

NAME OF COMMITTEE	Audit Committee
DATE	5 June 2014
REPORT TITLE	INTERNAL AUDIT – ANNUAL REPORT and OPINION ON THE ADEQUACY OF INTERNAL CONTROL 2013/14
Report of	Chief Internal Auditor
WARDS AFFECTED	All/Corporate

Summary of report:

The purpose of this report is to summarise and inform members of the principal activities of the Internal Audit section of Finance & Audit during 2013/14, by:

- Showing the progress made by the section against the 2013/14 audit plan reviewed by members in April 2013;
- Providing an Opinion on the adequacy of the Council's control environment;
- Outlining any significant findings and the action taken by managers to address the recommendations; and
- Providing a summary of the main issues raised by individual audits.

The report links with the separate report to this Committee on the Effectiveness of the System of Internal Audit, and the three previous quarterly reports for 2013/14 on progress against the audit plan.

Financial implications:

None, within existing budgets.

RECOMMENDATIONS:

It is recommended that the Audit Committee note this report and the Chief Internal Auditor's Opinion on the Adequacy of Internal Control.

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1. BACKGROUND

- 1.1 The Terms of Reference (Charter) for Internal Audit were 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 September 2013 Audit Committee members accepted the view that the above documents remained fit for purpose and will be brought strictly into line with the new Public Sector Internal Audit Standards for 2014/15 (Agenda Item 10: Minute reference A.17/13 refers).

Annual Governance Statement (AGS)

- 1.4 As part of the system required to allow the AGS to be signed by the most senior member and officer of the Council, reviewed by the Audit Committee (separate report to the Audit Committee of 18th July 2013) and approved by the Council, the head of internal audit must include an opinion of the adequacy and effectiveness of the control environment.
- 1.4 Details of any weaknesses that qualify this opinion and issues relevant to the preparation of the AGS must also be disclosed.
- 1.5 An annual Review of the Effectiveness of the System of Internal Audit must also support this Opinion. The Effectiveness of the System of Internal Audit has been reviewed and reported to this Committee under separate cover. The satisfactory result provides assurance for the Chief Internal Auditor's Opinion.

Chief Internal Auditor's Opinion on the Adequacy of Internal Control

The Chief Internal Auditor has concluded that the Council's overall control environment is adequate and effective for the purposes of the 2013/14 Annual Governance Statement.

This opinion is based on the work done and opinions as set out in Appendix A, further details of which are included in Appendices B, and C of this report.

Appendix A shows that of 41 reports were issued carrying **43 Opinions: 1 was graded Excellent; 35 Good, 7 Fair and 0 Poor.** (Two reports carried two opinions – see Appendix A)

This excludes the reports to Audit Committee on the Council’s counter fraud arrangements ‘Protecting the Public Purse’ and the Review of the Code of Corporate Governance, which also contribute.

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 has been one amendment to the Plan accepted at the September 2013 Committee:

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 As reflected in the report to this Committee on the Effectiveness of the System of Internal Audit, 100% of the overall revised audit plan (100% at West Devon, 100% South Hams) has been completed.

Progress against the Plan

2.5 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.

- 2.6 **Appendix B** 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.
- 2.7 **Appendix C** 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

- 2.8 There are no significant issues to bring to the attention of the Committee for 2013/14.

Fraud, Corruption or Bribery and Whistle Blowing

- 2.9 No actual, suspected or allegations of fraud, corruption or bribery have been identified during 2013/14, outside of benefit fraud.
- 2.10 We are unaware of any whistle blowing reports in 2013/14.
- 2.11 The Council's arrangements for countering fraud were reported to members at the April 2014 Audit Committee using the Audit Commission's checklist 'Protecting the Public Purse'.
- 2.12 The Council also informed the Audit Commission in their annual fraud survey that for 2013/14 there were 14 cases of sanctioned benefit fraud, with a total value of £86,388. Four of these cases were prosecuted. To put this in context the Council has 6,617 live housing benefit claims with a total value paid in 2013/14 of £23.7 million.
- 2.13 The investigative work by service teams on the data matches highlighted by the Audit Commission's *National Fraud Initiative* (NFI) should now be completed. We will review the work done and the actions taken as part of our counter fraud work in the coming weeks and report the results to the September Audit Committee.

