

NAME OF COMMITTEE	Audit Committee
DATE	19 September 2013
REPORT TITLE	INTERNAL AUDIT - PROGRESS AGAINST THE 2013/14 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 2013/14 to the 31st July 2013, by:

- Providing a summary of the main issues raised by completed individual audits; and
- Showing the progress made by the section against the 2013/14 annual audit plan, reviewed by this Committee in April 2013.

Financial implications:

None, within existing budgets.

RECOMMENDATIONS:

That the Audit Committee considers the progress made against the 2013/14 Internal Audit Plan and comment on the summary of issues arising.

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1. BACKGROUND

- 1.1 The Terms of Reference (Charter) for Internal Audit was presented to the Audit Committee in April 2013 (Minute reference A.28/12) and covers:

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 2013/14 and was approved by the Audit Committee in April 2013 (Minute reference A.28/12 refers). It covers:

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

Public Sector Internal Audit Standards (PSIAS)

- 1.3 At the April 2013 meeting of the Audit Committee, members were advised that the CIPFA guidance for the new internal audit standards was not then available. The document has subsequently been published and it suggests comparison of the Terms of Reference against the requirements for a 'Charter'.

This has been undertaken including the completion of the 35 page detailed questionnaire. The results indicate that our 2013/14 Terms of Reference (ToR) and Strategy remain fit for purpose but next year's equivalent should include:

- The mandatory nature of the PSIAS;
- Defining of the 'Board' – *for South Hams District Council the Board will be the Audit Committee;*
- The role of the Monitoring Officer and Head of Paid Service in Internal Audit – *the current ToR are clear in terms of anti fraud corruption and bribery, and, access by the Chief Internal Auditor if required;*
- Requirement for the Chief Audit Executive (for South Hams the Chief Internal Auditor) to hold a professional qualification;
- Use of Computer Assisted Audit Techniques (CAATs) – *to be part of the planned Counter Fraud work for 2013/14;* and
- Quality assurance programme to include an external assessment. Only when this is completed can reports carry the phrase '*conducted in conformance with PSIAS*'. *The Chief Internal Auditor will discuss ideas with Devon colleagues for a cost effective method of delivery of an external assessment and report the results to the next Audit Committee. The Committee will be asked to consider any proposals.*

2. PROVISION OF INTERNAL AUDIT AND PROGRESS – 2013/14

Audit Plan 2013/14

- 2.1 The 2013/14 audit plan (Appendix A) was presented and accepted by the Audit Committee at their meeting of April 2013 (A.29/12 refers).

Local and National Risk Based Amendments to the Plan

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 There is one proposed amendment to the Plan:

Audit	Plan Days 2013/14	Plan Days Update	Reason for Change
Leisure Contract (Management of)	0	9	The Chief Internal Auditor has accepted the Corporate Risk Management Group's request to revisit this high profile contract. Last audited in 2011/12.
Allocation of HQ Costs	4	0	Low priority audit: in part covered by shared services recharge audit, and lesser coverage in the Main Accounting System.
Council Tax Collection	5	0	Low priority audit: can receive lesser coverage in the Council Tax audit if time allows.

2.4 Overspends on the estimated time for individual audits occur as the time in the audit plan is an estimate based on risk and generally not the amount of time needed to do the work required. All efforts are made to 'cut our cloth according to our means', but in some circumstances where control issues are identified, a risk based assessment is carried out. This constitutes consideration, depending on the significance, of whether additional time should be spent and if so where the work is to be charged, either contingency or by change to the audit plan.

