

Report to: **Audit Committee**

Date: **27 September 2016**

Title: **UPDATE ON PROGRESS ON THE 2016/17  
INTERNAL AUDIT PLAN**

Portfolio Area: **Support Services – Cllr C Edmonds**

Wards Affected: **All**

Relevant Scrutiny Committee: Overview and Scrutiny

Urgent Decision: **N** Approval and clearance obtained: **Y**

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## **RECOMMENDATIONS**

**It is RECOMMENDED that the progress made against the 2016/17 internal audit plan, and any key issues arising are noted.**

### **1. Executive summary**

- 1) The purpose of this report is to inform members of the principal activities and findings of the Council's Internal Audit team for 2016/17 to the 25 August 2016, by:
  - Showing the progress made by Internal Audit against the 2016/17 annual internal audit plan, as approved by this Committee in March 2016; and
  - Highlighting revisions to the 2016/17 internal audit plan.

### **2. Background**

The Audit Committee, under its Terms of Reference contained in West Devon Borough Council's Constitution, is required to consider the Chief Internal Auditor's audit reports, to monitor and review the internal audit programme and findings, and to monitor the progress and performance of Internal Audit.

The Accounts and Audit (Amendment) (England) Regulations 2015 require that all Authorities need to carry out an annual review of the effectiveness of their internal audit system, and need to incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

The Internal Audit plan for 2016/17 was presented to and approved by the Audit Committee in March 2016. Progress in the period up to 25 August 2016 has included completion of work carried forward from 2015/16 but progress against the 2016/17 has plan has been limited due to sickness absence totalling 28 days (apportioned WDBC 6 days, SHDC 22 days) in the year to date.

In response to the reduction in available days the audit plan has been reviewed and adjusted in consultation with the Finance Community of Practice Lead (S151 Officer) and agreed by the Senior Leadership Team. The proposed changes are detailed in the table below.

<b>Audit</b>	<b>Plan Days 2016/17</b>	<b>Plan Days Update</b>	<b>Comment</b>
VAT	4	0	VAT specialist to be engaged to look at VAT treatment for capital / grant programmes.
Member Allowances	2	0	Defer to 2017/18
<b>Total</b>	<b>6</b>	<b>0</b>	<b>Net Reduction of 6 days</b>

### **3. Outcomes/outputs**

In carrying out systems and other reviews, Internal Audit assess whether key, and other, controls are operating satisfactorily within the area under review, and an opinion on the adequacy of controls is provided to management as part of the audit report.

All final audit reports include an action plan which identifies responsible officers, and target dates to any address control issues or recommendations for efficiencies identified during each review. Implementation of action plans are reviewed during subsequent audits or as part of a specific follow-up process.

Overall, and based on work performed to date during 2016/17, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control environment.

The 2016/17 Internal Audit Plan is attached at **Appendix A**. This has been extended to show the final position for each audit.

**Appendix B** provides a summary of unplanned work carried out by the team. This work is by definition unexpected work, which ranges from advice to managers on

control issues, to the investigation of potential irregularities. Tasks are budgeted from the 'Contingency' line of the audit plan.

**Non Compliance with Contract or Financial Procedure Rules** - there are no significant issues to bring to the attention of the Committee so far this year. One application for Contract / Financial Procedure Rules has been received and accepted in the year to date.

#### **Fraud Prevention and Detection and the National Fraud Initiative**

Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. The Cabinet Office runs a national data matching exercise (The National Fraud Initiative - NFI) every two years. For the 2016/17 exercise data has to be submitted from a range of Council systems including Creditors, Payroll, Housing Benefits and Insurance week commencing 3 October. The datasets are required to be uploaded to the NFI secure website from 10 October with subsequent matching reports expected back from the NFI Team at the end of January 2017.

The NFI requires Council Tax and Electoral Register data to be submitted annually for the council tax single person discount matching. The deadline for submission of these data sets is not until 28 February 2017 as the next electoral registers for England are not due to be published until 1 December 2016.

#### **Irregularities**

There are no irregularities to report.

#### **4. Options available and consideration of risk**

No alternative operation has been considered as the failure to maintain an adequate and effective system of internal audit would contravene the Accounts and Audit Regulations, 2003, 2006, 2011 and 2015.

#### **5. Proposed Way Forward**

We continue to be flexible in our approach and with the timetabling of audits to ensure that resources are assigned to specific areas of the plan to enable our work to be delivered at the most effective time for the organisation.