3. ISSUES from APRIL 2014 AUDIT COMMITTEE

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

3.2 Future of Local Audit (Agenda Item 8)

The Chief Internal Auditor promised to update members on the guidelines, but at the time of writing this report the guidelines were not yet available. If possible members will be given an oral update with a written report to a future Audit Committee meeting.

3.3 Update on Follow Up for Specific Audits (Agenda Item 11)

Members asked to be kept informed on the progress being made on the action plan for the following audits:

Contract Management

Following the audit a comprehensive list of the contracts that the Council has entered into has been completed by the Legal team. The list links to the contracts held in the secure 'Deeds Room' and any expired contracts stored have been disposed as allowed by the Document Retention policy.

In addition the Contract Procedure Rules have been further clarified to ensure that service managers send the original copy to the Legal team of any contract entered into. Managers have been reminded of this requirement.

S.106 Agreements

The related audit report is currently being formally followed up in line with Internal Audit's follow up procedures. The results will be fed back to the Audit Committee in the first Internal Audit progress report for 2014/15 at the September 2014 meeting.

3.4 Housing Tenancy Fraud (Agenda Item 12)

The Chief internal Auditor reported that the Devon Social Housing Fraud team was being set up to investigate cases of possible housing tenancy fraud on participating Devon Home Choice participating partner landlords. Members asked whether two of the three posts that were subject to recruitment had been filled. It has been confirmed that appointments were made and the officers commenced duties in mid April 2014.

Members also asked the Chief Internal Auditor to establish the Council's responsibilities for tenancy fraud under the Devon Home Choice Partnership Agreement – the Agreement doesn't impose any responsibility on the Council for tenancy fraud. However the Council has always supported landlords in the scheme on anti fraud matters e.g. a declaration on the Devon Home Choice application form warns applicants of the potential implications of tenancy fraud. The Partnership Agreement is currently being reviewed.

An information sharing agreement is being introduced, following review by the Council's Legal section, which commits the Council to informing the Devon Social Housing Fraud team of any suspicions.

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; SHDC 5-year Audit Plan 2010/11 to 2014/15.
Appendices attached:	Appendix A: Audit Plan 2013/14 – Final Position Exempt Appendix B: Planned Audit 2013/14 – Final Reports: Summary of Results Exempt Appendix C: Unplanned Audit 2013/14