2.5 The following table sets out the significant overspends on time budgets (3.5 days or more) on individual audits as totalled in Appendix A, and the reasons for the overrun:

Audit	Planned Days	Days Used	Reason for Overspend
-	-	-	None over 3.5 days
-	-	0	As para 2.4 - Culmination of overspends below 3.5 days for finalised audits
Total	-	0	Overspends to date – 0 days

Resources and Skills

2.6 Sickness to the 31st July 2013 is 0 days (2012/13 equivalent 1 day).

2.7 In 2013/14 to date, training has been or is being provided to the audit team as follows:

Chief Internal Auditor

- Smartsheet (Overview)

Senior Auditor:

- Information Security and Cybercrime (IIA Exeter)

Progress against the Plan

- 2.8 The 2013/14 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.
- 2.9 The reporting of individual high priority recommendations is set out at **Appendix B**. This is an ongoing part of the report to advise the Audit Committee in detail of significant findings since the last report and confirm that the agreed action has been implemented or what progress has been made.
- 2.10 **Appendix C** provides a summary of the main issues raised for all of the audits where a final audit report has been issued. In addition, the Appendix shows the results of our follow up of previous audit work and tasks that have not produced an audit report.
- 2.11 **Appendix D** 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

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

Fraud, Corruption, Bribery and Whistle Blowing

- 2.13 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.

Performance Indicators

- 2.14 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 2013/14.
- 2.15 At this stage in the year, the key indicator 'Completion of 2013/14 Audit Plan' is as follows:

Indicator	Target %	Actual %	Comments
Audits completed from 2012/13 combined audit plan.	90	96	As reported to the Audit Committee June 2012.

Continued overleaf

Audits at the 31st July 2013 at various stages of completion from 2013/14 audit plan and their 2012/13 equivalents.			
SHDC	-	35%	(29% at July 2012).
WDBC	-	27%	(27% at July 2012).
Combined plan	90	33%	(29% at July 2012). Target to 31st July 2013: 29%

Internal Audit – Shared Services

2.16 The following has been achieved so far this financial year:

Shared service with West Devon

- Progress on the 2013/14 audit plan reported to the West Devon Audit Committee. A growing number of audits are being completed across the two sites at the same time e.g. recharging shared service costs.

Teignbridge

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

3. ISSUES from APRIL, JUNE and JULY 2013 AUDIT COMMITTEES

3.1 The Committee requested further information on several topics, namely:

April 2013 Committee

3.2 *Counter Fraud Plan*

The Audit Plan approved by the Committee included 10 days for dedicated Counter Fraud Work and a promise to bring a 'Counter Fraud Plan' to a later meeting.

The following table represents the plan for 2013/14 and at present will also form the basis of the plan for 2014/15 and 2015/16.

Work to be carried out	Resource for 2013/14
Planning of Counter Fraud Activity	Planning Budget
TIS online (under 'Risk Management and Counter Fraud' and includes CIPFA guidelines)/NAFN guidance etc.	0.5 day
Fraud Checklists to Audit Committee (April 2014)	Contingency
Promotion of Anti Fraud, Corruption and Bribery Policy	0.5 day
CAATs/Data Analytics.(computer enquiries)	2 days
NFI - Review NFI data matching.	1 day
Undertake proactive counter fraud testing based on a developing list of areas to cover	5 days

Continued overleaf

Work to be carried out	Resource for 2013/14
Counter fraud considered in planned audits	Audit plan
Benefit/Council Tax Support Fraud	Dedicated Team
Anti Money Laundering - test of receipts	1 day
Total Days	10 days

June 2013 Committee

3.3 *Cases of Benefit Fraud 2012/13*

Members asked for information on the £ amount involved. There were 29 cases (not 24 cases as reported to the Committee in June in error) with a total value of £93.5k in overpaid benefits. Of these 6 were prosecuted based on a total value of £32.7k, with a further case of aiding and abetting (nil value).

3.4 *National Fraud Initiative (NFI) - Update*

The Counter Fraud Plan above includes some time for assessing the position of the latest NFI reviews. The Audit Commission expect investigation of matches to be underway by the end of May 2013, and all work to have been completed by 31st March 2014 except for the more complex follow up investigations.

