

**AUDIT COMMITTEE  
22 NOVEMBER 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 to 31 October 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 have now started with Housing Benefits, Payroll and ICT.

## 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, Sickness & Other Time Off, Land Charges, Lettings, Members' Allowances, Gifts & Hospitality and Exe Valley Leisure Centre.

2.3.2 The opinions for the last 5 of these are included in full in section 3 below.

## 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 panel so far this year.

2.4.4 The Audit Team Leader attends the Corporate Health & Safety Committee as Risk Advisor. The 2 Auditors take turns attending the ICT User groups.

## 2.5 Performance Indicators

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

	Current	Target
Core	6%	0%
System	61%	67%

2.5.2 Thirteen post-audit surveys have been sent out to clients; ten have been returned scored as 4-5 for all questions, meaning they were satisfied or very satisfied with the process, which is excellent. Three have been returned with a score of 3 for a couple of aspects of the audit which we need to keep an eye on e.g. the timing of the audit; but one of these was one 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 **Lettings**

3.1.1 The Devon Home Choice computer system was audited by the South West Audit Partnership (SWAP) on behalf of EDDC in 2014/15 as part of a Tenancy Fraud Audit. Since then all of the high risk recommendations identified have been addressed; the system itself is well controlled and security for users and applicants is robust.

- 3.1.2 In terms of the administration of the lettings system by MDDC, the applications and allocations process works well.
- 3.1.3 All of the 20 of lets sampled from a 6 month period between July – December 2015 were allocated in line with the Council's procedures.
- 3.1.4 Since the revised Housing Allocation Policy was adopted in July 2016, there have been further amendments to the processes to ensure transparency in terms of the allocations process. One of these was to save all of the shortlisting reports with the reasons why an applicant had been 'skipped' (e.g. no local connection, where this was a condition). There was some inconsistency in this process, as 11 of the 20 shortlisting reports were missing. While the reports can be run retrospectively, it would mean the officer responsible would have to duplicate work already done if an applicant challenged the process.
- 3.1.5 It is the overall opinion of the auditor that the Lettings system is adequately controlled

Summary of Recommendations		
High	Medium	Low
1	3	

## 3.2 Land Charges

- 3.2.1 The Land charges team maintain a very efficient service, and meet their high target of 100% for turning requests around in 5 working days for most quarters. In 2015/16 they received 1,866 requests, with 1,221 (65%) being turned around within 1 working day. Only 2 (0.10%) searches failed to meet the 5 day target, and these were actually on day 6.
- 3.2.2 As well as carrying out 1,866 search requests in 2015/16, the Land Charges officers facilitated 356 personal searches where members of the public came into the office to conduct searches for themselves. Although the Land Charges Officers do not gather the information for members of the public, they are required to monitor and assist where necessary.
- 3.2.3 There is an adequate level of insurance to provide cover against any claim of inadequate information provided on a search. There have been no claims since 1995 so this would indicate that the Service is providing the correct information.
- 3.2.4 It is the overall opinion of the auditor that the Land Charges system is well controlled.

Summary of Recommendations		
High	Medium	Low
0	1	0

### **3.3 Members' Allowances**

- 3.3.1 There are areas of payment of Members Allowance that are well monitored and well run. There is an independent Remuneration Panel who reviews and puts forward recommendations with regard to the level of Members Allowances. These recommendations are approved by Council and form the Members Allowances Schedule.
- 3.3.2 The Members monthly salary information held on the Payroll system is also available on the Finance system, eAnalyser. The information is uploaded automatically on a monthly basis and is well managed and controlled with the costs being allocated to the correct codes.
- 3.3.3 Payments to Members of basic and special responsibility allowances must be closely monitored to ensure correct payments are being made especially at a time of change e.g. after an election. A check was run earlier in the year between Member Services and Payroll to double check that payments being processed are correct. This is a very good process and should be carried out on a regular basis.
- 3.3.4 It is evident that Member Services have made improvements to the monitoring of travel, subsistence and other claims since the last audit. Where there has been a late expenses claim authorisation has been obtained with the exception of one claim. It is important to keep reinforcing the rules within the scheme to ensure that breaches do not occur. It is felt that there could be more checking of attendance at general Council meetings.
- 3.3.5 It is the overall opinion of the auditor that the Members Allowances system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	1	1

### **3.4 Gifts & Hospitality**

- 3.4.1 All Members were required to declare any 'Disclosable Pecuniary Interest' and 'non Pecuniary Interests' after election in 2015. Whilst there have not been any new Members since the last audit, Members do amend their Register of Interest forms as changes occur.
- 3.4.2 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 generally well monitored, although in the absence of checklists, the exclusively computerised HR files run the risk of being incomplete; indeed the only missing form was on one of these files.
- 3.4.3 There were 15 declarations received from members of staff. There were 4 declarations of over £10 but only one exceeded the £25 threshold. There were no declarations of gifts from Members.

- 3.4.4 As was observed the last 2 years it is 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.
- 3.4.5 It is the overall opinion of the auditor that the Gifts & Hospitality system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	2	1

### 3.5 Exe Valley Leisure Centre

- 3.5.1 The Leisure Service covers 3 facilities, two with swimming pools (Exe Valley Leisure Centre and Lords Meadow Leisure Centre) and one without (Culm Valley Sports Centre). The service has undergone a major restructure in the past 12 months, in order to achieve a more strategic approach which will incorporate more consistent practices across all 3 sites.
- 3.5.2 Due to the latest restructure and the high levels of changeover of staff, training issues in respect of financial procedures have been identified and measures have begun to be put into place to address these; e.g. the revision and updating of procedure notes.
- 3.5.3 The nature of the business means that, the rota system used by the leisure centre for staff rota's is manual and time consuming. Using the Council's Etarmis system may be a possibility, but would require complex configuration. Although there is always a risk of human error when doing the rota's manually, no evidence was found in the samples selected during the audit that any errors had occurred.
- 3.5.4 Despite previous recommendations following audits of the other Leisure Centres, some staff are still not using the card 'clocking in' system at EVLC (the swimming teachers in particular). Although all of the sessions for fitness classes and swimming lessons are covered, the risk remains that if there was a last minute change to the person taking a class, the wrong person could be paid if the rota is not updated and the employees haven't clocked in. Therefore it must be enforced that all staff use the card clocking in system.
- 3.5.5 It is the overall opinion of the auditor that the Exe Valley Leisure systems are adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	9	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. Overdue recommendations are 26% @ 31 October compared to 18% @ 31 August.

- 4.2 High Priority deadlines may only be extended with the Audit Committee's agreement. 3 have been made so far this year but none are overdue at this time.
- 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.

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

**List of Background Papers:** None