

AUDIT COMMITTEE
30 MAY 2017

INTERNAL AUDIT OUTTURN REPORT 2016/17

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 2016/17 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.

Equality Impact Assessment: No equality issues identified for this report.

1.0 Introduction

- 1.1 This report summarises the activities of Internal Audit for the year ended 31 March 2017, 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 Where 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 Appendix 1 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 2016/17 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 2016/17

- 4.1 The 2016/17 Strategic Audit Plan was presented to the Audit Committee at its meeting on 15 March 2016, 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 24 audit reviews were conducted for the 2016/17 financial year. The audit opinions are reproduced in full below.
- 4.3 Four of these, included at 24-27 below, have not previously been discussed at Audit Committee.
- 4.4 **Core Audits** – All core audits for 2016/17 were completed i.e. Housing Benefits, Payroll, Car Parking Income (biennial with Trade Waste), Council tax/NNDR & Recovery (combined), Housing Rents, Income & Cash Collection, Creditors, Treasury Management, ICT Core and Main Accounting. Deeds was not done till May 2017 for a sample selected by Grant Thornton.
- 4.5 **Systems Audits** – The following 14 were completed: Refuse & Recycling, Stores, Data Protection & Information Security, Private Sector Housing, Cemeteries & Bereavement Services, Standby, Voids Management, Licensing, Sickness & Other Time Off, Lettings, Land Charges, Members' Allowances, Gifts & Hospitality and Exe Valley Leisure Centre.
- 4.6 The systems audits not completed in 2016/17 have been prioritised in the 2017/18 Audit Work Plan also presented at this meeting, 3 are complete already.
- 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 Refuse & Recycling

- 5.1 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.
- 5.2 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.

- 5.3 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.
- 5.4 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

6.0 Stores

- 6.1 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.
- 6.2 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.
- 6.3 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.
- 6.4 An area of improvement would be to have procedure notes in place as a measure to cover unexpected absences.
- 6.5 It is the overall opinion of the auditor that the stores system is well controlled.

Summary of Recommendations		
High	Medium	Low
0	1	1

7.0 Data Protection & Information Security

- 7.1 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.

- 7.2 The Council's Data Protection Policy (DPP) has been updated (January 2016) in line with the policy review program, and all employees and Councillors are required to read and accept this policy.
- 7.3 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.
- 7.4 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.
- 7.5 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.
- 7.6 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

8.0 Private Sector Housing

- 8.1 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.
- 8.2 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.
- 8.3 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.
- 8.4 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

9.0 Cemeteries & Bereavement Services

- 9.1 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.
- 9.2 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.
- 9.3 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.
- 9.4 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.
- 9.5 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

10.0 Standby

- 10.1 The area of Standby seems to be well run and managed; there is an adequate level of cover provided for the provision of out of hours call outs and an audit trail of rotas. There have been vast improvements made to rectify the areas to do with staffing and equal pay which was identified on the last audit which was carried out in August 2012.

- 10.2 The Taunton Deane Telephone service seems to be good value for money but there does seem to be an element of double handling as 69% of the Taunton Deane calls are passed through to the Standby Officer.
- 10.3 There is also an MDDC out of hours lone working procedure which is run through Taunton Deane which at present is not being utilised. This has been put in place to ensure the safety of our employees and therefore should be utilised.
- 10.4 Something that may need to be monitored is the period of time worked by an employee for out of hours cover to ensure that the working time regulations are not breached.
- 10.5 It is the overall opinion of the auditor that the Standby system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	5	0

11.0 Voids Management

- 11.1 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.
- 11.2 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.
- 11.3 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.
- 11.4 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.

- 11.5 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.
- 11.6 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

12.0 Licensing

- 12.1 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.
- 12.2 The area of Licensing is very well administrated with Licences 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.
- 12.3 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.
- 12.4 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.
- 12.5 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.
- 12.6 It is the overall opinion of the auditor that the Licensing system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
1	6	0

13.0 Sickness & Other Time Off

- 13.1 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.

- 13.2 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.
- 13.3 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.
- 13.4 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.
- 13.5 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.
- 13.6 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

14.0 Lettings

- 14.1 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.

- 14.2 In terms of the administration of the lettings system by MDDC, the applications and allocations process works well.
- 14.3 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.
- 14.4 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.
- 14.5 It is the overall opinion of the auditor that the Lettings system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
1	3	0

15.0 Land Charges

- 15.1 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.
- 15.2 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.
- 15.3 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.
- 15.4 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

16.0 Members' Allowances

- 16.1 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.
- 16.2 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.
- 16.3 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.
- 16.4 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.
- 16.5 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

17.0 Gifts & Hospitality

- 17.1 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.
- 17.2 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.
- 17.3 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.