3.5 *Officer Guidance to Report Writing*

A review of the guidance is being undertaken and members have been invited to input to the process. Their feedback has been received, and updated guidance will therefore be published and promoted throughout the Council.

July 2013 Committee

3.6 *Agency Staff*

The planned audit for Agency Staff was completed and a draft report issued on 24th July 2013. The work took into consideration members concerns over the value for money and the results are reported in Appendix B without managers' comments (the draft nature of the report means that it may be subject to change).

3.7 *Connect Strategy*

The Executive minutes E.17/13 CONNECT STRATEGY AND PRIORITY ACTION PLAN UPDATE 2013-14 of 18th July 2013, the morning of the Audit Committee, reflected that:

Members were asked to consider a report that ultimately sought Council approval for an updated Connect Strategy document for 2013-14 which incorporated updated action plans for Community Life, Environment and Homes.

During discussion, the following points were made:

(a) Whilst work had been undertaken to sharpen up and provide added focus to the action plans, some Members felt that there remained scope to eradicate some of the targets which were felt to be intangible and difficult to measure. Furthermore, a Member specifically queried the value of the Community Life Corporate Priority and felt that its retention should be seriously re-considered when Members revisited their priorities. In reply, the Chief Executive informed that within the next year, it was intended that the corporate priorities would be reviewed and the action plans further streamlined;

(b) A Member highlighted the costings contained within the agenda papers and felt that there was the potential for vast savings to be made within this area. The Leader responded that the overwhelming majority of the costs contained within the action plans would be incurred regardless of the Connect Strategy, which in fact combined them all within one document.

The Executive recommended to the Council of 26th September 2013 that the Connect Strategy annual update for 2013-14, incorporating updated action plans for Community Life, Environment and Homes, be approved and adopted.

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:	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:	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; SHDC 5-year Audit Plan 2010/11 to 2015/16.
Appendices attached:	<p>Appendix A: Audit Plan 2013/14 – Progress to 31st July 2013</p> <p>Appendix B: Planned Audit 2013/14 – Final Reports: Detailed Items</p> <p>Appendix C: Planned Audit 2013/14 – Summary of Results</p> <p>Appendix D: Unplanned Audit 2013/14 – Summary of Results</p>

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. The result is 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.	3	2	6	↔	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 2013/14 Internal Audit Plan

APPENDIX A

Projects Agreed in the Audit Plan	Planned Number of Days	Fieldwork Commenced	Draft Report	Management Comments Received	Finalised	Opinion (finalised reports only)				Comments
						Excellent	Good	Fair	Poor	
MAS & Budgetary Control	13									
Creditor Payments	11									
Payroll	10									
Council Tax	14									
Business Rates (NDR)	12									
Benefits	15									
Benefits Debtors	5									
Debtors	10									
Treasury Management	7									
Capital Expenditure	10									
Fundamental Systems	107									
Salcombe Harbour	10									
Dartmouth Lower Ferry	9									
Street Scene - Car and Boat Parking	9									
Private Sector Housing Renewal	8	■								10% completed.
Data Quality & Performance Indicators	5									
Use of Email & Internet	10	■	■							Draft reported issued 01.08.2013
Computer Audit	26									
Grants - RDPE Rural Community LAGs – Accountable Body	50	20 days used	-	-	-	-	-	-	-	28 - Project claims audited; plus 4 - Management & Admin invoices.

