

NAME OF COMMITTEE	Audit Committee
DATE	23rd September 2014
REPORT TITLE	Internal Audit – Revision of and Progress against the 2014/15 Plan
Report of	Chief Internal Auditor
WARDS AFFECTED	All/Corporate

Summary of report:

The purpose of this report is to inform members of the principal activities and findings of the Council's Internal Audit team for 2014/15 to the 31st July 2014, by:

- Highlighting the need to revise the internal audit plan for 2014/15 to reflect the impact of the T18 Transformation Programme blueprinting;
- Providing a summary of the main issues raised by completed individual audits; and
- Showing the progress made by the section against the 2014/15 annual audit plan, reviewed by this Committee in April 2014.

Financial implications:

There are no direct financial implications of the monitoring of the Internal Audit Plan. The internal audit costs for the year are as budgeted.

RECOMMENDATIONS:

It is recommended that the Audit Committee considers the revision of the 2014/15 Internal Audit Plan and the progress made against it and makes any relevant recommendations to Council.

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1. BACKGROUND

1.1 The Charter for Internal Audit was presented to the Audit Committee in April 2014 (Minute reference *AC 40 refers) and cover:

Purpose, Authority and Responsibility;
Independence;
Audit Management;

Scope of Internal Audit's Work;
Audit Reporting; and
Audit Committee.

- 1.2 The Audit Strategy was updated for 2014/15 and was approved by the Audit Committee in April 2014 (Minute reference *AC 40 refers) and covers:

Objectives and Outcomes;
Opinion on Internal Control;
Local and National Risk Issues;
Provision of Internal Audit; and
Resources and Skills.

2. PROVISION OF INTERNAL AUDIT AND PROGRESS – 2014/15

Audit Plan 2014/15

- 2.1 The 2014/15 audit plan (Appendix A) was presented and accepted by the Audit Committee at their meeting of April 2014 (minute reference AC 41 refers).

Local and National Risk Based Amendments to the Plan/T18 Transformation

- 2.2 The audit plan is continuously reviewed and updated to reflect emerging risks, and these are incorporated either through the contingency days or by changes to the plan, depending on the significance.
- 2.3 The blueprinting model connected with the T18 Transformation programme reduced the resources available to both Councils for internal audit to 2.6 whole time equivalents (from 2.9), which must also include the principles of T18 such as self service, agile working etc. However, it is also essential that the requirements of the Public Sector Internal Audit Standards (PSIAS) are retained going forward, the most important being the independence of the internal audit management and team.
- 2.4 Five options that maintained the independence were considered by the S.151 Officer with the support of the Senior Management Team (SMT).
- Full in-house provision, without an Audit Management System;
 - Full in-house provision, with an Audit Management System;
 - Outsourced management/in-house service provision, with an Audit Management System;
 - Full Internal Audit Partnership; and
 - Outsourcing to the private sector.
- 2.5 It was decided that two whole time equivalent auditors be retained in-house and the management supplied by one of the local authority audit partnerships. Use of internal audit management software, which in the past has been too expensive for a small team, is also to be acquired to improve efficiency. This has left the Chief Internal Auditor's post redundant, although the existing auditors were successful in their applications' which assists continuity.

- 2.6 The blueprinting process also identified that an enhanced role was required at the Senior Auditor level to reflect the fact that this post would incorporate some of the work previously carried out by the Chief Internal Auditor e.g. day to day liaison with audit management and senior managers and Members.
- 2.7 The new T18 arrangements will be more efficient as there will be an opportunity to use Audit Management software which will reduce the amount of time taken to carry out individual audit assignments. Audit management software will also enable the Council to self serve for audit controls self assessment and the follow up of recommendations in audit reports.
- 2.8 The Council will take a new strategic approach to risk, whilst at the same time ensuring that risks are mitigated through the appropriate controls and self assessment.
- 2.9 The net effect on the audit plan of the new arrangements from 1st October 2014 and the provision of external audit management is to reduce it for 2014/15 from 115 days to 112 days (Appendix A). It is recommended that a minimum of 115 days remains for future years. The combined South Hams and West Devon's audit plans will reduce from 630 days to 567 days for 2014/15.
- 2.10 The most significant proposed amendments to the Plan brought about by the new arrangements following the T18 Blueprinting and Time Analysis are :