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 of 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 places reliance upon the work of internal audit, resulting in no 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.	-	-	-	↔	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 gaining no assurance from the work of internal audit, resulting in 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.	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	■	■	■	■		■			Summary to Audit Committee - June 2014
Creditor Payments	11	■	■	■	■		■			Summary to Audit Committee - June 2014
Payroll	10	■	■	■	■		■			Summary to Audit Committee - January 2014
Council Tax	14	■	■	■	■		■			Summary to Audit Committee - April 2014
Business Rates (NDR)	12	■	■	■	■		■			Summary to Audit Committee - April 2014
Benefits	15	■	■	■	■			■		Summary to Audit Committee - June 2014
Benefits Debtors	5	■	■	■	■		■			Summary to Audit Committee - April 2014
Debtors	10	■	■	■	■		■			Summary to Audit Committee - June 2014
Treasury Management	7	■	■	■	■	■				Summary to Audit Committee - April 2014
Capital Expenditure	10	■	■	■	■		■			Summary to Audit Committee - June 2014
Fundamental Systems	107									
Salcombe Harbour	10	■	■	■	■		■			Summary to Audit Committee - April 2014
Dartmouth Lower Ferry	9	■	■	■	■		■			Summary to Audit Committee - April 2014
Street Scene - Car and Boat Parking	9	■	■	■	■		■			Summary to Audit Committee - June 2014
Private Sector Housing Renewal	8	■	■	■	■		■			Summary to Audit Committee - January 2014
Data Quality & Performance Indicators	5	■	■	■	■		■			Summary to Audit Committee - April 2014
Use of Email & Internet	10	■	■	■	■		■			Summary to Audit Committee - January 2014
Computer Audit	26	■	■	■	■	-	-	-	-	See summary below
Grants - RDPE Rural Community LAGs – Accountable Body	50	56.9 days used	-	-	-	-	-	-	-	125 - Project claims audited; plus 35 - 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	-	6.7 days used	-	-	-	-	-	-	-	Minute reference E.28/12 refers
Follow Up of Previous Year's Audits	6	-	-	-	-	-	-	-	-	Follow up completed
Contingency (Unplanned)	55	60.3 days used	-	-	-	-	-	-	-	See Appendix C. Includes 13.6 days T18 work, 50% recharged under year end procedures.
Corporate Governance	8	■	■	■	■	-	-	-	-	Report to Audit Committee - June 2014, under separate cover and specific agenda item.
Exemptions to Contract or Financial Procedure Rules	5	5.6 days used	-	-	-	-	-	-	-	20 Exemption applications received and processed April 2013 to March 2014, of which 19 accepted.
System of Internal Control (SIC) & Annual Governance Statement (AGS)	6	■	■	■	■	-	-	-	-	Report to the July and September 2013 Audit Committees for recommendation to Council of Annual Governance Statement. Approved and published.
Risk Management / Business Continuity	5	■	■	■	■	-	■	-	-	Summary to Audit Committee - June 2014
West Devon Borough Council	105	-	-	-	-	-	-	-	-	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	■	■	■	■	-	■	-	-	Summary to Audit Committee - January 2014
Outdoor Sports and Recreation	8	■	■	■	■	-	■	-	-	Summary to Audit Committee - January 2014
Emergency Planning and Business Continuity	8	■	■	■	■	-	EP ■	BC ■	-	Summary to Audit Committee - January 2014
Food Safety	8	■	■	■	■	-	■	-	-	Summary to Audit Committee - January 2014
Licensing	8	■	■	■	■	-	■	-	-	Summary to Audit Committee - September 2013
Pollution Reduction	8	■	■	■	■	-	■	-	-	Summary to Audit Committee - September 2013
<i>Allocation of HQ Costs</i>	<i>4 - 4</i>	<i>X</i>	<i>X</i>	<i>X</i>	<i>X</i>	<i>X</i>	<i>X</i>	<i>X</i>	<i>X</i>	<i>Suspended in favour of Leisure Management.</i>
<i>Council Tax Collection</i>	<i>5 - 5</i>	<i>X</i>	<i>X</i>	<i>X</i>	<i>X</i>	<i>X</i>	<i>X</i>	<i>X</i>	<i>X</i>	<i>Suspended in favour of Leisure Management.</i>
Leisure Contract (Management of)	9	■	■	■	■	-	■	-	-	Summary to Audit Committee - January 2014

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	■	■	■	■			■		Summary to Audit Committee - January 2014
Community Development including Grants and Loans	8	■	■	■	■		■			Summary to Audit Committee - September 2013
Advice to RM/ Information Compliance/Other Groups	3	-	-	-	-	-	-	-	-	Advice completed for 2013/14.
Contract Management	6	■	■	■	■			■		Summary to Audit Committee - September 2013
Freedom of Information and Data Protection	8	■	■	■	■		FOI ■	DP ■		Summary to Audit Committee - January 2014
Partnership Management	8	■	■	■	■			■		Summary to Audit Committee - September 2013
Safeguarding Children	5	■	■	■	■		■			Summary to Audit Committee - January 2014
Shared Services	5	■	■	■	■		■			Summary to Audit Committee - September 2013
Use of Agency Staff	5	■	■	■	■			■		Summary to Audit Committee - January 2014
Counter Fraud Work	10	■	■	■	■		■			Summary to Audit Committee - April 2014
Other	124									
Audit Administration	20	25 days used	-	-	-	-	-	-	-	
Audit Management, including Audit Planning	20	18.8 days used	-	-	-	-	-	-	-	
Audit Monitoring against the Plan, including Reports to Management and Audit Committee.	15	14.2 days used	-	-	-	-	-	-	-	
Training	15	3.3 days used	-	-	-	-	-	-	-	
Miscellaneous e.g. Financial Regulations etc.	5	1.7 days used	-	-	-	-	-	-	-	
Other	75	63 days total								
Overall Total	620									

