

**AUDIT COMMITTEE**  
**28 JUNE 2016**

**INTERNAL AUDIT PROGRESS REPORT**

**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 for the 2016/17 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 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 2016/17 to 2019/20 and annual work plan for 2016/17 were presented to the Audit Committee at its meeting on 15 March 2016, where they were approved.

1.2 The purpose of this report is to provide the Committee with a progress report on performance against the 2016/17 Internal Audit work plan for the period from 1 April 2016 to 31 May 2016.

**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 either cover the Council's key financial controls or the level of income is material in the context of the Council's annual accounts. These audits are allocated a larger number of days, as part of the risk based audit planning process, so they are carried out annually. Trade Waste and Car Park Income are carried out biennially for the same reason.

2.2.2 The Core audits are not scheduled to start until the autumn.

## 2.3 Systems Audits

- 2.3.1 Systems Audits have been completed for Refuse & Recycling, Stores and Data Protection & Information Security. The opinions for these are included in full in section 3 below.
- 2.3.2 Work is almost complete on Cemeteries & Bereavement Services, Private Sector Housing and Standby.

## 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.
- 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 panels so far this year. Training needs are being reviewed as part of this year's budget setting exercise.
- 2.4.4 The Audit Team Leader attends the Corporate Health & Safety Committee as Risk Advisor. The 2 Auditors attend the ICT and Procurement User groups.

## 2.5 Performance Indicators

- 2.5.1 As at the end of May 2016 the Internal Audit PIs are as follows:

	Current	Target
Core	0%	0%
System	26%	26%

- 2.5.2 Three post-audit surveys were sent out; all 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, which is excellent.

## 3.0 **Audit Opinions**

The following opinions have been issued so far this year:

### 3.1 **Refuse & Recycling**

- 3.1.1 The area of refuse and recycling seems to be well managed and have good processes and procedures in place for areas such as safe systems of work and driver licence checking using an outside company. The website page provides a lot of information for members of the public which is informative and up to date. Recycling awareness is also promoted by carrying out talks to groups e.g. WI etc.

- 3.1.2 The introduction of charging for garden waste and changes to food/recycling and rounds has all been implemented really well. Income for 2015/16 has increased slightly on the previous 2 years.
- 3.1.3 There are a couple of areas where weakness was found and improvement is required. At present there is not a good record of training that has been carried out by members of staff, the person responsible for this area is no longer with the Council and it is important that this duty is re-allocated to improve the current process. Also there doesn't seem to be a service level agreement for implementing assisted collections.
- 3.1.4 It is the overall opinion of the auditor that the Refuse and Recycling system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	1	2

### 3.2 Stores

- 3.2.1 Stores use the Orchard system for the control of stock. Booking stock in and out, issuing stock as requested for specific jobs, consumables or van stock. Stocks of PPE and cleaning products are also kept and issued to members of staff in other Council services who require these items.
- 3.2.2 There are automated interfaces in place which transfer information from Orchard to e-Procurement and e-Financials. The handheld device used to book the items out to jobs is also interfaced with Orchard. There seems to be good control of stock with little intervention to stock lines. The Stores Supervisor runs a regular report for re-order levels of stock to ensure items are replenished at suitable intervals and a lot of work has been carried out to improve the tidiness and layout of stores to achieve more efficient processes/use of time.
- 3.2.3 There are still some obsolete and very low usage stock items held in stores, which need to be disposed of, (or at least reduced in quantity), in accordance with the Financial Regulations.
- 3.2.4 An area of improvement would be to have procedure notes in place as a measure to cover unexpected absences.
- 3.2.5 It is the overall opinion of the auditor that the stores system is well controlled.

Summary of Recommendations		
High	Medium	Low
0	1	1

### 3.3 Data Protection & Information Security

- 3.3.1 As part of the ongoing channel shift agenda, customers of MDDC are being encouraged to do more things online, such as updating personal information and completing forms on line to enable the council to streamline services and

make them more efficient. The Council's Website has been updated since the previous Audit in 2014 to address this. With the increase in online activity the provisions of the Data Protection Act 1998 and principles of information security are an integral part of the process, so that customers can be assured that their information is kept securely and used appropriately.

- 3.3.2 The Council's Data Protection Policy (DPP) has recently been updated (January 2016) in line with the policy review program, and all employees and Councillors are required to read and accept this policy.
- 3.3.3 As a 'data controller' Mid Devon District Council and Councillors are required to be registered with the Information Commissioner; it was confirmed that MDDC and all the Councillors were registered.
- 3.3.4 However, there are still some Councillors who have not yet completed the Council's on-line Data Protection Policy course. As data controllers, they have responsibilities for personal information that they need to be aware of in order to avoid a breach of the Act and possible financial penalty, as well as posing a reputational risk to the individual and organisation.
- 3.3.5 Although all but one of the online forms sampled contained a Fair Processing Notice, there is not currently an overarching statement available on the Website, and this needs to be addressed.
- 3.3.6 It is the overall opinion of the auditor that the DPA & IS system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
1	4	0

#### 4.0 Conclusion

- 4.1 We will continue to monitor and report on our progress at each Audit Committee meeting.
- 4.2 Outstanding audit recommendations are summarised at Appendix 1. Since the last progress report 10 recommendations have been added to SPAR. 24% of all recommendations are overdue compared with 25% at the end 2015/16.
- 4.3 Where there are insurmountable issues making achieving targets impossible then managers needed to bring these issues to the attention of the Chief Executive.
- 4.4 High Priority deadlines may only be extended with the Audit Committee's agreement. 1 has been made so far this year which has not become due yet but 3 became overdue again this time see Appendix 2.

**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