Audit	Plan Days 2014/15	Plan Days Update	Reason for Change
Recruitment	2	0	Process changes likely as a result of T18, for which a separate audit budget exists.
Capital Expenditure	6	0	Approved and monitored by the Resources Committee. The majority of capital expenditure for the year is Disabled Facilities Grants which have been audited for 2014/15 under separate cover.

- 2.11 The full updated plan appears at Appendix A

Resources and Skills

- 2.12 Sickness to the 31st July 2014 is 1 day (2013/14 equivalent 0 days).
- 2.13 In 2014/15, 7 days training provided to the audit team.

Progress against the Plan

- 2.14 The 2014/15 Internal Audit Plan is attached at **Appendix A**. This has been extended to show the final position for each audit, and replicates a part of the monitoring report presented to the S.151 Officer on a monthly basis.
- 2.15 **Appendix B** provides a summary of the main issues raised for audits where a final audit report has been issued and action agreed.

Non Compliance with Contract or Financial Procedure Rules

- 2.16 There are no significant issues to bring to the attention of the Committee so far this year.

Fraud, Corruption, Bribery and Whistle Blowing

- 2.17 No actual, suspected or allegations of fraud, corruption or bribery have been identified so far this year, and there are no known whistle blowing reports.

Internal Audit Performance Indicators

- 2.18 Internal Audit's performance indicators are mainly collected annually and will be reported to the Audit Committee in full in the year-end report. The full list of those recorded is set out in the Audit Strategy 2014/15.
- 2.19 At this stage in the year, the key indicator 'Completion of 2014/15 Audit Plan' is as follows:

Indicator	Target %	Actual %	Comments
Audits completed from 2013/14 combined audit plan.	95	100	As reported to the Audit Committee June 2014. (West Devon 100%)
Audits at the 31st July 2014 at various stages of completion from 2014/15 revised audit plan and their 2013/14 equivalents.			
WDBC	-	36%	(27% at July 2013).
SHDC	-	36%	(35% at July 2013).
Combined plan	95	36%	(33% at July 2013).

Internal Audit – Shared Services

- 2.20 The following has been achieved since the last Audit Committee:

Shared service with South Hams District Council:

- Progress on the 2014/15 audit plan reported to the South Hams Audit Committee. A growing number of audits are being completed across the two sites at the same time or as joint audits.

Teignbridge

- Exchange of audit programmes, advice, official guidance and best practice; and
- Liaison over various corporate documents.

3. ISSUES FROM JUNE AND JULY 2014 AUDIT COMMITTEES

3.1 The Committee requested further information on the following:

June 2014 Committee

3.2 Agenda Item 5:

Future of Local Audit: The Chief Internal Auditor had advised members of the imminent issue by Government of guidelines on the requirements on Local Authorities, but this was not available at the time of the June Committee.

A further batch of draft regulations has been made available for consultation:

<https://www.gov.uk/government/consultations/local-audit-regulations>

The document sets out the proposals for the regulations and is consulting on::

- i) **Section 2:** Modification of the Act in relation to smaller authorities,
- ii) **Section 3:** Specification of Collective Procurement body;
- iii) **Section 4:** Account and Audit regulations
- iv) **Section 5:** Transparency Code for internal drainage boards, charter trustees and port health authorities

In summary the proposals are:

- Local government will be enabled to establish appointing bodies that will be authorised by the Secretary of State to appoint auditors to authorities that opt in to collective procurement;
- The bulk of the existing Accounts and Audit Regulations will be carried forward;
- From 2017/18, the dates for Section 151 Officer certification and publication of the accounts are to be brought forward to 31 May and 31 July respectively
- The unaudited statement of accounts is to be published once certified, which will kick off the inspection process – objections will be able to be made from this date, putting an end to the auditor’s appointed day that followed the inspection period
- The statement of accounts is to be accompanied by a “narrative statement”, which will comment on financial performance and value for money outcomes in accordance with undefined “proper practices”
- The specific requirement for an annual review of internal audit has been removed (subsumed in the review of internal control).