#### **6. Implications**

Implications	Relevant to proposals Y/N	Details and proposed measures to address

Legal/Governance	Y	<p>The Accounts and Audit Regulations 1996 issued by the Secretary of State for the Environment require every local authority to maintain an adequate and effective internal audit.</p> <p>The work of the internal audit service assists the Council in maintaining high standards of public accountability and probity in the use of public funds. The service has a role in promoting robust service planning, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council's statutory obligations.</p>
Financial	Y	There are no additional or new financial implications arising from this report. The cost of the internal audit team is in line with budget expectations.
Risk	Y	The work of the internal audit service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	There are no specific equality and diversity issues arising from this report.
Safeguarding	N	There are no specific safeguarding issues arising from this report.
Community Safety, Crime and Disorder	N	There are no specific community safety, crime and disorder issues arising from this report.
Health, Safety and Wellbeing	N	There are no specific health, safety and wellbeing issues arising from this report.
Other implications	N	There are no other specific implications arising from this report.

### **Supporting Information**

#### **Appendices:**

There are no separate appendices to this report.

**Background Papers:**

Annual Internal Audit Plan 2016/17 as approved by the Audit Committee on 15 March 2016.

## Appendix A

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## Appendix A

Projects agreed in the Audit Plan	Planned Number of Days	Fieldwork started	Issued in draft	Management comments received	Final		Opinion				Comments
							High Standard	Good Standard	Improvements Required	Fundamental Weaknesses	
T18 Project	4										
Partnerships & Partnership Management	3										
Culture & Ethics	2	■									
Counter Fraud Work	4	■									
Leisure Centre Client	2										
Health & Safety	8	■									
Street Cleaning	4	■									
Public Conveniences	3										
Development Control – enforcement	5										
Development Controls – planning applications											
Follow Up of Previous Year's Audits	4	■	-	-	-		-	-	-	-	
Contingency (Unplanned), Advice & Exemption from Financial Regulations	6	■	-	-	-		-	-	-	-	
Audit Management, including • Audit Planning • Partnership audit Management • Monitoring against the plan • Reports to management and audit	10	■	-	-	-		-	-	-	-	Includes attendance at Audit Committee – Annual Report presented to Audit Committee on 5 July 2016.
<b>Other Systems &amp; Audit Work)</b>	<b>67</b>										
<b>Total Revised Days</b>	<b>94</b>										<b>Previously 100 days</b>

## Appendix A

There are more days in the SHDC Audit Plan than in the WDBC Audit Plan. Where work is undertaken solely in response to the SHDC Audit Plan but there is corresponding service provision at WDBC testing will focus on SHDC transactions but as processes and procedures are now aligned across both authorities and managed by the same officers, the West Devon Audit Committee can also gain assurance from this work.

Detailed below is work undertaken in the year to date where this will apply.

Projects		Fieldwork started	Issued in draft	Management comments received	Final		Opinion				Comments
							High Standard	Good Standard	Improvements Required	Fundamental Weaknesses	
Pollution Control		■	■					■			
Housing Standards – disabled facilities grants & loans		■	■						■		



### **Planned Audit 2016/17 – Final Reports**

As at the 25 August 2016, no final reports have been issued in respect of 2016/17. Reports finalised in the current year in respect of the 2015/16 audit plan were reported to the Audit Committee at the end of June.

### **Definitions of Audit Assurance Opinion Levels**

#### **High Standard**

The system and controls in place adequately mitigate exposure to the risks identified. The system is being adhered to and substantial reliance can be placed upon the procedures in place. We have made only minor recommendations aimed at further enhancing already sound procedures.

#### **Good Standard**

The systems and controls generally mitigate the risk identified but a few weaknesses have been identified and / or mitigating controls may not be fully applied. There are no significant matters arising from the audit and the recommendations made serve to strengthen what are mainly reliable procedures.

#### **Improvements Required**

In our opinion there are a number of instances where controls and procedures do not adequately mitigate the risks identified. Existing procedures need to be improved in order to ensure that they are fully reliable. Recommendations have been made to ensure that organisational objectives are not put at risk.

#### **Fundamental Weaknesses Identified**

The risks identified are not being controlled and there is an increased likelihood that risks could occur. The matters arising from the audit are sufficiently significant to place doubt on the reliability of the procedures reviewed, to an extent that the objectives and / or resources of the Council may be at risk, and the ability to deliver the service may be adversely affected. Implementation of the recommendations made is a priority.

## Planned Audit 2016/17 – Work Complete (No Audit Report)

Subject	Comments
<b>System of Internal Control (SIC), and Annual Governance Statement (AGS)</b>	<p>Included within the Internal Audit Annual Report presented to the June Audit Committee was the internal audit opinion providing assurance that the Council's systems contain a satisfactory level of internal control.</p> <p>In addition, there is a requirement for the Council to prepare an AGS statement. Internal Audit provided support and challenge, as appropriate, to the Senior Leadership Team as they drafted the statement in respect of the 2015/16 financial year. The S151 Officer presented the 2015/16 AGS to the Audit Committee on 5 July 2016.</p>
<b>Exemptions to Financial Procedure Rules</b>	<p>One application for Contract / Financial Procedure Rules has been received and accepted in the year to date.</p>