AUDIT COMMITTEE
20 SEPTEMBER 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 1April to 31 August 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, Private Sector Housing, Cemeteries & Bereavement Services, Standby, Voids management, Licensing and Sickness & Other Time Off.

2.3.2   The opinions for the last 6 of these are included in full in section 3 below.

2.3.3   Work is almost complete on Lettings, Land Charges and Gifts & Hospitality.

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.

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 August 2016 the Internal Audit PIs are as follows:

	Current	Target
Core	0%	0%
System	43%	56%

2.5.2   Nine post-audit surveys have been sent out to clients; eight have been returned scored as 4-5 for all questions, meaning they were satisfied or very satisfied with the process, which is excellent. One was returned with a score of 3 for the timing of the audit as we asked to slot it in at short notice due to a change, which the client kindly agreed to.

3.0   Audit Opinions

The following opinions have been issued since the last report:

3.1   Private Sector Housing

3.1.1   The Private Sector Housing Service   works with multiple agencies to deliver improvements across the sector. At times this can present a challenge when attempting to align processes and objectives to deliver improved housing outcomes.

3.1.2 The work of the Private Sector Housing Team provides an essential and invaluable impact on the wider public health agenda. Outcomes from the delivery of disabled facilities grants and improved housing conditions through enforcement activity can assist in reducing bed-blocking, improving the amount of time individuals can remain independent in their own home and delaying the period of time before someone has to enter a care home by an average of four years.

3.1.3 In addition to the public health benefits the service also contributes to regeneration by raising the quality of the private housing stock. It can also improve community safety by ensuring homes are safe to live in and by bringing empty homes back into use.

3.1.4 It is the overall opinion of the auditor remains that the Private Sector Housing system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	2	2

3.2   Cemeteries & Bereavement Services

3.2.1 The procedure notes for the administration of this service are extremely comprehensive and each process that needs to be followed for booking and arranging interments at the Tiverton and Crediton cemeteries is well documented. Fees for the service are paid in advance and the system for collecting these payments is well controlled.

3.2.2 The system used to input all the information relating to burials and which also creates the Grounds Maintenance works orders numbers is an Access Database. Although the database contains most of the information required, there is a performance issue with it, as it is extremely slow when accessing/processing information and updating which creates time inefficiency; a further limitation of the database is that there is no 'read only' functionality, so all users can make changes to records and there is no audit trail for these. Another concern is that the system is not supported.

3.2.3 All of the documentation received is filed on hard copies and currently 8 years of paperwork is filed within Phoenix House. The documents relating to previous years have been taken for storage off site. These documents should be scanned onto the document management system to enable them to be available to view and to ensure that the Service keeps up with the digitisation program.

3.2.4 Following on from these points and as a continuation of the digitisation project, it would be beneficial to carry out an independent lean process review to eradicate any duplication of work and to investigate the possibility of having a fully digitised Cemeteries System. A register of all deaths must be maintained and be available for members of the public to view. This is an extra process that is carried out at present. To have a system with a portal where members of the public were able to access the information on-line would be a vast improvement.

3.2.5   It is the overall opinion of the auditor that the Cemeteries and Bereavement system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	5	0

3.3   Standby

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
0	5	0

3.4   Voids Management

3.4.1   The performance in relation to the time taken to re-let voids (standard and major voids) is monitored closely by the Housing Service, and reported on a monthly basis (see the performance management section below). Any repairs required on standard voids will be given priority over major voids to ensure a quick turn-around time and to reduce any rent lost through properties being unoccupied. It is worth bearing in mind that the work done as part of the voids program is reactive, so setting accurate targets is difficult.

3.4.2 It was established that there is regular liaison between the Voids Supervisor and the Planned Maintenance supervisor to ensure any properties which become void and are part of the planned maintenance work program are identified, and so can be transferred into the planned maintenance program. This ensures on-going efficiency and reduces the rent lost through properties being void as the major work can be done while the property is occupied. There were 12 properties where this situation occurred in 2015/16.

3.4.3 One of the reasons highlighted for performance issues in respect of major voids in 2014 - 15 was the poor state in which some of the properties were left once the tenant had vacated.

3.4.4 Following the review of the Voids Management Policy by the Tenants Together working group during 2015 which aimed to address some of the issues and reduce costs to the Council, one of the recommendations which was adopted was to ensure that pre-vacate inspections were carried out with the tenant by the Housing Options Officers. These inspections give the opportunity to remind tenants of their responsibilities under their tenancy agreement, to leave the property in good condition and to also identify and agree with them any rechargeable repairs that they would be responsible for.