The Committee will be kept informed of future developments.

July 2014 Committee

- 3.3 Agenda Item 6: The Audit Committee is to be advised of any updates required to the 2013/14 Annual Governance Statement at the September 2014 meeting. to allow the Committee to approve the AGS following the change of delegation in the Constitution at the Council meeting of 22nd July 2014.

4. LEGAL IMPLICATIONS

- 4.1 Statutory Powers: **Accounts and Audit Regulations 2011**

5. FINANCIAL IMPLICATIONS

- 5.1 None, within existing budgets.

6. RISK MANAGEMENT

- 6.1 The risk management implications follow this table:

Corporate priorities engaged:	All/Corporate
Statutory powers:	Accounts and Audit Regulations 2011
Considerations of equality and human rights:	There are no specific equality and human rights issues arising from this report.
Biodiversity considerations:	There are no specific biodiversity issues arising from this report.
Sustainability considerations:	There are no specific sustainability issues arising from this report.
Crime and disorder implications:	There are no specific crime and disorder issues arising from this report.
Background papers:	CIPFA Local Government Application Note for the united Kingdom Public Sector internal Audit Standards 2013; CIPFA Code of Practice for Internal Audit in Local Government 2006; WDBC 5-year Audit Plan 2010/11 to 2015/16.
Appendices attached:	Appendix A: Audit Plan 2014/15 Appendix B: Planned Audit 2014/15 – Final Reports: Detailed Items

STRATEGIC RISKS TEMPLATE

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
1	Opportunity to Make the Best Use of Scarce Audit Resource	Audit work completed in line with the audit plan and to the required quality standards will ensure that the external auditor gains assurance from the work of internal audit. This will result in no additional charges being requested to carry out the audits required to allow him/her to issue the certificate and opinion on the Council's accounts, including for the Annual Governance Statement.	-	-	-	↔	A risk based audit plan directs scarce audit resources towards areas of high risk to the Council.	Chief Internal Auditor
2	Inappropriate Use of Scarce Audit Resource	The directing of scarce audit resources away from areas of high risk may undermine the opinion provided to the Council by the Chief Internal Auditor on the System of Internal Control.	2	2	4	↔	Risk based audit plan, reviewed by senior managers and members, and updated as appropriate through the year.	Chief Internal Auditor

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
3	Links with External Audit	The external auditor may gain no assurance from the work of internal audit, potentially resulting in requests for additional charges to carry out the audits required to allow him/her to issue the certificate and opinion on the Council's accounts, including for the Annual Governance Statement.	2	2	4	↔	Regular liaison with the external auditor. Risk based audit plan, reviewed by senior managers and members, and updated as appropriate through the year. Regular monitoring of progress by the S.151 Officer and the Audit Committee.	Chief Internal Auditor
4	Assurance for the Annual Governance Statement	The Council's Annual Governance Statement cannot be signed if Internal Audit fails to complete the work set out in the approved risk based audit plan due to unforeseen circumstances.	2	2	4	↔	Regular monitoring of performance by the S.151 Officer and the Audit Committee. Audit approach adheres to the appropriate professional standards. Closer links with our neighbouring Council's audit team will provide reasonable assurance that higher risk audits are covered each year without fail, should significant resource issue arise.	Chief Internal Auditor