Progress Against the 2013/14 Internal Audit Plan

APPENDIX A

Projects Agreed in the Audit Plan	Planned Number of Days	Fieldwork Commenced	Draft Report	Management Comments Received	Finalised	Opinion (finalised reports only)				Comments
						Excellent	Good	Fair	Poor	
Coastal Communities Fund – Accountable Body	-	1.6 days used	-	-	-	-	-	-	-	Minute reference E.28/12 refers
Follow Up of Previous Year's Audits	6	2.8 days used								
Contingency (Unplanned)	55	18 days used								
Corporate Governance	8									
Exemptions to Contract or Financial Procedure Rules	5	1 day used								5 Exemption applications received and processed April to July 2013, of which 4 accepted.
System of Internal Control (SIC) & Annual Governance Statement (AGS)	6	■	■	■	■	-	-	-	-	Report to the July 2013 Audit Committee for recommendation to Council of Annual Governance Statement (AGS). Update of the AGS to the September Audit Committee.
Risk Management / Business Continuity	5	■								50% completed.
West Devon Borough Council	105	Attached	-	-	-	-	-	-	-	Separate report to WDBC Audit Committee.
Other Essential	317									
Beach and Water Safety	4	■	■	■	■		■			Summary to Audit Committee - September 2013
Countryside Recreation and Management	5	■	■							Draft report issued: 30.07.2013
Outdoor Sports and Recreation	8	■	■							Draft report issued: 30.07.2013
Emergency Planning	8	■	■							Draft report issued: 01.07.2013
Food Safety	8	■	■							Draft report issued: 21.06.2013
Licensing	8	■	■				■			Summary to Audit Committee - September 2013
Pollution Reduction	8	■	■				■			Summary to Audit Committee - September 2013
Allocation of HQ Costs	4 - 4	X	X	X	X	X	X	X	X	Suspended in favour of Leisure Management.
Council Tax Collection	5 - 5	X	X	X	X	X	X	X	X	Suspended in favour of Leisure Management.
Leisure Contract (Management of)	9									

Progress Against the 2013/14 Internal Audit Plan

APPENDIX A

Projects Agreed in the Audit Plan	Planned Number of Days	Fieldwork Commenced	Draft Report	Management Comments Received	Finalised	Opinion (finalised reports only)				Comments
						Excellent	Good	Fair	Poor	
Planning Policy including S.106 Agreements	8	■	■							Draft report issued: 31.07.2013
Community Development including Grants and Loans	8	■	■	■	■		■			Summary to Audit Committee - September 2013
Advice to RM/ Information Compliance/Other Groups	3	0.81 days used								
Contract Management	6	■	■					■		Summary to Audit Committee - September 2013
Freedom of Information and Data Protection	8	■								60% completed.
Partnership Management	8	■	■	■	■			■		Summary to Audit Committee - September 2013
Safeguarding Children	5									
Shared Services	5	■	■	■	■		■			Summary to Audit Committee - September 2013
Use of Agency Staff	5	■	■							Draft report issued: 24 .07.2013
Counter Fraud Work	10	■								15% completed.
Other	124									
Audit Administration	20	7.4 days used	-	-	-	-	-	-	-	
Audit Management, including Audit Planning	20	7.6 days used	-	-	-	-	-	-	-	
Audit Monitoring against the Plan, including Reports to Management and Audit Committee.	15	7 days used	-	-	-	-	-	-	-	
Training	15	1.5 days used	-	-	-	-	-	-	-	
Miscellaneous e.g. Financial Regulations etc.	5	0 days used	-	-	-	-	-	-	-	
Other	75									
Overall Total	620									

