

SOUTH HAMS DISTRICT COUNCIL

NAME OF COMMITTEE	Audit Committee
DATE	18th September 2014
REPORT TITLE	INTERNAL AUDIT – REVISION OF AND PROGRESS AGAINST THE 2014/15 PLAN
Report of	Chief Internal Auditor
WARDS AFFECTED	All/Corporate

Summary of report:

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

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

Financial implications:

None, within existing budgets.

RECOMMENDATIONS:

That the Audit Committee considers the revision of the 2014/15 Internal Audit Plan and the progress made against it, and comment on the summary of issues arising.

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1. BACKGROUND

- 1.1 The Charter for Internal Audit was presented to the Audit Committee in April 2014 (Minute reference A.32/13) 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 2014/15 and was approved by the Audit Committee in April 2014 (Minute reference A.32/13 refers). It covers:

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

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

Audit Plan 2014/15

- 2.1 The 2014/15 audit plan (Appendix A) was presented and accepted by the Audit Committee at their meeting of April 2014 (A.33/13 refers).

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

- 2.2 The audit plan is continuously reviewed and updated to reflect emerging risks, and these are incorporated either through the contingency days or by changes to the plan, depending on the significance.
- 2.3 The blueprinting model connected with the T18 Transformation programme reduced the resources available for internal audit to 2.6 whole time equivalents (from 2.9), which must also include the principles of T18 such as self service, agile working etc. However, it is also essential that the requirements of the Public Sector Internal Audit Standards (PSIAS) are retained going forward, the most important being the independence of the internal audit management and team.
- 2.4 Five options that maintained the independence were considered by the S.151 Officer with the support of the Senior Management Team (SMT).
- Full in-house provision, without an Audit Management System;
 - Full in-house provision, with an Audit Management System;
 - Outsourced management/in-house service provision, with an Audit Management System;
 - Full Internal Audit Partnership; and
 - Outsourcing to the private sector.

- 2.5 It was decided that two whole time equivalent auditors be retained in-house and the management supplied by one of the local authority audit partnerships. Use of internal audit management software, which in the past has been too expensive for a small team, is also to be acquired to improve efficiency. This has left the Chief Internal Auditor's post redundant, although the existing auditors were successful in their applications' which assists continuity.
- 2.6 The blueprinting process also identified that an enhanced role was required at the Senior Auditor level to reflect the fact that this post would incorporate some of the work previously carried out by the Chief Internal Auditor e.g. day to day liaison with audit management and senior managers and Members.
- 2.7 The new T18 arrangements will be more efficient as there will be an opportunity to use Audit Management software which will reduce the amount of time taken to carry out individual audit assignments. Audit management software will also enable the Council to self serve for audit controls self assessment and the follow up of recommendations in audit reports.
- 2.8 The Council will take a new strategic approach to risk, whilst at the same time ensuring that risks are mitigated through the appropriate controls and self assessment.
- 2.9 The net effect on the audit plan of the new arrangements from 1st October 2014 and the provision of external audit management is to reduce it for 2014/15 from 630 days to 567 days (Appendix A).
- 2.10 The most significant proposed amendments to the Plan brought about by the new arrangements following the T18 Blueprinting and Time Analysis are :

Audit	Plan Days 2014/15	Plan Days Update	Reason for Change
Cemeteries and Burials	4	0	Low £ value, low audit risk.
Public Health incl. Water Sampling	6	0	Low audit risk, mainly salaries except water sampling (covered in previous years).
Grounds Maintenance	8	0	Mainly salaries and purchases. Assurance from payroll, creditors and budgetary control audits.
Housing Strategy	6	0	Audited at WDBC in 2013/14, some coverage in Capital Expenditure and Public Sector Housing Renewal audits.
Development Control - Enforcement	6	0	Low audit risk, mainly salaries.