Direction of travel symbols ↓ ↑ ↔

Progress Against the 2014/15 Internal Audit Plan

APPENDIX A

Projects agreed in the Audit Plan	Planned Number of Days	Fieldwork started	Issued in draft	Management comments received	Finalised	Opinion (finalised reports only)				Comments
						Excell'nt	Good	Fair	Poor	
MAS & Budgetary Control	4									
Creditor Payments	2									
Payroll	5	■								7% completed.
Council Tax	6	■								18% completed.
Business Rates (NDR)	6	■								12% completed.
Benefits	7									
Debtors	2									
Treasury Management	2									
Main Financial Systems	34									
Recruitment	0	X	X	X	X	x	X	X	x	Was 2 days. Removed from Plan.
Community Safety and Emergency Planning	2	■	■	■	■		■			Summary to Audit Committee - September 2014
Private Sector Housing Renewal	4	■	■							Draft report issued 04.08.2014
Car Parking	4									
Capital Expenditure & Receipts	0	X	X	X	X	x	X	x	x	Was 4 days. Removed from Plan.
ICT / Computer Audit	3									
Local Welfare Support	2									
Use of Internet and Email	3	■	■	■	■		■			Summary to Audit Committee - September 2014
Development Control	4									
Data Quality incl. PIs	5	■								Strategy only.

Progress Against the 2014/15 Internal Audit Plan

APPENDIX A

Projects agreed in the Audit Plan	Planned Number of Days	Fieldwork started	Issued in draft	Management comments received	Finalised	Opinion (finalised reports only)				Comments
Risk Management	3									
Corporate Governance System of Internal Control (SIC) & Annual Governance Statement (AGS)	5	■	■	■	■	-	-	-	-	Review of the Code of Corporate Governance presented to June 2014 Audit Committee under separate cover. Reports to the July and September 2014 Audit Committee for review and approval of the AGS.
Shared Services	5	■	■							Draft report issued 21.07.2014
Sustainability	4	■	■	■	■		■			Summary to Audit Committee - September 2014
T18 Transformation Programme	5	1.5 days used								
Specific Counter Fraud Work	3	■								90% completed.
Follow Up of Previous Year's Audits	5	0.25 days used	-	-	-	-	-	-	-	
Contingency (Unplanned)	5	3 days used	-	-	-	-	-	-	-	Minor control and governance issues, advice on financial controls and procurement procedures given to service officers at all levels and contribution to various draft policies & strategies. <ul style="list-style-type: none"> • Review and process of 3 applications for Exemption from Contract Procedure Rules (CPR); • Update of CPRs for June Audit Committee; • Audit Commission fraud survey; • Letters to Grant Thornton; • Advice on new Temporary Accommodation Charging Policy; • T18 various; • Counter fraud publicity; • Additional individual internet and e-mail monitoring as requested my managers.
Other Systems & Audit Work (Revised)	62									

Progress Against the 2014/15 Internal Audit Plan

APPENDIX A

Projects agreed in the Audit Plan	Planned Number of Days	Fieldwork started	Issued in draft	Management comments received	Finalised	Opinion (finalised reports only)				Comments
Management & Supervision	8	6 days used	-	-	-	-	-	-	-	Planning; Monitoring; Supervision; File Review; Preparing Reports for, and attending, the Audit Committee; Audit Committee workshop; Meetings with the Section 151 Officer; Meetings with the Section 151 and Monitoring Officers; Liaison with the external auditor; etc
External Management & Supervision	8	-	-	-	-	-	-	-	-	
Total (Revised)	16									
Overall Total (Revised)	112									

Planned Audit 2014/15 – Final Reports

The following tables provide a summary of the audit opinion and main issues raised in the reports issued to managers. In all cases (unless stated) an action plan has been agreed to address these issues.

Opinion Definitions

Excellent

The areas reviewed were found to be well controlled; internal controls are in place and operating effectively. Risks against the achievement of objectives are well managed.

Good

The majority of the areas reviewed were found to be adequately controlled. Generally risks are well managed but a few areas for improvement have been identified.

Fair

There is a control framework in place, but some of the areas reviewed were not found to be adequately controlled. In these areas risks are not well managed and require controls to be strengthened to ensure the achievement of system objectives.

Poor

Controls are seriously lacking or ineffective in their operation. No assurance can be given that the system's objectives will be achieved.