Progress Against the 2013/14 Internal Audit Plan

APPENDIX A

Computer Audit Plan 2013/14

Included above:										
Projects Agreed in the Audit Plan	Planned Number of Days	Fieldwork Commenced	Draft Report	Management Comments Received	Finalised	Opinion (finalised reports only)				Comments
Installation & Healthcheck	7	■	■	■	■		■			Summary to Audit Committee - June 2014
Security and Strategy	6	■	■	■	■		■			Summary to Audit Committee - June 2014
E Commerce	6	■	■	■	■		■			Summary to Audit Committee - June 2014
Other Reviews including Telecommunications Network	7	■	■	■	■		■			Summary to Audit Committee - June 2014
Computer Audit	26									

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.

September 2013 Audit Committee

Beach and Water Safety Issued 30th May 2013 **Good**
Building Control (Follow Up of 2013/14) Issued 16th July 2013 **Unchanged at Good.**
Partnership Management Issued 6th June 2013 **Fair**
Shared Service Recharges Issued 17th July 2013 **Good**
Pollution Reduction Issued 17th July 2013 **Good**
Community Grants and Loans Issued 18th July 2013 **Good**
Sherford (Follow Up of 2013/14) Issued 25th July 2013 **Unchanged at Good.**
Purchase Cards (Unplanned) Issued 25th July 2013
Licensing Issued 31st July 2013 **Good**
Contract Management Issued 8th August 2013 **Fair**

Planned Audit 2013/14 – Final Reports Issued

January 2014 Audit Committee

Emergency Planning and Business Continuity Planning Issued 12.08.2013 **Emergency Planning – Good: Business Continuity – Fair**
Use of Agency Staff Issued 16.08.2013 **Fair**
Use of Internet and Email Issued 06.09.2013 **Good**
Food Safety Issued 30.08.2013 **Good**
Countryside Recreation and Management Issued 26.09.2013 **Good**
Outdoor Sports and Recreation Issued 26.09.2013 **Good**
Planning Policy including S.106 Agreements Issued 21.10.2013 **Fair**
Data Protection & Freedom of Information Issued 23.10.2013 - **Data Protection - Fair; Freedom of Information - Good**
Private Sector Housing Renewal Issued 29.10.2013 **Good**
Leisure Contract (Management of) Issued 08.11.2013 **Good**
Safeguarding Children Issued 25.11.2013 **Good**
Payroll Issued 27.11.2013 **Good**

April 2014 Audit Committee

Treasury Management Issued 09.12.2013 **Excellent**
Counter Fraud Work Issued 06.01.2014 **Good**
Salcombe Harbour Issued 03.12.2013 **Good**
Data Quality and Performance Indicators Issued 17.12.2013 **Good**
Dartmouth Ferry Issued 19.12.2013 **Good**
Council Tax Issued 12.02.2014 **Good**
NDR (Business Rates) Issued 26.02.2014 **Good**
Housing Benefits Debtors Issued 27.02.2014 **Good**

June 2014 Audit Committee

Overleaf.

The recommendations made within our reports have regard to both 'business as usual' and the T18 Transformation Programme.

