

**AUDIT COMMITTEE**  
**19 SEPTEMBER 2017**

**INTERNAL AUDIT PROGRESS REPORT**

**Cabinet Member** Cllr Peter Hare-Scott  
**Responsible Officer** Audit Manager, David Curnow – Devon Audit Partnership

**Reason for Report:** To update the Committee on the work performed by Internal Audit for the 2017/18 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.

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

**1.0 Introduction**

- 1.1 The four-year strategic audit plan for 2017/18 to 2020/21 and annual work plan for 2017/18 were presented to the Audit Committee at its meeting on 21 March 2017, where they were approved.
- 1.2 The purpose of this report is to provide the Committee with a progress report on performance against the 2017/18 Internal Audit work plan for the period from 1 April to 31 August 2017.

**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 (17/18) and Car Park Income (16/17) are carried out biennially for the same reason.
- 2.2.2 The Core audits are primarily scheduled to start in the autumn though we have completed work for the main accounts on:
- deeds verification and
  - fixed Assets (see below for opinions).

## 2.3 Systems Audits

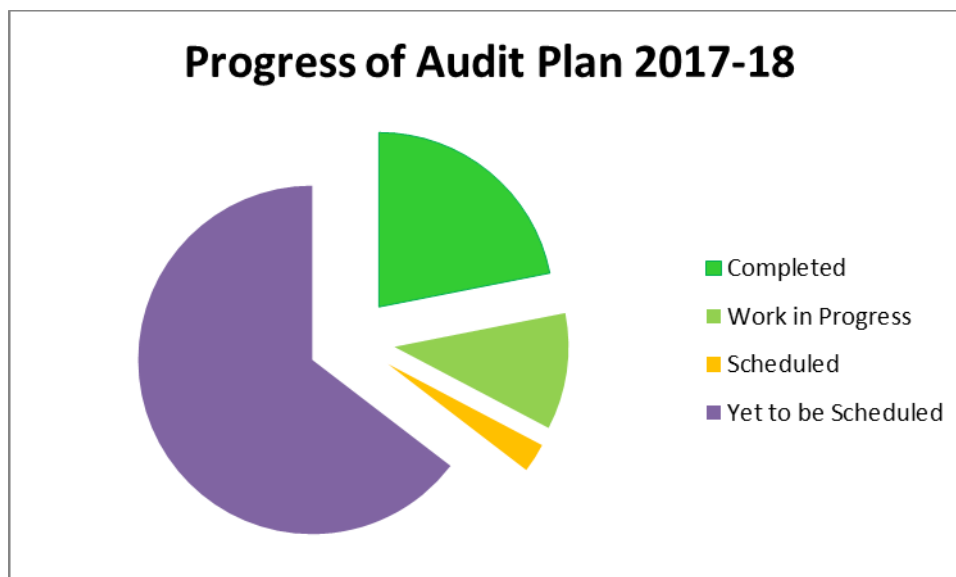
- 2.3.1 Systems Audits have been completed for District Offices, Electronic Payments and Online Forms, Contracts Register, Planning Enforcement, Housing Health and Safety, Public Health - Environment, , Leisure Centre.
- 2.3.2 The opinions for the first 6 of these are included in full in section 3 below and the remainder will form part of the next progress report.
- 2.3.3 Work is almost complete on Housing Health & Safety Management Arrangements, Environmental Heath, Lords Meadow Leisure Centre, Customer Care and Safeguarding.

## 2.4 Other Work

- 2.4.1 The reporting on performance and risk using the Spar system is now provided by the Performance and Risk Manager though support has been provided in the earlier part of the year for this to PDGs and Committees.
- 2.4.2 Tender documents have been verified as usual.
- 2.4.3 There have been no investigations to date this year though the Audit Team has sat on 2 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 User group.

## 2.5 Performance Indicators

- 2.5.1 As at the end of August 2017 the Internal Audit PIs are as follows:



The work completed is primarily systems work where the majority of the core work is scheduled for the second half of the year.

- 2.5.2 Our planned audit of Housing Options – Homelessness has been deferred until the Autumn at the client request to fit better with proposed changes with legislation. We have brought forwards planned work on travel and subsistence and will look to redress the balance of work early in October.
- 2.5.3 Three post-audit surveys have been sent out to clients; three 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 Main Accounting – Deeds Verification**

- 3.1.1 It is the overall opinion of the auditor remains that the Main Accounting Deeds process is well controlled. No recommendations were made.

#### **3.2 Main Accounting – Capital Fixed Assets Verification**

- 3.2.1 We reviewed the capital section of the Main Accounting System audit to support the external annual accounts audit. The scope, in line with previous years' audits, was agreed with the External Auditors.
- 3.2.2 Testing showed that overall the system is adequately controlled, but there were areas of the process that we feel could be improved which would offer further assurance on procedures are as follows:
- document assumptions and data management processes within the fixed asset register;
  - include a formalised reconciliation process to ensure completeness of database records and of processing;
  - consider reviewing the FAR earlier in the year to facilitate a more timely assurance and closure process.