Planned Audit 2014/15 – Final Reports (continued)

September 2014 Audit Committee

Subject	Audit Findings	Management Response
<p>Use of Internet and Email Issued 20.06.2014 Joint report with South Hams District Council (SHDC)</p>	<p>Good We are pleased to be able to report that the majority of internet access is conducted within the guidelines adopted by the Council.</p> <p>The Councils' have provided ICT Policies and Acceptable Use Agreements for users accessing computer systems, including the internet and email, but there are small anomalies between the two authorities' documents that may impact on control and enforcement of these policies.</p> <p>Audit examination of the use of emails confirmed that the email content was not deemed to be inappropriate and no further action was required.</p>	<p>Updated policies regarding email and internet use will be issued to staff later in the year.</p> <p>Managers have also been reminded that where music and radio are accessed from Council computers the site they are located should be appropriately licensed.</p>
<p>Community Safety and Emergency Planning Issued 30.06.2014 <i>Continued overleaf.</i></p>	<p>Community Safety – Good The Council appears to be meeting its statutory duties with regards the Crime and Disorder Act 1998. It is a member of the South Devon and Dartmoor Community Safety Partnership (CSP), whose stated purpose is to provide proactive leadership in the drive to improve community safety across the districts of West Devon Borough, South Hams District and Teignbridge District Councils. Governance arrangements are in place and operating for the management of the Partnership.</p> <p>There is one issue which we wish to raise in relation to data protection. Examples of anti-social behaviour work are detailed in the CSP's 2012/13 annual report taken to Overview and Scrutiny. Some perpetrators who have been subject to court action are named in the report as their details are already in the public domain. However those perpetrators who have not been to court have been anonymised. But this has been done in such a way that the combination of information provided would still allow some of them to be identified.</p> <p>It is because of this that we have given the audit opinion of Good, rather than Excellent.</p>	<p>This year's CSP reports to Overview and Scrutiny were amended in light of this recommendation.</p>

Planned Audit 2014/15 – Final Reports (continued)

Subject	Audit Findings	Management Response
<p>Community Safety and Emergency Planning (Continued) Issued 30.06.2014</p>	<p>Emergency Planning – Good</p> <p>The Council appears to be meeting its statutory duties with regards to emergency planning under the Civil Contingencies Act.</p> <p>However there are some issues which we raised in the South Hams 2013/14 Emergency Planning audit report, which also apply to WDBC, which have not yet been implemented due to other priorities:</p> <ul style="list-style-type: none"> • There is no formal record of emergency planning training received by Council officers through the Local Resilience Forum; • There is no formal mechanism for ensuring that the Councils' Business Continuity Plan, either at a corporate level or at a service level, is reviewed annually and includes new risks as they are identified; and • Arrangements for potential alternative accommodation in the event of an emergency should be confirmed, both for the Councils and their tenants at the headquarters. 	<p>The database which was previously started will be re-opened and regular reminders sent to relevant officers asking them to enter any training they have received.</p> <p>With major changes coming under T18 with SMT restructure and the introduction of the new operating model these changes are best brought into effect after its introduction.</p> <p>It would be useful to ensure that managers within the new model are given the opportunity to receive appropriate training.</p> <p>Agreed</p>

Planned Audit 2014/15 – Final Reports (continued)

Subject	Audit Findings	Management Response
<p>Sustainability Issued 25.06.2014 <i>Joint audit with South Hams.</i></p>	<p>Good</p> <p>The focus of this audit has been on the internal sustainability of the Councils, as part of their day to day operations, not how they promote and facilitate sustainability within the communities across the district and borough.</p> <p>Whilst the Councils do not have a dedicated Sustainability policy, it is a cross cutting theme which runs through their priorities and many policies, either directly or indirectly.</p> <p>Economic / Business sustainability is a key driver for the Councils, and indeed plays a large part in the T18 programme. The Councils are finding new and innovative ways to work more effectively whilst reducing costs. This approach means that by default there are some positive environmental sustainability effects.</p> <p>The Councils have a range of internal controls in place to ensure that statutory business objectives are met as well as those based on the Councils' priorities.</p> <p>These internal controls are assessed annually as required by legislation.</p> <p>Social / Community sustainability is addressed by a range of internal policies and procedures which are in place to support staff in a work-life balance.</p> <p>These will continue to be developed as part of T18, which in itself will deliver work-life balance benefits for many staff, with a wider range of agile and flexible working arrangements being made available.</p> <p>The Healthy Lifestyles team have previously co-ordinated events with external partners, such as the promotion of alternative travel options for commuting and how to have a healthier lifestyle.</p> <p><i>Continued overleaf.</i></p>	<p>Business sustainability will be at the forefront of the Councils' considerations through the next few years as T18 is phased in.</p>

