered from this area by the Communities & Governance Officer; this is the Town and Parish Community (TAP) Fund. For 2014/15 the budget was £66,354; this is funded by MDDC to the tune of 10% i.e. £6,635 and the remaining 90% is financed by DCC.
- 14.2 The application processes and assessments by this Service are very thorough and carefully scrutinised by CWB PDG and Cabinet; there is also a robust appeals process.
- 14.3 The concern is that other service areas are also making payments, sometimes to the same organisations, and services may be unaware of each other’s contributions to these groups, which may lead to the terms of certain funding being breached. These payments will be for contributions to organisations whose services are used and valued by MDDC but which are

made regardless of the level of use i.e. not as a fee for services rendered but by their nature more generally as a support to the service. They too however are likely to meet corporate plan priority criteria like the CDR ones.

14.4 The absence of a central log or database means the overall position cannot be monitored readily.

14.5 It is the opinion of the auditor that the area of Grants & Donations is adequate.

Summary of Recommendations		
High	Medium	Low
1	0	0

## 15.0 Gifts & Hospitality

15.1 As at the time of the audit the revised constitution had not gone back to the Standards Committee, this was scheduled to be discussed at the meeting on 19 October 2015 (the original target was 30 April 2015). The recommendations below were addressed by the Constitution Working Party review.

15.2 As was observed last year it remains difficult to monitor the area of gifts and hospitality as it relies on staff and Members declaring fully any items/hospitality received. A lack of disclosure would probably only be apparent if for example there was an instance of whistle-blowing. This highlights the importance of regular reminders.

15.3 It is the overall opinion of the auditor that gifts & hospitality is adequately controlled.

Summary of Recommendations		
High	Medium	Low
2	1	0

## 16.0 Council Tax/NNDR & Recovery

16.1 There are areas within Council Tax/NNDR and the Recovery section that are well run; in addition, collection rates are very good. The Revenues Manager carries out a monthly reconciliation between the Northgate system and AIM to ensure that all income is accounted for accurately and consistently between the two systems. There is a good process for monitoring and chasing of non-payers and missed payments and this is followed very well by staff who address issues as quickly as possible. There is also adequate separation of duties in place.

16.2 However areas where attention is required are:

- that the valuation alteration and amendments need to be carried out in line with the recommended 5 workings days of the download being available.
- proof of posting annual bills needs to be more accurate to ensure that we are able to easily prove posting in court.

- reports of outstanding debt/bad need to be more meaningful for Managers and Managers need to view the report as a useful tool and act where necessary to obtain outstanding debt or resolve ongoing issues.
- Users seem to have the appropriate access to the Northgate system but there are a couple of users where access needs to be removed.

16.3 The Council Tax and NNDR section are currently going through a restructure so are in the process of change. Some of the areas highlighted as an area of improvement will hopefully be addressed with the implementation/finalisation of the new structure.

16.4 It is the overall opinion of the auditor that the Revenues system is poorly controlled at present. This is partly because recommendations have been escalated to the Head of Service due to the fact that they have been carried forward for a number of years, once these are resolved the service will be at least adequate.

Summary of Recommendations		
High	Medium	Low
0	6	0

## 17.0 Treasury Management

17.1 It is evident that Treasury Management is well managed with due regard to the security of the Council's financial assets, but also trying to improve upon the rate of return on investments as reported in the Annual Treasury Report 2014/15 presented to Cabinet on 4 June 2015. The Accountant and Head of Finance actively look for better (but safe investment opportunities) however there is always some remaining level of risk with investments.

17.2 On 30 July 2015 Cabinet agreed to the Investment Strategy being varied to allow up to £2.5M to be invested with the CCLA commercial property fund which has had an average return of over 4% for the last 3 years compared to the bank rate of 0.5% for the last 6 years and our return of 0.64% for 2014/15. This was duly done from 1 September 2015.