Planned Audit 2013/14 – Use of Agency Staff Draft Audit Report

Extract from Draft Audit Report	Report Conclusion																					
<p><i>Cost of Agency Staff versus Permanent Staff</i></p> <p>For unskilled staff it is often cheaper to engage someone through an agency than to recruit a permanent employee.</p> <p>For semi-skilled staff the costs become more equitable, whilst for skilled or professional staff it becomes more expensive to engage workforce through an agency rather than by direct employment.</p> <p>The table shows some sample hourly rates in 2012/13 for agency staff (including agency fees) compared to permanent staff (including on costs).</p> <p><i>Hourly Rates – Agency Staff versus Permanent Staff</i></p> <table border="1" data-bbox="174 762 1209 1204"> <thead> <tr> <th>Post</th> <th>Hourly Rate - Agency</th> <th>Hourly Rate - Direct Employment</th> </tr> </thead> <tbody> <tr> <td>A Refuse Loader</td> <td>£8.31</td> <td>£10.38</td> </tr> <tr> <td>A LGV Driver</td> <td>£9.67</td> <td>£11.12</td> </tr> <tr> <td>A Customer Service Officer</td> <td>£10.85</td> <td>£12.09</td> </tr> <tr> <td>A Benefits Assessor</td> <td>£20.54</td> <td>£12.77</td> </tr> <tr> <td>A Planning Officer</td> <td>£28.00</td> <td>£16.61</td> </tr> <tr> <td>A Housing Options Officer</td> <td>£18.00</td> <td>£17.79</td> </tr> </tbody> </table> <p><i>Source: SHDC CP&R.17/12; WDBC O&S29</i></p> <p>However, if properly managed, the cost of using skilled agency staff can be offset by the flexibility that is retained by the organisation, as they can be used for relatively short periods without accruing employment rights.</p>	Post	Hourly Rate - Agency	Hourly Rate - Direct Employment	A Refuse Loader	£8.31	£10.38	A LGV Driver	£9.67	£11.12	A Customer Service Officer	£10.85	£12.09	A Benefits Assessor	£20.54	£12.77	A Planning Officer	£28.00	£16.61	A Housing Options Officer	£18.00	£17.79	<p>Members at both SHDC and WDBC requested information on the costs of using agency staff during 2012/13. In response reports were taken to the Corporate Performance & Resources Committee on 4th October 2012 (SHDC) and the Overview & Scrutiny Committee on 15th January 2013 (WDBC). The Committees resolved that an annual update on the use of agency workers be presented.</p> <p>The reasons for the increase in the number of agency staff currently being engaged appear to be justified in the short to medium term, but do not necessarily provide the most effective solution in the long term for some services such as Development Management where skilled or professional staff are required. On 18th July 2013, the Executive approved the appointment of three additional full time posts within the Development Management Team.</p> <p>However for other services, such as Waste Collection, it continues to provide a cost effective means of covering short-term absences.</p> <p>Controls are in place to manage the engagement of agency staff, but we noted that on a small number of occasions these are not being followed. A number of issues were identified to strengthen the effectiveness of the process, as well as a need for on-going monitoring of the use of agency staff, particularly to fill professional posts.</p>
Post	Hourly Rate - Agency	Hourly Rate - Direct Employment																				
A Refuse Loader	£8.31	£10.38																				
A LGV Driver	£9.67	£11.12																				
A Customer Service Officer	£10.85	£12.09																				
A Benefits Assessor	£20.54	£12.77																				
A Planning Officer	£28.00	£16.61																				
A Housing Options Officer	£18.00	£17.79																				

Planned Audit 2013/14 – Final Reports Issued

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 2013/14 – Final Reports Issued

September 2013 Audit Committee

Subject	Audit Findings	Management Response
<p>Beach and Water Safety Issued 30th May 2013</p>	<p>Good Controls are in place and operating over income and expenditure relating to the provision of beach and water safety. But there is a need for strategic guidance as to what beach and water safety services the Council wishes to continue to provide, particularly where it is bearing the cost of provision on privately owned beaches, with no contribution from the owners. When considering the future level of service there will be a need to take into account the Council's duty of care for users of beaches and the publicity which may be generated, as well as the financial implications. The Beach Management Policy, approved by members in December 2010, included a number of future actions, including a risk assessment of those beaches where lifeguard service and / or public rescue equipment is provided, to enable a review of future service provision, but this has not been done due to a lack of resources.</p>	<p>The Beach Management Group, including representatives from all relevant services, is to be re-established with Terms of Reference. Part of the group's remit will be to co-ordinate consideration of the issues raised in the audit report. A Task & Finish Group will also be set up to consider this issue with the Beach Management Group, allowing members to make an informed decision as to whether they wish to continue subsidising the service at all current locations. The current lifeguarding contract ends in 2017 and therefore it is intended to have made a decision by 2016.</p>
<p>Building Control (Follow Up of 2012/13) Issued 16th July 2013</p>	<p>Unchanged at Good. The Partnership Agreement dated 5 May 2011, signed by each of the three authorities, gives an overview of the financial arrangements. However, with effect from 1 April 2012, there have been amendments to these arrangements, such as pooled budgets and accounts, and allocating of income and expenditure. To date the Councils and the Partnership have agreed to the consolidation of the accounts and it is anticipated that each authority will be able to confirm their proportion of income and expenditure in the relevant Council's accounts.</p>	<p>The original audit and follow up were completed with our internal audit colleagues at Teignbridge District Council. We have now confirmed the year end accounts (2012/13) for the authorities, in partnership with Teignbridge District Council (Chief Accountants for South Hams and West Devon).</p>