- 17.4 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.
- 17.5 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

18.0 Exe Valley Leisure Centre

- 18.1 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.
- 18.2 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.
- 18.3 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.
- 18.4 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.
- 18.5 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

19.0 Housing Benefit

- 19.1 The process in place for monitoring and chasing Housing Benefit overpayments carried out by the Benefit Assessors and Supervisors is robust and well managed, through the use of CRM and a workflow process.
- 19.2 This area of Housing Benefit overpayment is particularly difficult to recover, as there is a threshold (set by DWP annually) that cannot be exceeded for the amount recovered from on-going benefit, therefore it can take a long time to claw back any money which has been overpaid. If the person is in employment it is possible to apply a direct earnings attachment, this has been helpful in obtaining repayment of overpayments and is applied wherever possible. Overpayments of over £2,000 as a result of fraud, are referred to DWP for investigation/prosecution. However, it is disappointing that for the cases referred, it is very rare that they result in prosecution.
- 19.3 As mentioned, debts are regularly monitored and are only written off when the point has been reached where collection is unlikely or uneconomical, and in line with the Financial Regulations.
- 19.4 The reconciliations between the Housing Benefit System and e-Financials continue to be carried out in a timely manner and any variances are investigated and quickly resolved; the provision for bad debt is prudent.
- 19.5 It is the overall opinion of the auditor that the Housing Benefits System is well controlled. There were no recommendations on this audit.

20.0 Payroll

- 20.1 The Payroll service continues to operate well and has robust processes in place. Systems access is well controlled, the year-end processes are well documented and the parameter changes which take place at the beginning of each financial year are verified and checked to ensure accuracy.
- 20.2 All Real Time Information (RTI) Submissions made by Payroll to HMRC have been carried out and sent within the given time lines.
- 20.3 One of the weaknesses highlighted in previous audits has been the lack of publishing regularly updated establishment listings, which was partly due to system limitations. The testing and implementation of third party software has helped to address this issue, although some manual intervention is still required. However, it is an improvement on the previous process and the System Administrator will be looking at ways to further automate the procedure and agree a timetable with the HR Business Partners to publish updated structure charts.
- 20.4 It is the overall opinion of the auditor that the Payroll system is well controlled.

Summary of Recommendations		
High	Medium	Low
0	2	0

21.0 Car Park Income

- 21.1 The process for approving the pricing increases for car parking has been comprehensive, and was extensively reviewed by the Car Parking working group, and the procedure for approval by Cabinet has been followed correctly.
- 21.2 The reconciliation of the income for pay and display car parks is completed on a monthly basis and in a timely manner by the Accountant responsible for posting the car parking income. Any differences between the amounts collected and amounts banked are recorded as overs or unders, in line with a recommendation from the previous audit.
- 21.3 In July 2016, an issue was identified with the number of vends recorded in 4 car parks as they seemed to be incorrect. Further investigation by the Accountant revealed that there had been a problem with the software installed in the P&D machines and the supplier was contacted. Due to a technical issue, the data for vends was 'lost'. After meeting with the supplier, they have given assurances that their technicians have been reminded of the correct procedure when updating the software. The bankings were unaffected.
- 21.4 The collection and counting of money from the pay and display machines is carried out by one contractor according to an agreed schedule, but the machines are owned by a different contractor. The Environmental Enforcement team and Accountant responsible for the car parking income reconciliations have recently been given online access to the P & D machine company's system which records the time and date of all collections which will help to monitor the number of vends and pick up any potential anomalies much more quickly.
- 21.5 Areas for improvement would be to populate the Pay & Display Cash Receipts spreadsheet promptly and deal with any missed collections or discrepancies, as they occur, by liaising with the appropriate contractor to resolve any issues. Invoices should then be monitored to ensure that we are only paying for services received and that credit notes are being received for all missed collections.
- 21.6 It is the overall opinion of the auditor that the Car Parking Income system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	5	0

22.0 Council Tax, NNDR & Recovery

- 22.1 There are areas within Council Tax/NNDR and the Recovery section that are well run; the Revenues Team have recently overhauled their Procedure Notes (Council Tax), these seem to be comprehensive and adequate to enable others to cover duties should the need arise. NNDR have procedure notes in place and they are updated to reflect any legislative changes. There is adequate separation of duties in place.