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

Subject	Audit Findings	Management Response
<p>Capital Expenditure and Receipts Issued 12.03.2014</p>	<p>Expenditure: Good, and, Receipts: Good</p> <p>A system is in place and generally operating satisfactorily to control capital expenditure.</p> <p>A number of more minor issues were also noted, mostly relating to record-keeping.</p> <p>An issue outstanding due to other work pressures relates to the use of Letters of Intent by the Head of Assets.</p> <p>Controls are in place and operating over the disposal of assets, this being demonstrated by the one property disposal during the year.</p>	<p>Action plan agreed</p> <p>Agreed that each Letter of Intent should be reviewed and approved by Legal prior to signature and issue. The Contract Procedure Rules will be updated to reflect controls over the use of 'Letters of Intent'.</p>
<p>Risk Management Issued 03.04.2014</p>	<p>Good</p> <p>Management of strategic risks over the two Councils has never been stronger, with the Director (AR) leading and supported by the Senior Management Team. These officers have identified, assessed, recorded, and are regularly monitoring the Councils' key strategic risks which are also reported to the Audit Committee.</p> <p>The formal recording of operational risks has deteriorated. Indeed the formal Operational Risk Register within Covalent has been rendered inactive because it was not being used, with reliance on Blueprint risk registers in some areas.</p>	<p>The Risk and Health & Safety Advisor requested and received the Councils' suspended operational risk registers from Covalent.</p> <p>It is proposed to align the operational risk registers and confirm their status with the responsible officers and update Covalent.</p>

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

Subject	Audit Findings	Management Response
<p>Benefits Issued 02.04.2014</p>	<p>Fair The benefits system ensures that the right people are paid the right amount of benefit at the right time. However, there remain some outstanding issues that will further strengthen the controls over the management of Benefits, the most significant of which are:</p> <ul style="list-style-type: none"> • Users access to the system needs to be reviewed, particularly in light of a number of staffing restructures that mean leavers and officers changing services still have access; • We have identified issues in the area of assessment of benefit claims relating to verification and review; <ul style="list-style-type: none"> • Due to the issues identified with regard to the recovery of overpayments we have recommended that a full review should be undertaken of claims with overpayments to confirm that recovery is appropriately actioned; • We have strengthened our recommendations that the Benefits Team Manager should review a sample of fraud cases, and that a clear policy on the issuing of sanctions is introduced and that fraud is publicised more widely. 	<p>We have now reviewed user's access and suspended inappropriate users on the system, however there is an issue that they cannot be fully removed and this is being investigated by the software supplier.</p> <p>We will be undertaking more targeted reviews based on the new Risk Based Verification rating.</p> <p>Risk Based Verification (RBV) assigns a risk rating to each Housing Benefit/Council Tax Benefit claim which determines the level of verification required. It allows more intense verification activity to be targeted at those claims which are deemed to be at highest risk of involving fraud and/or error.</p> <p>The Benefit Team Leaders have been requested to review the audited claims and report back to the Benefits Team Manager with action taken. We are also planning to review all claims with overpayments to ensure that they are being effectively managed.</p> <p>We will review a sample of cases completed in 2014/15, although it should be noted that the Government proposes the creation of a single integrated fraud investigation service (SIFIS) which will combine resources across the Department for Work and Pensions, HM Revenue & Customs and local councils, including officers.</p>