3.4.5 Although there was evidence that this had been done for all the samples selected during testing, some of the forms were incomplete which could lead to the risk of property information and any rechargeable repairs being challenged by tenants.

3.4.6 It is the overall opinion of the auditor that the Voids Management system is well controlled.

Summary of Recommendations		
High	Medium	Low
0	1	1

3.5 Licensing

3.5.1 The Lead Licensing Officer has been in post since 1 June 2014. At the start of this audit it was found that an external review for the area of Licensing had been carried out in April 2015; any areas where recommendations were made have been followed up during this audit.

3.5.2 The area of Licensing is very well administrated with Licenses being provided in very good time. The external review identified that the service level agreement (SLA) for producing licences was very prompt and this was extended to bring Mid Devon in-line with other Local authorities. It was hoped that this would provide the time required to carry out more inspections; this is now in place and regular inspections are being carried out which is good practice.

3.5.3 A lot of work has gone into the setting of fees. This is an area that could be open to challenge but there is a robust system in place to justify the level of fees set.

3.5.4 Procedure notes are not available for all Licensing processes and these should be in place to cover any unexpected absence. However, the Licensing team are aware of this and are working towards putting these in place.

3.5.5 There is a good Licensing system (Lalpac) which is used to efficiently process all the Licensing applications and provide the Licences. Unfortunately, the reporting side of the system is not as functional meaning that the team have to rely on spreadsheets to record some of their performance figures.

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

Summary of Recommendations		
High	Medium	Low
1	6	0

3.6 Sickness & Other Time Off

3.6.1 Since the previous audit on Sickness and other time off was carried out in 2012/13 the Northgate Aurora system has been implemented and some of the paper based forms that used to be used for recording sickness have been replaced by an on-line self-service portal. Employees and managers can now update sickness records on line, which should increase efficiency. Although the system is up and running adequately there is still a lot of development required to achieve the full potential of the system which, in turn, will enable the HR service/processes to be more automated and streamlined. A Systems Administrator has recently been employed in HR (12/6/16) to address the development of the system.

3.6.2 The Health and Safety Officer (H&SO) currently reports absence to the Health and Safety Committee, with the number of days lost through sickness, the type of sickness and the department affected. Any accidents at work or work related injury has to be notified to the H&SO using the accident reporting form.

3.6.3 However, currently there is no report that shows whether illness is work related but this is in the process of being developed. The problem of absenteeism due to stress will be further addressed by the H&SO through training for managers on ways to identify this type of absence.

3.6.4 All policies relating to sickness and other time off can be found on SharePoint under the Policies and Strategies tab. The main policies for anyone employed by the Council are the National Conditions and the Local Conditions. It appears that employees find these difficult to interpret and therefore HR have produced numerous policies to mirror the information within the National and Local conditions but in a more user friendly way. Alongside the policies there is also guidance for employees and managers for various processes. It is a lot of work to keep these up to date.

3.6.5 Monitoring of sickness absence trigger points is currently a largely manual process, which involves one of the HR Business Partners (HRBPs) running a Business Objects report. The HRBPs then populate a memo for each employee and disseminate these to the relevant managers. The problem of

managers failing to apply the Sickness and other time off policies consistently still remains. HR can only advise and has no means to enforce these policies. However, with the current programme for training all managers, their responsibility and accountability for this process will be made clear.

3.6.6 It is the overall opinion of the auditor that the sickness and other time off system in terms of HR's responsibility is adequately controlled, although the part of the process which involves managerial responsibility is weak, and therefore poorly controlled.

Summary of Recommendations		
High	Medium	Low
0	8	0

4.0 Conclusion

4.1 We will continue to monitor and report on our progress at each Audit Committee meeting. Outstanding audit recommendations are summarised at Appendix 1.

4.2 High Priority deadlines may only be extended with the Audit Committee's agreement. 2 have been made so far this year which have not become due yet but 5 are overdue at this time see Appendix 2.

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 A request has been made to extend the one regarding appraisals to 31 March 2017 as; this is unable to be addressed until completion of the staff charter and review following the leadership restructure.

4.5 A request has also been made to extend the deadline for the recommendation regarding induction training to 31 October 2016 due to; the combination of developing the induction to be able to cover both office based staff and manual workers is proving more difficult than expected and the additional workload due to projects such as Carlu Close and investigations.

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