Amendments to the Plan (continued):

Audit	Plan Days 2014/15	Plan Days Update	Reason for Change
Electoral Registration	6	0	Low audit risk, mainly salaries plus regulatory framework provides assurance.
Allocation of HQ Costs	4	0	Low audit risk, internal recharges only.
Drawing Office	6	0	Low audit risk. Mainly salaries and internal recharges. Some assurance from creditors audit for purchases.
Asset Management	7	0	Strategic Asset Review taking place; linking coverage in Capital Expenditure

2.11 The full updated plan appears at Appendix A

Resources and Skills

2.12 Sickness to the 31st July 2014 is 1 day (2013/14 equivalent 0 days).

2.13 In 2014/15 to date, 7 days training has been provided to the audit team.

Progress against the Plan

2.14 The 2014/15 Internal Audit Plan is attached at **Appendix A**. This has been extended to show the final position for each audit, and replicates a part of the monitoring report presented to the S.151 Officer on a monthly basis.

2.15 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.

2.16 **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.

2.17 **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

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

Fraud, Corruption, Bribery and Whistle Blowing

2.19 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

2.20 Internal Audit’s performance indicators are mainly collected annually and will be reported to the Audit Committee in full in the year-end report. The full list of those recorded is set out in the Audit Strategy 2014/15.

2.21 At this stage in the year, the key indicator ‘Completion of 2014/15 Audit Plan’ is as follows:

Indicator	Target %	Actual %	Comments
Audits completed from 2013/14 combined audit plan.	95	100	As reported to the Audit Committee June 2014.

Continued overleaf

Audits at the 31st July 2014 at various stages of completion from 2014/15 revised audit plan and their 2013/14 equivalents.			
SHDC	-	36%	(35% at July 2013).
WDBC	-	36%	(27% at July 2013).
Combined plan	95	36%	(33% at July 2013) – full plan

Internal Audit – Shared Services

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

Shared service with West Devon

- Progress on the 2014/15 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 JUNE and JULY 2014 AUDIT COMMITTEES

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

June 2014 Committee

- 3.2 Agenda Item 8: Future of Local Audit: The Chief Internal Auditor had advised members of the imminent issue by Government of guidelines on the requirements on Local Authorities, but this was not available at the time of the June Committee.

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

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

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

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

In summary the proposals are:

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

The Committee will be kept informed of future developments.

July 2014 Committee

- 3.3 Minute A13/14: The Audit Committee is to be advised of any updates required to the 2013/14 Annual Governance Statement (AGS) at the September 2014 meeting, following the Committee's approval of the draft AGS as part of the process of approval for the Statement of Accounts.

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 2014/15.
Appendices attached:	Appendix A: Audit Plan 2014/15 – Progress to 31st July 2014 Appendix B: Planned Audit 2014/15 – Final Reports: Detailed Items Appendix C: Planned Audit 2014/15 – Summary of Results Appendix D: Unplanned Audit 2014/15 – Summary of Results

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 2014/15 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	■								9% completed. Budget setting only.
Creditor Payments	11	■								9% completed.
Payroll	10	■								5% completed.
Council Tax	14	■								10% completed.
Business Rates (NDR)	12	■								8% completed.
Benefits	15									
Benefits Debtors	5									
Debtors	10									
Treasury Management	4									
Capital Expenditure & Receipts	11	■								48% completed.
Fundamental Systems	105									
Salcombe Harbour	10	■								60% completed.
Dartmouth Lower Ferry	9	■								77% completed.
Street Scene - Car and Boat Parking	9									
Private Sector Housing Renewal	8	■	■							Draft report issued 04.08.2014
Data Quality & Performance Indicators	5	■								Strategy only.
Use of Email & Internet	10	■	■	■	■		■			Summary to Audit Committee - September 2014
Computer Audit	26	-	-	-	-	-	-	-	-	
Grants - RDPE Rural Community LAGs	7	9 days used	-	-	-	-	-	-	-	13 Transition Management & Admin invoices.