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

Subject	Audit Findings	Management Response
<p>Street Scene – Car and Boat Parking Issued 03.04.2014</p>	<p>Good Improvements to systems continue to be made and the majority of last year's recommendations were implemented.</p> <p>One outstanding issue, for which responsibility to some degree lies with members, is the number of different types of parking permit which must be administered by the Council.</p> <p>When we previously reviewed parking permits in 2010/11, we recommended a review with the aim of rationalising the number of permits available. But there was little member appetite for change and only some minimal amendments were made.</p> <p>However in September 2013 the Street Scene Manager took a further report to members, again recommending rationalisation of the permits on offer and members approved a six month programme with Civil Enforcement Officers reviewing all permit use during this period.</p> <p>We have therefore repeated this issue as a reminder and some other minor administrative items have been reported.</p>	<p>Once the monitoring is complete the data will be analysed and used to review the number and types of permits which could be offered in the future.</p> <p>A report will be taken to Executive in the autumn containing the recommendations.</p> <p>Action plan agreed.</p>
<p>Main Accounting System and Budgetary Control Issued 28.04.2014</p>	<p>Good We are aware that work is under way to introduce a single shared Financial Information System for use by SHDC and WDBC by the end of the financial year.</p> <p>Once this software is in place and operating it will allow opportunity for a greater number of procedures to be aligned across the Corporate Finance teams for each authority.</p> <p>Other than using this opportunity to align procedures, there are no major issues to report relating to the main accounting system or budgetary control with the exception of the authorising of journals although a compensating control is in place.</p> <p>The Chief Accountant approves all journals over £25k, but there is insufficient resource for all journals to be authorised by a second officer due to the volume completed.</p>	<p>Alignment of procedures has commenced. Blue-printing for T18 is also contributing to this, with most areas needing to be aligned for the implementation of Phase 1a.</p> <p>The same issue was raised by the Council's external auditors and discussed at the April 2014 Audit Committee, to which the following response was given: "The Head of Finance considers that there is an adequate audit trail in place, that real controls were in place for year end and that the journals did not involve payments to third parties".</p>

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

Subject	Audit Findings	Management Response
<p>Creditor Payments Issued 28.04.2014</p>	<p>Good Our conclusion is that the creditors system is fulfilling the purpose for which it is intended. Invoices presented to the creditors section have been promptly processed and input for payment during 2013/14. The main issues reported are;</p> <ul style="list-style-type: none"> • That the level of expenditure incurred on purchase cards is increasing, although the amount of control and supporting evidence for transactions is limited. Transactions are not always supported by a valid invoice and VAT appropriately recovered; and • That work is under way to introduce a single shared Financial System for use by SHDC and WDBC by the end of the financial year, and this will further drive the aligning of process across the Corporate Finance teams for each authority. 	<p>A review is to be undertaken of the use of purchase cards. Users are to be reminded of the importance of obtaining purchase records and purchase card expenditure will be included on the purchase system in the future. This will provide more control of purchases and expenditure.</p> <p>We have now updated our computer system to align with West Devon and following implementation of T18 will complete our alignment of all processes.</p>
<p>Debtors Issued 28.04.2014</p>	<p>Good Controls are in place to limit the level of outstanding debt held by the Council in 2013/14. However, there are areas where further work can be undertaken to improve controls over the debtors system which include:</p> <ul style="list-style-type: none"> • Updating the process and procedures in regard to recovery which is to include a more shared approach with West Devon Borough Council; • Making the policy and recovery procedures available to customers on the internet; and • As part of the above review, a possible joint procurement of external Bailiff/Debt Collection services. 	<p>Agreed, there should be a shared policy with West Devon. The policy and related information will be included on the website and related documentation but will also be dependent on T18 changes.</p> <p>Agreed, this is something that needs to be considered in conjunction with West Devon. We will review the process in the next 6 months.</p>

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

Subject	Audit Findings	Management Response
<p>Computer Audit - Telecommunications Issued 29.04.2014</p>	<p>Good</p> <p>The most significant area reported is as follows:</p> <ul style="list-style-type: none"> It was acknowledged by the ICT Service Desk team that there is a need to review the record of mobile phones and to whom they are issued, with quite a number of inaccuracies in the current records, as well as whether some individuals are on the most appropriate call plan. 	<p>The ICT Support Manager has assigned this task to an officer, but there is currently no staff resource to implement it whilst T18 blue-printing work is being completed. It is intended to complete the review before the mobile phone contract is resigned for a further year (pending re-tendering once future requirements under T18 have been determined).</p> <p>It is felt to be of limited risk as the corporate leavers process should ensure that mobile phone are recovered from staff who no longer work for the Council. There is no charge to the Council for phones which are not in use, as the £2 monthly charge is offset by a £2 credit on unused phones.</p>
<p>Computer Audit – E Commerce Issued 24.04.2014</p>	<p>Good</p> <p>The number of services which can be accessed from the Council electronically has increased, either directly or else through a third party, including Land Charge searches, planning applications, payments for harbour fees and car parking fees.</p> <p>The Council also continues to use electronic methods itself to make payments, including to staff, creditors and benefit claimants. There is generally a sound structure in place for the control of electronic payments and the processing of related transactions, with one known exception:</p> <p>The Council is not compliant with Payment Card Industry Data Security Standards (PCI DSS) because it records telephone calls where customers read out their payment card data and then stores this data for a period of time.</p> <p>The ICT Infrastructure Manager advised that encryption provides an acceptable compensating control, but the Council is being fined by its card merchant for non-compliance.</p>	<p>This will be included in the specification when procuring a new telephony system to be introduced as part of Phase 1b of T18.</p>