Planned Audit 2013/14 – Final Reports Issued (continued)

Subject	Audit Findings	Management Response
<p>Partnership Management Issued 6th June 2013</p>	<p>Fair</p> <p>There has been some individual reporting to members of the progress made by some specific partnerships, which is one of the reasons that the audit opinion was close to Good. There are relatively straight forward areas where controls could be improved to further reduce the potential risks of partnership working and bring the opinion rating up:</p> <ul style="list-style-type: none"> • Identification of a corporate resource to take responsibility for managing the Partnership Framework and moving it forward to include: • Updating the Partnership Policy and aligning it with the West Devon equivalent; • Identifying and recording the Council's partnerships generally and specifically the 'Significant Partnerships'; and • Reinstating the overview monitoring reports to one of the Scrutiny Panels. 	<p>The Council's Corporate Director (TW) will consider which officer will be made responsible for the Council's Partnership Framework and instruct him or her accordingly. Once the responsible officer has been identified and instructed, he/she will be asked to:</p> <ul style="list-style-type: none"> • Update the Partnership Policy and aligning it with the West Devon equivalent; • To produce a list of those partnerships that are significant to the Council as defined in the updated Policy and Guidance; and • Co-ordinate the production and presentation to a Scrutiny Panel of an annual Partnership Monitoring Report.
<p>Shared Service Recharges Issued 17th July 2013</p>	<p>Good</p> <p>The recharging of salary and travel costs between the two authorities seems to be accurately completed. Some minor errors were identified and reported to the finance officers at both authorities but these were not material and would not have a significant impact on the overall value of recharged costs:</p> <ul style="list-style-type: none"> • Finalising the sharing of costs related to training and continuing professional development (CPD); and • Identifying agency staff that may work in a shared capacity and dividing their costs between the Councils. 	<p>Middle managers are to be reminded to notify the finance officers where training and other costs should be proportioned across both authorities. A new staff request form can include a reminder to management to indicate if the agency worker is to be employed in a shared role and finance informed.</p>

Planned Audit 2013/14 – Final Reports Issued (continued)

Subject	Audit Findings	Management Response
<p>Pollution Reduction Issued 17th July 2013</p>	<p>Good Based on the work completed the Council is meeting its statutory duties in relation to Pollution Reduction and there are no major issues to report. A number of minor issues were identified where controls could be improved, including:</p> <ul style="list-style-type: none"> • Reviewing procedures for ensuring that customers are invoiced accurately, yet on timely basis for testing of private water supplies; • Considering charging customers for the re-testing of private water supplies which have failed to meet the required standards, particularly where the failure is due to a fault with the customers sterilisation equipment; and • Ensuring that both the Contaminated Land Strategy and the Air Quality Strategy reflect the most current guidance which is expected from government in the coming year. 	<p>A new system of charging will be introduced in the next two months. Charges will be based on the tests undertaken using the results received from South West Water.</p> <p>This will be considered as part of the review of charges at the end of the five year cycle of scheduled assessments (31st March 2014).</p> <p>The strategy is under review but further guidance on planning issues is expected and awaited.</p>
<p>Community Grants and Loans Issued 18th July 2013</p>	<p>Good Each community grant fund has member approval to operate, with eligibility criteria in place. For each fund a specific application process is in place, with guidance for applicants, and there are procedures to draw down funding. The community grants we reviewed had been awarded in line with policy and the relevant approval obtained. We are confident that the responsible officer takes appropriate steps to ensure that applications for funding are from eligible organisations and that the proposed projects meet the required criteria. Based on our testing the loans scheme appears to be operating satisfactorily. There are currently only three loans in place. Minor issues only were raised relating to the application procedure for loans, and evidencing for grants.</p>	<p>Action plan agreed.</p>