17.3 It is the overall opinion of the auditor that Treasury Management is well controlled.

Summary of Recommendations		
High	Medium	Low
0	1	0

## 18.0 Creditors

18.1 The Creditors section continues to be proactive in keeping the payment of suppliers within terms. One recent improvement in the payment process is that the supplier statements are now regularly monitored to ensure that all invoices have been received. Where there are any missing invoices, duplicates are requested from the supplier to ensure that payments are not

late. In the first 6 months of 2015/16, the Creditors section has paid 99.57% of invoices within terms, above the target set of 97.5%, which is excellent.

- 18.2 There are 3 recommendations which refer to the process before the invoice actually reaches the Creditors section for payment. So these need to be reinforced via the Procurement User Group. The other recommendation relates to a Housing Service procedure.
- 18.3 It is the overall opinion of the auditor that the Creditor payments system is well controlled.

Summary of Recommendations		
High	Medium	Low
0	4	0

## 19.0 Income & Cash Collection

- 19.1 There are a number of areas within the cash receipting process that are well controlled, including the promptness and accuracy of invoicing by the Debtors section. However, service departments are still raising invoice instructions after the service has been provided. This increases the risk that the debt may not be paid although the service has been delivered.
- 19.2 The cash receipting process is also very good and extremely accurate.
- 19.3 One area of weakness identified is the procedure for topping up the hoppers in the kiosk. At present the topping up of hoppers is done on an ad hoc basis rather than being replenished in full on a daily basis.
- 19.4 The price list for the external hire of the meeting rooms in Phoenix House has not been reviewed since 2012, and the responsibility for booking meeting rooms is currently managed by Member Services. The Head of Housing was due to review the prices, although this has not yet been addressed. It would seem prudent for the responsibility for room hire be transferred to the Estates section to manage and also to raise the invoices and utilise the meeting room space more to generate extra income for the Council, where possible.
- 19.5 It is the overall opinion of the auditor that there are elements of the Cash Receipting system that are well controlled, and other elements of the invoicing which are adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	4	0

## 20.0 Housing Benefits

- 20.1 Most of the areas of the Housing Benefit section are well managed, these being:
- Reconciliation and provision against bad debt.

- Debts are regularly monitored and written off at the point where collection is unlikely or uneconomical.
- There is a good process to monitor and chase overpayments making use of the workflow system.

20.2 There are a few areas of weakness which need to be addressed:

- Invoices are saved in line with the document retention policy. However, they are saved on the S drive at present but it would be more consistent for them to be saved to DMS.
- NFI is a mandatory requirement that is not currently being fully carried out.

20.3 It is the overall opinion of the auditor that the Housing Benefit system is well controlled.

20.4 There were no recommendations on this audit.

## 21.0 ICT Core

21.1 The ICT service continues to provide a robust and steady platform for the various IT applications to operate on with system availability good.

21.2 However the “movers” process remains a weakness in the systems of internal check and control that needs to be addressed by the Service. The policy reviews need to be kept up to date as has been recommended in the past especially as technology and security risks both change so quickly.

21.3 It is the overall opinion of the auditor that the core ICT systems are well controlled.

Summary of Recommendations		
High	Medium	Low
0	5	0

## 22.0 Trade Waste

22.1 Some of the weaknesses within the Trade Waste system identified in the last audit have been addressed since the data has been migrated on to the CRM system; this is a system that was developed by the Council’s ICT department in conjunction with the Trade Waste service and ensures that we have in-house support for the software.

22.2 One of the major improvements this has delivered is that invoice details are interfaced from CRM into the Council’s financial information system (e-Financials) automatically as part of the daily file load routines. This not only ensures that there is a minimal amount of manual intervention required to print the invoices from the e-Financials system, it also means that ownership and management of these details now lies with the Trade Waste Service, and has removed the necessity to maintain the same information in 2 different systems.