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

Subject	Audit Findings	Management Response
<p>Computer Audit – Installation and Healthcheck Issued 07.05.2014</p>	<p>Good</p> <p>There are some areas where further improvements could be implemented which will add to the progress completed to date, the most significant of which are:</p> <p>A number of key policies and strategies need to be formally approved, or reviewed and updates issued to all staff, these include:</p> <p>A joint ICT Security Policy;</p> <ul style="list-style-type: none"> • Joint Acceptable Use Agreements; • User agreement for portable media; • Internal use of Social Media for ‘monitoring’; • Use of the internet for live television and radio; and • The shared ICT Business Continuity Plan. <p>That the transfer of electronic data is sufficiently controlled into and out of the Council by restricted use and review of data transmitted; and</p> <p>The ICT asset register on Supportworks should be updated to accurately reflect the equipment held across the two authorities, including for insurance purposes.</p>	<p>Agreed, we are involved in a joint working group with Devon wide authorities to produce a standard collection of ICT policies. These are expected later in the year and will include individual modules that will link to an overarching policy. Due to T18 and other changes it is not clear when these will be released.</p> <p>The Council intranet includes information regarding data protection and is supported by a new Records Management Policy. We are constantly reviewing users’ ability to access data on hardware issued by the Council. This will mean in the future controlling the use of data surrounding cameras and other remote devices. Revised policies will be provided to staff. Agreed, but due to resourcing issues the current list is not up to date. We are planning to update the register during the year especially as services change during T18.</p>
<p>Computer Audit – Security and Strategy Issued 07.05.2014</p>	<p>Good</p> <p>Issues reported within the ICT Healthcheck report above as some areas within these audits overlapped.</p>	<p>-</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 was published in September 2013, following an update to the Statement at the September 2013 Audit Committee agenda.

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

September 2013 Audit Committee

Beach and Water Safety 2008/09 - Mainly implemented.
 Partnership Management 2012/13 and 2007/08 - Implemented.
 Shared Services Recharges 2013/14 - Mainly implemented.
 Pollution Reduction 2008/09 - Implemented.
 Community Grants and Loans 2008/09 - Mainly implemented.
 Licensing 2009/10 - Implemented.

January 2014 Audit Committee

Payroll 2013/14 - Mainly implemented.
 Private Sector Housing Renewal 2013/14 – Mainly implemented
 Use of Email & Internet 2013/14 - Mainly implemented
 Countryside Recreation and Management 2008/09 - Implemented
 Outdoor Sports and Recreation 2008/09 - Implemented
 Emergency Planning and Business Continuity 2006/07 - Mainly implemented
 Food Safety 2006/07 - Mainly implemented
 Leisure Contract (Management) 2001/12 and 2013/14 Follow Up - Mainly implemented.
 Planning Policy/S.106 Agreements 2009/10 2010/11 Follow Up - Mainly implemented
 Freedom of information and Data Protection 2007/08 - Mainly implemented

April 2014 Audit Committee

Treasury Management 2013/14 – Implemented
 Council Tax 2013/14 – Mainly implemented
 Salcombe Harbour 2013/14 – Mainly implemented
 Business Rates (NDR) 2013/14 – Mainly implemented
 Data Quality and PIs 2013/14 – Mainly implemented
 Dartmouth Lower Ferry 2013/14 – Mainly implemented.