Progress Against the 2014/15 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	20	2.5 days used	-	-	-	-	-	-	-	Minute reference E.28/12 refers. 4 project and 4 management claims audited.
Follow Up of Previous Year's Audits	10	0.7 days used								
Contingency (Unplanned)	54	20.1 days used								From 55 days. Includes new creditors system work and SH election duties.
Corporate Governance	8									
Exemptions to Contract or Financial Procedure Rules	5	1.6 days used								7 Exemption applications received and processed to July 2014, of which 7 accepted.
System of Internal Control (SIC) & Annual Governance Statement (AGS)	5	■	■	■	■	-	-	-	-	From 6 days. Reports to the July and October 2014 Audit Committees for approval of the Annual Governance Statement.
Risk Management / Business Continuity	3									
West Devon Borough Council	112	-	-	-	-	-	-	-	-	From 115 days, separately reported to WDBC, plan reduced by two audit engagements.
Other Essential (Revised)	301									
Cemeteries and Burials	0	-	-	-	-	-	-	-	-	Removed from plan – previously 4 days
Coast Protection	5	■	■	■	■			■		From 8 days. Summary to Audit Committee - September 2014.
Flood Defence and Land Drainage	6	■	■	■	■		■			Summary to Audit Committee - September 2014
Environmental Initiatives including AONB	6	■	■				■			Summary to Audit Committee - September 2014
Land and Investment Properties	7	■	■				■			Summary to Audit Committee - September 2014
Democratic Representation including Members	6	■	■							Draft report issued 08.07.2014
Electoral Registration	0	-	-	-	-	-	-	-	-	Removed from plan – previously 6 days
Community Safety	4	■	■	■	■	■				From 6 days. Summary to Audit Committee - September 2014.
Housing Standards	3	■	■							From 6 days. Draft report issued 15.07.2014
Housing Strategy	0	-	-	-	-	-	-	-	-	Removed from plan – previously 6 days

Progress Against the 2014/15 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	
Public Health including Water Sampling	0	-	-	-	-	-	-	-	-	Removed from plan – previously 6 days
Pest Control	1	■	■	■	■	■				Summary to Audit Committee - September 2014
Grounds Maintenance	0	-	-	-	-	-	-	-	-	Removed from plan – previously 8 days
Beach Cleaning	6	■	■							Draft report issued 01.08.2014
Allocation of HQ costs	0	-	-	-	-	-	-	-	-	Removed from plan – previously 4 days
Non distributed costs including Redundancies	5									
Design Office	0	-	-	-	-	-	-	-	-	Removed from plan – previously 6 days
Local Welfare Support	2									
Development Control Enforcement	0	-	-	-	-	-	-	-	-	Removed from plan – previously 6 days
Economic Development	5	■								24% completed.
Advice to RM/ Information Compliance/Other Groups	3	0 days used	-	-	-	-	-	-	-	
Asset Management	0	-	-	-	-	-	-	-	-	Removed from plan – previously 7 days
Shared Services	5	■	■							Draft report issued 21.07.2014
Sustainability	4	■	■	■	■		■			Summary to Audit Committee - September 2014
T18 Transformation Programme	5	1.4 days used								
Counter Fraud Work	10	■								75% completed.
Other (Revised)	83									

Progress Against the 2014/15 Internal Audit Plan

APPENDIX A

Included above:										
Installation & Healthcheck	7									
Computer & Network Management and Security	9									
Change Control	7									
Other Reviews including Internet Controls	3									
Computer Audit	26									

Overheads										
Audit Administration	15	8.2 days used	-	-	-	-	-	-	-	Includes team briefings, staff voice etc.
Audit Management, including Audit Planning	10	6 days used	-	-	-	-	-	-	-	
Partnership Audit Management	27									
Audit Monitoring against the Plan, including Reports to Management and Audit Committee.	9	5.8 days used	-	-	-	-	-	-	-	
Training	12	6.7 days used	-	-	-	-	-	-	-	
Miscellaneous e.g. CPR, FPR etc.	5	1.1 days used	-	-	-	-	-	-	-	Update of CPR
Total (Revised)	78	27.8 days used								

Overall Total (Revised)	567									From 630 days
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Progress Against the 2014/15 Internal Audit Plan

APPENDIX A

RESOURCES AVAILABLE (Revised)		2014/15
		Days
Chief Internal Auditor	<i>From 234 days in the original plan</i>	117
Senior Auditor		261
Auditor		261
Partnership Audit Management	<i>New</i>	35
Sickness	<i>From -18 days in the original plan</i>	-15
Bank Holidays	<i>From -24 days in the original plan</i>	-21
Annual Leave	<i>From -84 days in the original plan</i>	-71
TOTAL RESOURCES AVAILABLE	<i>From 630 days in the original plan</i>	567

Planned Audit 2014/15 – 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 2014/15 – Final Reports Issued