Planned Audit 2013/14 – Final Reports Issued (continued)

Subject	Audit Findings	Management Response
<p>Sherford (Follow Up of 2012/13) Issued 25th July 2013</p>	<p>Unchanged at Good. The Sherford Team continue to progress the planning permission subject to completion of the joint authority Section 106 Agreement. The key risk remains that there is a need to finalise the draft Section 106 legal agreement, although this has been mitigated by ongoing related factors. Non formalisation of the obligation could result in:</p> <ul style="list-style-type: none"> • Further delays in providing the development; • Additional delays and costs following the introduction of the Community Infrastructure Levy (CIL) at PCC; • Potential loss or reduction in funding from Government; and • A public inquiry, which could mean significant costs and delays. <p>The project is nearing the end of this phase and additional resources are planned for the future development. We have again reminded management of the need to ensure that records relating to the project are held centrally in a format that is easily accessible, organised and auditable.</p>	<p>We are currently working as hard as we can to finalise the scheme with the applicants and related partners and cannot do any more. It is now less likely an appeal will be made. We are awaiting finalisation of the multi-million pound package from Government which is expected shortly.</p> <p>We have started the process of rationalising the various files and documents and are aiming to have a finalised pack that can go forward when the scheme undertakes the next stage.</p>
<p>Purchase Cards (Unplanned) Issued 25th July 2013</p>	<p>Purchase cards are charge cards which work in a similar way to credit cards and can be used to purchase goods or services. They are only issued where there is a demonstrable business need, with currently twelve in use across the Council in services where they are felt to be most beneficial. Where payments are not able to be made by purchase card, the supplier is contacted to encourage payment by electronic means rather than cheque. The use of purchase cards has contributed to the reduction in the production of more costly payments by cheque. The number of cheques used has steadily declined in the last few years, from 3,487 in 2010/11 to 3,158 in 2011/12 and in 2012/13 to 2,286.</p>	<p>One minor recommendation made and action agreed.</p>

Planned Audit 2013/14 – Final Reports Issued (continued)

Subject	Audit Findings	Management Response
<p>Licensing Issued 31st July 2013</p>	<p>Good A small number of recommendations were made, the most significant of which related to enforcement.</p>	<p>There is a balance to be drawn between required enforcement with limited finances and using valuable resources meaningfully. Enforcement as a shared responsibility with other Statutory Bodies, the low crime rate, and using the Hampton Principles are all factors. The time spent on enforcement, together with other ad-hoc enforcement plus compliance checks by staff, is probably about right.</p>
<p>Contract Management Issued 8th August 2013</p>	<p>Fair The Corporate Risk Management Group (CRMG) had identified a lack of a central contracts database as an issue. In response, work was carried out by Legal and Internal Audit to identify the contracts that the Council has in place and where they are located. A large number are held by service managers, in both an electronic or paper format, even though recent changes to Contract Procedure Rules require officers to send them to the Legal team. However, some of these are of relatively small value. Following the work of the CRMG, Legal and this audit there is now a more definitive list, but this must now be kept up to date. There is also a role for the Procurement Officer to review the list for any future procurement opportunities. The Legal team have started work on improving their records of the contracts that they actually hold, but further improvement can be made especially in simplifying the filing system in the Deeds Room and considering whether it is necessary to keep some of the older contracts currently held.</p>	<p>The Contract Procedure Rules will be reinforced as part of their next update, including clarifying when an electronic copy can be retained.</p> <p>A meeting has been held with the Procurement Officer and the new contracts database supplied for her review. A timetable has been agreed to review and improve the filing system for the Deeds Room and ensure only those documents that are needed are actually retained e.g. contracts must be kept for between 6 and 12 years after completion, depending on the what it is.</p>