June 2014 Audit Committee

Subject	Comments
Computer Audit – Security and Strategy – 2010/11	See Installation and Healthcheck below.

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

June 2014 Audit Committee

Subject	Comments
Computer Audit: Installation and Healthcheck – 2012/13	Some implementation. 10/16 recommendations repeated mainly relating policies being worked on with Devon County and other Councils.
Computer Audit: E-Commerce– 2010/11	Some implementation. 1/3 recommendations re-reported relating to the PCI compliance.
Computer Audit: Telecommunications – 2010/11	Mainly implemented. 2/6 recommendations reported again relating to disaster recovery plan
Debtors – 2012/13	Some implementation. 8/9 recommendations repeated but relating to ongoing alignment of processes with West Devon and installation of new software.
Creditors – 2012/13	Some implementation. 4/5 recommendations repeated but relating to ongoing alignment of processes with West Devon and installation of new software.
Main Accounting and Budgetary Control - 2012/13	Mainly implemented. 2/6 recommendations reported again but relating to ongoing alignment of processes with West Devon.
Street Scene: Car and Boat Parking – 2012/13	Mainly implemented. 1/5 recommendations repeated relating to number/types of permits available
Housing Benefits – 2012/13	Some implementation. 19/30 recommendations repeated but mainly in the area of benefit fraud administration, the benefit fraud team are likely to become part of the DWP at any time from April 2014.
Risk Management – 2011/12	Mainly implemented. 5/12 recommendations reported again but relating to operational risk registers and publicising risk management.
Capital Expenditure – 2012/13	Mainly implemented. 2/13 recommendations repeated, both relating to post project reviews.
Capital Receipts – 2012/13	Implemented.

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

Subject	Comments
ICT Project Management	Followed up with annual computer audit.
Partnership Management	Implemented.
Procurement	Mainly implemented through the update of Contract procedure Rules. One outstanding recommendation awaits the new Intranet.
Inventories	Mainly implemented. Computer inventory followed up in 2013/14 computer audit.
Insurance	Cleared.
Pannier Markets	Cleared following agreement of revised implementation dates.
Schemes with Other Organisations	Cleared.
Community Parks and Open spaces	Cleared.
ICT Cost Effectiveness	Memo sent 30/10/2013. Reminder sent but to be followed up with annual computer audit.
Capital Receipts and Grants	Cleared with 2013/14 capital Expenditure.

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

Subject	Comments
Insurance	Memo sent 19/06/2013. Awaiting reply. Reminder sent and meeting to be arranged.
Building Maintenance	Recommendations implemented other than the known issues relating to the software which cannot be addressed in the short term. Cleared
Major Developments - Sherford	Updated and new report issued.
Building Control	Follow up with Teignbridge Internal Audit. New report issued with 3 revised implementation dates.
Corporate Management Costs	Cleared.
Travel and Subsistence (Follow Up)	All but 2 recommendations cleared; these to be followed up with the 2013/14 Payroll audit.
Corporate Management Costs	Cleared
Land Charges	Cleared
Complaints System	Cleared
Print Room	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 usage information 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; • Contribution to update of report writing guidance; • Various Housing processes; • Various Street Scene issues; • Audit Committee Scrutiny budget review; • Benefits payment run process; • Finance team service sharing and other issues; • T18 Transformation Programme – including Process mapping and Blueprinting (12.6 days to be shared with West Devon); • Leisure Contract – Lessons Learned document • Dartmouth Ferry – advice re new system and other issues; • Audit Commission: Protecting the Public Purse 2013; • Fraud bulletins and monitoring of National Fraud Initiative; • Various Assets issues; • Assistance re HMRC inspection and advice re related issues; • Liaison re new Intranet; • Local welfare support (with brief report, no opinion); • Numerous other minor control issues, advice on financial controls and procurement procedures given to service officers at all levels and contribution to various draft policies & strategies.