- 22.3 However some improvements were allocated to phase 2 of the project which has been delayed due to systems for the new garden waste scheme being prioritised.
- 22.4 The web-page for Trade Waste on the MDDC website has been updated to reflect and address the recommendations from the previous audit e.g. not quoting prices for commercial reasons.
- 22.5 One of the areas of weakness identified however is the lack of monitoring of the return of Waste Transfer Notices (WTN). This would be greatly improved if customers were encouraged to use the alternative new on-line e-doc service available through the Gov.uk website.
- 22.6 To create greater efficiency, correspondence should be scanned and saved to the Council's Document Management System (DMS) to ensure all relevant information relating to customers is easily obtainable. The potential problem with this is that enquiries on the Trade Waste system seem to be exceedingly slow. This is partly why currently, any documentation relating to customers or their services is kept in paper files.
- 22.7 There is still a lack of formal processes and procedure notes on the operation of the Trade Waste system.
- 22.8 It is the overall opinion of the auditor that the Trade Waste system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
1	9	0

### **23.0 Freedom of Information**

- 23.1 The Information Management Assistant (IMA) (1FTE) is responsible for logging FOI requests, assigning them to the relevant Officers and monitoring the progress of the request once it's been assigned. The IMA's reporting line is to the Head of BIS; however the IMA's day to day operational duties are overseen by one of the Customer First Team Leaders.
- 23.2 All of the requests in the sample tested were logged and acknowledged promptly on the CRM; in most cases within 1 working day. However, due to the CRM system's reporting and monitoring limitations, the IMA then has to manually transfer details of calls onto a spreadsheet which is a duplication of effort and increases the risk of error. This is currently the best solution to monitor the calls effectively.
- 23.3 There are numerous system functions which, if they could be automated, would improve and enhance the FOI process making it more efficient. It is appreciated that this will be a complex project and although there would be a significant amount of work involved in the system specification, it would ensure that in the long term manual intervention would be reduced, as would officer's time.

- 23.4 Evidence from testing also revealed that the MDDC website needs to be updated in order to comply with various government guidelines, including the Secretary of State's Code of Practice (datasets) issued under section 45 of the FOIA, which is in respect of the publication of dataset information, and the Local Government Transparency Code 2014.
- 23.5 If the system of monitoring can be improved, then frequently requested data could be published on an agreed timetable e.g. quarterly, along with the datasets that are already currently required to ensure that the government's transparency and FOI agenda is met.
- 23.6 It is the overall opinion of the auditor that the administration of the FOI process is adequately controlled, although the process for publishing dataset information needs to be improved.

Summary of Recommendations		
High	Medium	Low
0	5	0

#### **24.0 Appraisals & Training**

- 24.1 The area of Learning and Development (L&D) provides a valuable service to all Council employees by offering a wide range of opportunities for training.
- 24.2 There is a budget set for training and the Learning & Development Team monitor this carefully to ensure that the overall budget is not exceeded.
- 24.3 The L&D team also look at appraisals and training plans that are submitted and keep a record of any relevant training outlined on the training plans. These can be cross referenced when a request for training budget is submitted.
- 24.4 However, there are a number of concerns that need to be addressed:
- 24.5 The actual spend of the training budget seems to be done as the total across the budgets for Development, CPD, Post Entry and Health and Safety. The danger with this is that when the budget is allocated there may not be money left for mandatory training such as CPD and Health and Safety, these are a priority and it would seem prudent for managers to be monitoring and allocating spend within their own departments for CPD and the Health and Safety Officer to be managing the Health and Safety training budget in line with his role to ensure essential training is undertaken.
- 24.6 With the above in mind, L&D have been able to offer a wide range of courses, striking a balance between job specific training and wellbeing courses such as coaching and mindfulness etc. The actual budget for development training in the general fund (2015/16) is £8,100.00, for 464 employees this equates to £17.50 per head. A small budget limits the amount of training that can be provided and important decisions need to be made as to which courses are going to be offered or alternatively whether the budget needs to be increased to accommodate training needs. It would seem prudent to have training plans

in place prior to budget setting to be able to make informed decisions about the way forward.

- 24.7 L&D don't currently have any procedure notes available for their processes.
- 24.8 L&D hold a complex spreadsheet to monitor all training spend and allocation of spend between service areas whilst also monitoring the level of spend against budget. The problem with this is that service managers are unable to monitor their spending throughout the year and there is a time consuming end of year process for the Accountant who has to calculate recharges. Both these processes could be streamlined by utilising eFinancials more effectively.
- 24.9 It is the overall opinion of the auditor that the Appraisals and Training system is poorly controlled at present.