Planned Audit 2014/15 – Final Reports (continued)

Subject	Audit Findings	Management Response
<p>Sustainability (continued) Issued 25.06.2014 <i>Joint audit with South Hams.</i></p>	<p>Good</p> <p>Environmental sustainability has been delivered at a range of levels, both voluntarily as well as in response to legislative requirements.</p> <p>However environmental sustainability does not tend to be a key driver at the current time unless it brings associated economic / business sustainability benefits or is required under legislation.</p> <p>Now there is no longer a Green Team it is possible that staff may lose focus of the small actions which can be taken every day to contribute to environmental sustainability, for example switching off lights, keeping heating as low as possible, managing water use etc.</p> <p>We understand that both Councils have fitted water saving devices (waterless urinals at SHDC and a rainwater harvesting system at WDBC). Other initiatives which have had environmental benefits as well as economic benefits include: the installation of energy saving devices in Council buildings; upgrading of refuse vehicles to more fuel efficient models; and recycling of paper waste generated by the Councils.</p> <p>Several opportunities to potentially improve sustainability, in all its senses, have been identified, including:</p> <ul style="list-style-type: none"> • The need to ensure that staff using their own vehicles for business purposes are appropriately insured, have a valid MOT and driving licence etc; • Raising awareness and providing guidance to staff to embed sustainability in day to day activities including promoting car sharing; and • Incorporating consideration of sustainability into Corporate Procedure Rules. 	<p>The matter will be brought to SMT for discussion.</p> <p>A link on the Councils' Intranet to the DCC car sharing web page will bring this to the attention of all staff, and periodic reminders on energy use will be given to staff through the Friday Flash.</p> <p>Consideration of sustainability has been included in the revised Contract Procedure Rules at paragraph 10.3.</p>

Planned Audit 2014/15 – Work Complete (No Audit Report)

Subject	Comments
Compliance Review of the Code of Corporate	Member report setting out the work done to review the Council's compliance with its Code of Corporate Governance, in line with the CIPFA/SOLACE guidance, presented to the June 2014 Audit Committee. Issues raised are included in the Annual Governance Statement which was presented to the Audit Committee at the meeting of July 2014.
System of Internal Control (SIC), and Annual Governance Statement (AGS)	A report setting out the work done to enable the AGS to be completed in line with the CIPFA/SOLACE guidance was presented to the July 2013 Audit Committee. The Council of the 22 nd July 2014 agreed to amend the constitution to allow the Audit Committee to approve the AGS on behalf of the Council. The AGS will be published in September 2014, following an update to the Statement reported with this Audit Committee agenda.
Exemptions to Financial Procedure Rules	See table at Appendix A.

Planned Audit 2014/15 – Follow Up with 2014/15 Audits

September 2013 Audit Committee

Subject	Comments
Internet and Email Use – 2013/14	Mainly implemented. 2/10 recommendations repeated, the most significant of which concerns a revised policy on internet and email usage.

Planned Audit 2014/15 – Follow Up of 2013/14 Audits

Subject	Comments
Private Sector Housing Renewal	Confirmed implemented, and taken to annual audit July 2014.
Data Protection and Freedom of Information	Memo sent, no reply to date. Meeting to be arranged.
Use of Agency Staff	Memo sent, one reply to date. Meeting to be arranged with other officers.