- 22.2 Reliefs and exemptions for NNDR are being applied promptly. There were a small number of Council Tax accounts where the relief/exemption had not been applied promptly, but this was very low percentage.
- 22.3 The area of Valuation schedules being updated within the SLA of 5 working days has vastly improved. This has been since the restructure of the department and there now being cover available to carry out this work. The samples tested on average fell well within the 5 day SLA but in isolation there were samples where they exceeded the 5 day SLA.
- 22.4 Proof of posting documentation has also improved, with comprehensive workings to show the total number of bills produced, number of properties and referred extract records. There are a few recommendations which will hopefully improve this area further.
- 22.5 It is the overall opinion of the auditor that the Council Tax, NNDR and Recovery systems are adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	5	0

23.0 Housing Rents

- 23.1 Overall, the process for current and former tenant arrears is well controlled and this is reflected in the Housing Service's PI's for Rent Arrears as a Proportion of Rent Owed, and the % of Former Tenant Arrears as a Proportion of Annual Rent Debit where the service has historically and currently performed very well.
- 23.2 There were a small number of Housing Benefit overpayments on some tenant accounts, which pre-date 2006 when the Housing Service was responsible for recovery of certain Housing Benefit overpayments. These should be written off.
- 23.3 It is the overall opinion of the auditor that the Housing Rents system is well controlled.

Summary of Recommendations		
High	Medium	Low
0	3	0

24.0 Income & Cash Collection

- 24.1 There are areas of Income and Cash Collection that are well controlled including security of incoming post, banking's and the promptness and accuracy of invoicing by the Debtors section (once instructed), there is also much more automation of this process which is encouraging to see. 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.

- 24.2 The cash receipting process is also very good and extremely accurate.
- 24.3 One area of weakness is the reasons given at times for a refund/reversal on the cash receipting system.
- 24.4 It is the overall opinion of the auditor that the Income and Cash Collection system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	4	0

25.0 Creditors

- 25.1 The Creditors section performs extremely well against their increased target of paying 99% of suppliers within agreed payment terms (last year the target was set at 97.5%). The Officers responsible have maintained this high performance rate throughout the year and in 4 of the last 10 months have paid 100% of invoices within payment terms, which is excellent.
- 25.2 In order to ensure separation of duties and in line with good practice, Creditors staff do not have sufficient access rights to set up or update supplier records on the e-Financials system; this is done by the Officers in the Procurement section and ensures that the same person cannot set up bank details and also process the actual payment.
- 25.3 Although the Creditors team work hard to ensure that invoices are paid on time, a further efficiency in the process for scanning invoices could be achieved by the installation of Optical Character Recognition software (Db Capture), which would mean that invoices would be transferred straight onto the invoice register with the minimum of manual input. This would enable Creditors to encourage more suppliers to email their invoices rather than sending hard copies, save paper and shredding, and also mean a decrease in time spent manually scanning documents.
- 25.4 It is the overall opinion of the auditor that the Creditors system is well controlled.

Summary of Recommendations		
High	Medium	Low
0	2	0

26.0 Treasury & Cashflow Management

- 26.1 The Treasury Management function is found to be very well monitored and managed. Whilst it is evident that the security of the Council's financial assets is paramount, the rate of return is also monitored to obtain the best value for the Council.
- 26.2 In line with the CIPFA Prudential Code for Treasury Management, the Council's treasury strategy for 2016/17 was approved by Cabinet in Feb 2016. A change that was recommended was to increase the amount to invest with

the Churches, Charities & Local Authorities (CCLA) from £2.5m to £4m; this was agreed by Cabinet. This change was recommended due to the return being very competitive compared to other investments. A 6 monthly performance report was produced and sent to Cabinet in Oct 2016, which also complies with the Code.

- 26.3 Investments were all carried out in line within the guidance outlined in the Treasury Management Strategy. The only point was that not all of the broker confirmations could be found.
- 26.4 The accuracy of the quarterly borrowing and lending return was good and an improvement on past years.
- 26.5 There are some procedure notes for Treasury, these are from the 2012 audit so would benefit from a review to ensure that they are still accurate and up to date.
- 26.6 It is the overall opinion of the auditor that Treasury & Cashflow Management is well controlled.