Summary of Recommendations		
High	Medium	Low
1	12	3

## **25.0 Corporate Health & Safety**

- 25.1 The Audit opinion following the previous audit of this area in 13/14 was that 'MDDC is insufficiently proactive about Corporate Health & Safety at present'. However, since then, there have been some significant changes in terms of how MDDC manages Health & Safety, the major one being that we now have a full time Health and Safety Officer (HSO).
- 25.2 The service vision within the internal H & S business plan states that it will 'work proactively with MDDC Managers, Employees, Contractors and Members to develop a culture where proper standards of Health & Safety are at the core of all MDDC services and activities.'
- 25.3 The HSO has been in post since December 2014, and has provided in house training on fire safety to the fire wardens, carrying out risk assessments and first aid training; he has also been systematically updating many of the out of date policies, e.g. the stress policy, and has been proactive in carrying out fire risk assessments across many of the Council owned buildings and communal areas. There is a much more robust system of monitoring all aspects of H & S particularly in the higher risk areas of Waste & Recycling and Grounds Maintenance, where the use of machinery increases the risk to health and safety.
- 25.4 The Health & Safety apprentice now produces a quarterly newsletter for staff, which is very informative and increases staff health and safety awareness.
- 25.5 Although the HSO is in the process of meeting the short term objectives set out in the Internal H & S action plan in terms of Fire Evacuation Plans, during the audit it was established that in some buildings the 6 monthly fire drills where full evacuations need to take place, had not been carried out.
- 25.6 Agendas and minutes for the H & S Committee meetings are not being published in accordance with the timings contained in H&S Committee



Constitution. In the last audit (2013) it was recommended that if there was no Unison uptake then employees, that are not members of Unison, would need to carry out duties; this has been discussed at the last two H&S Committee meetings but representatives have not yet been identified.

- 25.7 It is the overall opinion of the auditor that the Corporate Health & Safety system is at present adequately controlled, with some areas being well controlled.

Summary of Recommendations		
High	Medium	Low
0	6	2

## 26.0 Main Accounting system

- 26.1 The various suspense account reconciliations, and the bank reconciliation are carried out regularly and reviewed by one of the Principal Accountants; any balances on the suspense accounts are investigated and cleared on a regular basis.
- 26.2 The working papers for all of the suspense accounts are now electronic and paper files are no longer kept for these.
- 26.3 The year- end accounts process is much more automated and streamlined in recent years and MDDC was one of the first to publish their audited accounts in 2014/15. This year there will be a dry run in advance of the earlier accounts deadline in 2017/18.
- 26.4 It is the overall opinion of the auditor that the Main Accounting system is well controlled.

Summary of Recommendations		
High	Medium	Low
0	1	1

## 27.0 Procurement

- 27.1 The day to day operation of ordering using the e-procurement system works well; this is backed up by the fact that MDDC pay 99% of invoices on time.
- 27.2 However, the main area of weakness, which has been identified in previous audits and has still not been addressed, is the monitoring of supplier spend and ensuring that where spend exceeds £50k a contract is put in place. MDDC's Financial Regulations state that if the Council spends over £50,000 in a year with any one supplier, then that supplier should be on a contract to ensure the best possible value for money is obtained.
- 27.3 It is appreciated that many departments can use the same supplier for different projects, which can make the monitoring of this more complex. One of Procurements objectives is 'to achieve best value and minimise the risk of legal challenge', therefore a robust system of supplier spend monitoring needs to be introduced to ensure this objective is met. The Procurement

Manager acknowledges that the current retrospective system of monitoring needs to be reviewed and is in the process of setting up meetings with key spending Managers as an initial stage to address the problem.

- 27.4 The Procurement Manager is currently working on a new induction package, in consultation with ICT, which will be a requirement for all to complete as part of the Insight training programme. This is to be implemented in May/June and all staff will be required to complete it to increase awareness, which will hopefully help to address some of the issues highlighted.
- 27.5 Due to the lack of Service Departments following the controls within the Financial Regulations and the Contracts Register not being up to date, it is the overall opinion of the auditor that the Procurement system is poorly controlled at this time.