#### **3.3 District Offices**

- 3.3.1 The District Officer Team has recently completed a service review; this took place slightly later than planned due to the depot move but a review and overhaul of all policies has now been done. This has resulted in changes in working patterns, geographical areas and prioritisation of duties for the DOs. There are good procedure notes and flowcharts for each area of responsibility.
- 3.3.2 Information and guidance is available on the Council website for customers in respect of reporting issues covered by the DOs such as dog fouling, abandoned vehicles, fly tipping etc. Online payments for parking, dog fouling and littering fines can also be made via the website.
- 3.3.3 The current systems used by the service are the SPUR system for car parking and Penalty Charge Notices (PCN's) and the Customer Relations Management system (CRM) for all other services such as fly tipping, abandoned vehicles, stray/lost dogs, dangerous dogs and litter offences. The SPUR system is adequate in terms of being able to log and record all the information necessary for parking contraventions and some automation of the workflow.
- 3.3.4 However, tests identified that in some cases the automated reminder where the reduced fee is increased to the full fee was inaccurate, as it used working days rather than calendar days; this meant that some people were given longer to pay their fines at the reduced rate than publicised.
- 3.3.5 There is currently no reconciliation carried out between the SPUR system and the finance system (eFin), although all fines that are paid can be identified and confirmed on SPUR. Monitoring of Fixed Penalty Notice (FPN) payments seems to be problematic due to the lack of a unique reference number being transferred to eFin; however there is a report that is available on the cash receipting system that can help with this.
- 3.3.6 Another limitation of the current process is that DOs have to visit the office each morning to pick up their job sheets for the day which impacts on their time and is not particularly efficient; this has been identified as part of the recent review.
- 3.3.7 A new computer system (Mouchel) has been procured in partnership with South Hams, West Devon and Torbay Councils, to manage the PCN/FPN processes. The Mouchel System will send jobs directly to the DOs via a handheld PDA. The Manager will be able

to see when jobs have been completed, send updates and new jobs and be able to reallocate work where necessary, increasing efficiency of the service.

3.3.8 The new system has functionality that will enable the service to address performance monitoring and reconciliation processes more effectively.

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

Summary of Recommendations		
High	Medium	Low
0	7	1

### 3.4 Electronic Payments and Online Processing

3.4.1 Customers of Mid Devon District Council are able to make payments for most services, sales invoices and fines using the Council's 'Do it online' facility. The online forms tested during the audit were found to be easy to use, and where requests to services were made notification of receipt of the requests were sent via email.

3.4.2 The electronic payments are reconciled each month by one of the Accountants in the Finance department as part of the bank reconciliation assuring completeness of income for this method of payment.

3.4.3 The use of Social media platforms such as Facebook, Twitter and Hoot Suite have enhanced the Council's communication channels, and this is being used to good effect within departments such as Housing, Markets and Communications. The Council's Learning and Development section has provided training for 61 employees to date, using an external facilitator, on 'Making the most of Social Media for Local Government'; the course material included topics such as listening, sharing, content creation and digital reputation.

3.4.4 It is recognised that Social Media offers many opportunities to further the Council's 'channel shift' agenda, but with this also comes risks to reputation if this is not managed properly. The training already delivered will mitigate some of the risks by raising awareness and highlighting best practise procedures.

3.4.5 To compliment the training, there also needs to be robust Social Media Policies in place. Currently the Council has 2 policies which cover this area; The ICT 'Social Media Policy and Guidelines' and the 'Media and Social Media Protocol' which is a Communications policy. They have been designed to work alongside each other, but both are in need of being updated.

3.4.6 It is the overall opinion of the auditor that the system of electronic payments, online forms and social media is adequately controlled.

Summary of Recommendations		
High	Medium	Low
1	3	0

### 3.5 Contracts Register

3.5.1 The previous audit of this area was completed in 2015, and the recommendations for updating the Financial Regulations for contracts have been completed; there is now an updated version of the regulations available on the MDDC website, which were approved in October 2016.

3.5.1 Under the Public Contracts Regulations 2015 (PCR 2015) a Pre-qualification Questionnaire stage is no longer permitted on below threshold spend, but similar checks are still carried out as part of an open tender process to ensure that the supplier is financially sound and has the appropriate insurance qualifications etc. MDDC has adopted a standardised Supplier Questionnaire issued by the Crown Commercial Service (CCS) within our ITT document to ensure that there is still a robust system in place.