Planned Audit 2013/14 – Work Complete (No Audit Report)

Subject	Comments
Exemptions to Financial Procedure Rules	See table at Appendix A.
RDPE Rural Communities – LAGs and Coastal Communities Fund	See table at Appendix A, SHDC is the 'accountable body'. Auditing in line with the approach required by the funding body.
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 Committee recommended approval of the AGS to the Council. The AGS is required to be updated to the date of publishing in September 2013.

Planned Audit 2013/14 – Follow Up with 2013/14 Audits

September 2012 Audit Committee

Subject	Comments
Beach and Water Safety – 2008/09	Mainly implemented. 3/7 recommendations repeated relating to the need for strategic guidance as to what beach and water safety services the Council wishes to continue to provide, including for privately owned beaches.
Partnership Management – 2011/12 and 2007/08	Implemented.
Shared Services Recharges – 2012/13	Mainly implemented. 2/12 recommendations repeated relating to sharing of costs for training and agency staff.
Pollution Reduction – 2008/09	Implemented.
Community Grants and Loans – 2008/09	Mainly implemented. One issue raised again relating to a minor example of documents not retained.
Licensing – 2009/10	Implemented.

Planned Audit 2013/14 – Follow Up of 2012/13 Audits

Subject	Comments
Salcombe Harbour	Reminder only sent. To be followed up with annual audit October 2013.
Capital Receipts	No recommendations made. Cleared.
Non Domestic Rates	Memo sent 29/07/2013. Awaiting reply.
Insurance	Memo sent 19/06/2013. Awaiting reply. Meeting to be arranged.
Data Quality and Performance Indicators	Cleared ahead of annual audit.
Dartmouth Lower Ferry	Discussions 01/05/2013. Recommendations implemented other than the known issues with the ticketing system which cannot be addressed in the short term. Annual audit due September 2013.
Private Sector Housing Renewal	Memo sent 22/04/2013. One item outstanding to be addressed with the annual audit in August/September 2013.

Planned Audit 2013/14 – Follow Up of 2012/13 Audits (continued)

Subject	Comments
Leisure Client (Follow Up)	Memo sent 22/04/2013. No reply received but audit brought into the 2013/14 plan in this report.
Building Maintenance	Recommendations implemented other than the known issues relating to the software which cannot be addressed in the short term.
Major Developments - Sherford	Updated and new report issued.
Building Control	Follow up with Teignbridge Internal Audit. New report issued with 3 revised implementation dates.
Travel and Subsistence (Follow Up)	All but 2 recommendations cleared; these to be followed up with the 2013/14 Payroll audit.
Use of Internet and Email	Followed up with annual audit.
Corporate Management Costs	Cleared.

Unplanned Audit – 2013/14

General

Description	Main Issues
<p>Minor enquiries and issues investigated, including some planned work, which by its nature does not require a report. Resourced from the contingency line of the audit plan.</p>	<ul style="list-style-type: none"> • General procurement and disposal rules advice; • General ICT issues; • General Finance issues; • Document retention enquiries; • Additional individual internet and e-mail monitoring as requested by managers; • Assistance to the external auditors on specific tests for the audit of the accounts; • Salcombe Harbour – advice and assistance; • Audit Commission fraud survey; • Assistance re HMRC inspection; • Contribution to update of report writing guidance; • Numerous minor control issues, advice on financial controls and procurement procedures given to service officers at all levels and contribution to various draft policies & strategies.