Summary of Recommendations		
High	Medium	Low
2	4	1

## 28.0 Comment on the Council's Control Environment

- 27.1 Following on from the individual audit opinions above, the table below provides a summary of the Auditor's judgement on the control environment from the areas being reviewed (i.e. well controlled, adequately controlled or poorly controlled). Data for previous years are included to provide a comparison.

	2012/13	2013/14	2014/15	2015/16
Well Controlled	4	6	8	6
Adequately Controlled	14	11	15	13
Poorly Controlled	2	3	1	4
<b>Total</b>	<b>20</b>	<b>20</b>	<b>24</b>	<b>23</b>

- 27.2 Regarding overdue audit recommendations: the position overall has improved tremendously this year, the current position is shown on Appendix 1; this time last year 46% of recommendations on "open" audits were overdue compared to 41% completed and 13% not yet due.
- 27.3 It is the opinion of the Audit Team Leader that the Council's control environment was, on the whole, adequate and effective in the 2015/16 financial year. If the audit recommendations on the action plans are carried out the poorly controlled systems would become at least adequate. More than half the Core Audit areas were assessed as well controlled in 2015/16, an increase over both the previous 2 years. The areas for which a poor opinion was given are considered further below.
- 27.4 Vehicles & Fuel – Most of the recommendations made have been completed with only 3 out of the 12 recommendations made remaining outstanding. Although these are overdue none of them are high priority, the delay has occurred because of major events in another service managed by the same manager, some of which could not have been foreseen.

- 27.5 Council Tax/ NNDR – This was graded as poor due to escalation as recommendations had been outstanding for some years. It is pleasing to note that 4 out of the 6 recommendations have already been completed and the remaining 2 are not yet due having not yet reached their revised target dates.
- 27.6 Appraisals & Training – A new manager is in place and new means of prioritising mandatory training and controlling budgets is being put in place for the next round of budgeting in June for (2017/18).
- 27.7 Procurement – The main weakness was due to service managers not being aware of the rules. The Procurement Manager has already begun an extensive programme of training for service managers responsible for procurement.
- 27.8 1 area was given a poor opinion in 2014/15; this was the Time Recording system. Some improvements have been made since the audit but there are still recommendations outstanding.
- 27.9 There were 3 “poor” opinions given for 2013/14; Corporate Health & Safety, Travel & Subsistence and Trade Waste. All the recommendations made on these audits have been completed and the 2 areas reviewed again this year (Corporate Health & Safety and Trade Waste) were both assessed as adequate this time, reflecting the improvements made.

## **28.0 Work Undertaken by Other Assurance Bodies**

- 28.1 There were again some external inspections during 2015/16 which were taken into account when planning the Internal Audit work plan for 2016/17. The reviews included health & safety reviews by the Corporate Health & Safety Officer, the Office of Surveillance Commissioners and SWAP on Wessex Home Improvement Loans.

## **29.0 Performance Information**

- 29.1 The Internal Audit Charter outlines the quality assurance process. The Audit Team Leader supervises the Internal Audit Team and reviews the work for each audit prior to the draft report being issued to the audit client.
- 29.2 Where the Audit Team Leader has carried out an audit directly the Head of Communities & Governance (HOCG) reviews her work. If the work is on an area which comes under the HOCG the report is discussed with her line manager i.e. the Chief Executive.
- 29.3 We aim to send out surveys after the systems audits. 12 were sent out and the 9 returned. All bar one were scored by the client as 4-5 for all questions meaning they were satisfied or very satisfied with the process.
- 29.4 The one “adequate” survey returned was reviewed for any actions that needed to be taken; we reflect any comments made in our audit process wherever possible.

### **30.0 Conclusion**

- 30.1 This report contains a summary of the work undertaken by Internal Audit in the 2015/16 financial year as well as ensuring that the requirements of the PSIAS are met.
- 30.2 I would like to take this opportunity to formally record my thanks to the Audit Team for their hard work and for the consistent quality of the work that they have produced, as usual, during the 2015/16 financial year.

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**Circulation of the Report: Management Team and Cabinet Member**