- 3.5.2 Our review found that there are a number of weaknesses in the systems of internal check and control that need to be addressed, these being:
- 3.5.3 At the time of the audit, it was found that the contracts register was not up to date (missing 6 UK contracts £505k) and is not being published on the website in line with the LGA Transparency Code.
- 3.5.4 Evidence gathered during the audit showed that some suppliers spend exceeded the threshold where a contract or framework should have been in place (8 UK suppliers £758k and 3 EU market suppliers £963k). This needs to be addressed to ensure that Managers are complying with the Financial Regulations for Contract Procedures, and are achieving the objectives of the regulations, which are value for money and to reduce the risk of accusations of favouritism, unfair contract terms and legal challenge.
- 3.5.5 One of the recommendations from the previous audit was to implement an online course using the Council's Insight system, to be completed as part of the induction process. This has been started, but is incomplete and is currently in the test environment. This should be revisited and implemented as soon as possible so that officers are aware of their responsibilities and comply with the Councils Financial regulations.

The above points were outlined in the 2014/15 contracts audit and will require engagement from service managers and procurement to effectively manage the current findings.

- 3.5.6 It is the overall opinion of the Auditor that the Contracts and Contract Register system is poorly controlled.

Summary of Recommendations		
High	Medium	Low
0	8	0

### 3.6 Planning Enforcement

- 3.6.1 Planning enforcement is a statutory function of local government although the power to take formal action is discretionary. The Council as Local Planning Authority has responsibility for the investigation of reported breaches of planning control.
- 3.6.2 The Enforcement Officers have recently been merged into one team and are managed by one of the Area Team Leaders. As part of this new arrangement a Local Enforcement Plan (LEP) has been developed which sets out the requirements of the team and timescales to provide an efficient service. The plan will be available for members of the public to view so that they will know the process and at which points they will have contact with the investigating officer.
- 3.6.3 Some closed and open cases were looked at to identify if there has been any gaps in investigation and whether these will be addressed with the adoption of the LEP. There were 2 main areas of concern, these being:
- old cases that are still open on Uniform and don't seem to have been addressed and
  - evidence is not all being saved to the Uniform record.
- 3.6.4 It is considered that the first point will be addressed by the adoption and embedding of the LEP as there are definitive timescales for both site visit and resolve of a case. The point about saving evidence to records is a training issue and will need to be addressed if the team wish to have a complete system and to allow other team members to pick up cases/investigations. Evidence is essential in supporting the defence of argument should the investigation lead to legal proceedings.
- 3.6.5 Over the last 6 months, the Enforcement team has dedicated a significant amount of time to closing down historic and duplicate cases on the Uniform system. Several changes have already been made to the enforcement module in Uniform to allow team

members to better record notes and evidence on cases against the enforcement record.

- 3.6.6 It is our opinion, with the above proviso, that the LEP will meet the requirements for delivering an effective service.
- 3.6.7 It is essential that the Uniform system is configured to provide relative performance reports/information as a control measure to determine whether the target timescales set out in the plan are being achieved. In addition to monitoring whether initial site visits are carried out in a timely manner, the Uniform system should also be developed to monitor the time taken to close enforcement cases, both historic cases and cases that are newly registered. This will require further development of the relevant IT systems.
- 3.6.8 Currently, the Enforcement Officers have delegated powers to issue Breach of Condition, Temporary Stop and Planning Contravention Notices. In order to be able to issue Enforcement Notices the cases go to Planning Committee for authorisation of the notice before it is passed to Legal for processing. This process adds a few weeks to the time taken for the Enforcement Notice to be issued. If delegated powers were passed down to the Head of Planning it would make this process much more efficient. It is understood that Planning Committee are considering delegated powers.
- 3.6.9 Since April 2014, 3 cases of non-compliance with the Enforcement Notices have gone to court. 1 case was postponed by the court, before a new date was set the owner sold the land and moved away, the new purchasers complied with the notice and so the case was discontinued. The other 2 cases were won by Mid Devon. This was a good success and shows good follow through of processes. It is difficult, given the small number brought to legal proceedings and the historic number of cases not closed, to give assurance on the effectiveness of enforcement process as a whole. However, with the implementation of the LEP and delegated powers sought, cases should be investigated and closed more promptly, meaning that notices should be issued in a timelier manner. There needs to be adequate monitoring of cases to ensure that wherever there is a breach they are followed through and either compliance gained or prosecution pursued.
- 3.6.10 It is the overall opinion of the auditor and the Planning Service that historically the enforcement function has been poorly controlled hence the implementation of the LEP. There has been significant improvement recently in working more consistently and in closing cases more promptly within the new team. Retention of documentation on each individual case is still inconsistent. With the adoption of the Local Enforcement Plan this will provide a formal process for the team and alongside recommended training will ensure consistency and follow through of cases.

Summary of Recommendations		
High	Medium	Low
0	7	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. Only 4 high priority recommendations have been made so far this year, 3 of which are not yet due.
- 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.

**Contact for more Information:** David Curnow, Deputy Head of Partnership, x4975

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

**List of Background Papers:** None