Summary of Recommendations		
High	Medium	Low
0	0	2

27.0 ICT Core

- 27.1 The ICT Core system operates very well, meeting the requirements for a Public Services Network (PSN) connection and with high reported system availability (99.2%) and customer satisfaction (93.3%).
- 27.2 However, there could be alternative ways of measuring performance e.g. efficiency rather than availability and only Priority 1 call times are recognised as affecting system down time when there could be other factors e.g. Patch Wednesday, down time affecting only some users, lack of out of hours support.
- 27.3 The need to comply with the General Data Protection Regulations from May 2018, Brexit or not, will require a lot of work and housekeeping for MDDC, the time required for this to be undertaken must not be underestimated but work has already begun.
- 27.4 Business continuity represents a risk at present with changing technology and changes to the buildings the council owns, this needs to be looked at as an urgent priority.
- 27.5 It is the overall opinion of the auditor that the ICT Core system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
2	5	0

28.0 Main Accounting system

- 28.1 In 2016, the Finance team succeeded in issuing the draft accounts to Audit Committee for the meeting on 31 May (in preparation to meet the new challenging deadline which will become a statutory requirement from 2017/18) and the audited accounts on 15 July 2016; this was an excellent achievement.
- 28.2 The overall budgetary position is monitored regularly throughout the year, with significant variances (over £10k) identified and investigated as the purpose of the Financial Monitoring report is to concentrate on material issues.
- 28.3 The bank reconciliation and other system reconciliations are completed regularly and any balances on suspense accounts are investigated and cleared in a timely manner.
- 28.4 It is the overall opinion of the auditor that the Main Accounting System remains well controlled.

Summary of Recommendations		
High	Medium	Low
0	0	1

29.0 Comment on the Council's Control Environment

- 29.1 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	2016/17
Well Controlled	4	6	8	6	9
Adequately Controlled	14	11	15	13	14
Poorly Controlled	2	3	1	4	1
Total	20	20	24	23	24

- 29.2 Regarding overdue audit recommendations the position overall has not changed much from last year after a tremendous improvement the year before; 25% of recommendations were overdue last year compared to 22% this year with no high priority recommendations overdue compared to 3 last year.
- 29.3 It is the opinion of the Audit Team Leader that the Council's control environment was, on the whole, adequate and effective in the 2016/17 financial year. 9 areas were assessed as well controlled in 2016/17, an increase over both the previous two years, including more than half the Core audits for the second year running. The area for which a poor opinion was given is considered further below.

- 29.4 Sickness & Other Time Off – There were 8 “medium” recommendations, 5 have been completed, but 1 out of the remainder is overdue. This relates to a complicated issue with regard to sickness reporting from the HR system which tends to over-report. Further training has taken place but there is more work to be done.
- 29.5 4 Audits were given a poor opinion in 2015/16; updates follow:
- 29.6 Vehicles & Fuel – Most of the recommendations have been completed with only 3 out of the 12 recommendations made remaining outstanding, 1 of these is overdue. The delay has occurred because of the depot move and major events in other services managed by the same manager, some of which could not have been foreseen.
- 29.7 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 all of the recommendations have been completed and this year the opinion was adequate.
- 29.8 Appraisals & Training – A new manager is in place, 13 recommendations have been completed and 2 are remaining which are overdue; these relate to procedure notes and setting of performance indicators.
- 29.9 Procurement – All recommendations have been completed.
- 29.10 The recommendations for all “poor” audits for earlier years have been cleared.

30.0 Work Undertaken by Other Assurance Bodies

- 30.1 There were again some external inspections during 2016/17 which were taken into account when planning the Internal Audit work plan for 2017/18. The reviews included health & safety reviews by the Corporate Health & Safety Officer, and an audit by Mazars on Building Control on NDC.

31.0 Performance Information

- 31.1 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.
- 31.2 Where the Audit Team Leader has carried out an audit one of the other members of the Audit Team reviews her work. If the work is on another service which comes under the Team Leader’s line manager the report is agreed with the Chief Executive rather than the line manager.
- 31.3 We aim to send out surveys after audits. 23 were sent out and 19 have been returned so far. All bar two were scored by the client as 4-5 for all questions meaning they were satisfied or very satisfied with the process.
- 31.4 All surveys are reviewed for any actions that needed to be taken and we reflect any comments made in our audit processes wherever possible. For

both the surveys this year where there was less satisfaction, this was to do with the timing of the audit and lack of notice given in the main.

32.0 Conclusion

- 32.1 This report contains a summary of the work undertaken by Internal Audit in the 2016/17 financial year as well as ensuring that the requirements of the PSIAS are met.
- 32.2 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 2016/17 financial year.

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Circulation of the Report: Management Team and Cabinet Member, DAP