September 2014 Audit Committee

Subject	Audit Findings	Management Response
<p>Coast Protection Issued 16.06.2014</p>	<p>Fair The Council has been generally meeting the duties required of it under the Coast Protection Act 1949.</p> <p>However there are some other items we wish to report, generally in the area of policy and strategy, the most important of which is that the Council does not have an operational policy relating to coast protection, to support the discretionary duties it chooses to undertake.</p> <p>It is expected that the current coastal assets survey will feed any potential future policy, as will the Task & Finish member group recently set up to consider the Council's future level of involvement in coastal issues.</p> <p>There are no planned coast protection schemes within the 2014-15 Capital Programme. Repairs to the estuary walls at Bayards Cove, which were damaged in the winter of 2013/14 storms are programmed for 2015/16.</p> <p>There remains a key outstanding issue from the previous report relating to the management of Dartmouth Embankment.</p> <p>The previous agreement between the Council and the Dart Harbour Navigation Authority, regarding the management of the Dartmouth Embankment, was terminated in 2003.</p> <p>As yet no new agreement has been reached between the two bodies, although negotiations have continued.</p> <p>The Head of Assets hopes that these negotiations will be concluded within the next year.</p>	<p>Agreed to ensure that the Council has a policy in place relating to the management of coastal defences and other coastal assets.</p> <p>The options are to be discussed with the Council's Legal service.</p> <p>The 2013/14 Annual Governance Statement stated 'Dialogue continues with the Dart Harbour Authority with a view to reaching agreement for some annual contribution to a sinking fund for maintaining the Embankment, and clarifying the management responsibilities for individual areas on the Embankment.</p> <p>However, external legal advice is now being sought to interpret the Dart Harbour Navigation Act 1975 Section 54 and bring this matter to a final conclusion'.</p>

Planned Audit 2014/15 – Final Reports Issued (continued)

Subject	Audit Findings	Management Response
<p>Flood Defence and Land Drainage Issued 17.06.2014</p>	<p>Good</p> <p>The Council is meeting those duties required of it under the Flood and Water Management Act 2010 and other associated legislation.</p> <p>But there are some issues we wish to raise relating to policy:</p> <ul style="list-style-type: none"> • The Council does not have a Flood Management / Land Drainage policy, although it is intended to introduce one. However publication of the Local Flood Risk Management Strategy by the LLFA (DCC) is awaited in order that any local policy can be aligned; and • The Council has historically maintained a small number of watercourses for which it is not responsible and bearing the cost for doing so. 	<p>DCC have recently published a strategy allowing this Council's policy to be progressed and linked with their countywide Local Flood Risk Management Strategy.</p> <p>We will consider ceasing to maintain those watercourses for which the Council is not responsible, either returning responsibility to the owner, or providing the service for a charge.</p>
<p>Use of Internet and Email Issued 20.06.2014 Joint report with West Devon Borough Council (WDBC)</p>	<p>Good</p> <p>We are pleased to be able to report that the majority of internet access is conducted within the guidelines adopted by the Council.</p> <p>The Councils' have provided ICT Policies and Acceptable Use Agreements for users accessing computer systems, including the internet and email, but there are small anomalies between the two authorities' documents that may impact on control and enforcement of these policies.</p> <p>Audit examination of the use of emails confirmed that the email content was not deemed to be inappropriate and no further action was required.</p>	<p>Updated policies regarding email and internet use will be issued to staff later in the year.</p> <p>Managers have also been reminded that where music and radio are accessed from Council computers the site they are located should be appropriately licensed.</p>
<p>Pest Control Issued 02.07.2014</p>	<p>Excellent</p> <p>The Council is meeting its duties with respect to Pest Control, ensuring that the district is free of pests, by arranging for a pest control service to be provided externally.</p>	<p>The letting of the contract for the provision of the pest control service was carried out in accordance with Contract Procedure Rules. One minor issue was reported.</p>

Planned Audit 2014/15 – Final Reports Issued (continued)

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

Planned Audit 2014/15 – Final Reports Issued (continued)

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

Planned Audit 2014/15 – Final Reports Issued (continued)

Subject	Audit Findings	Management Response
<p>Community Safety Issued 02.07.2014 <i>Joint audit with West Devon.</i></p>	<p>Excellent</p> <p>The Council appears to be meeting its statutory duties with regards the Crime and Disorder Act 1998. It is a member of the South Devon and Dartmoor Community Safety Partnership (CSP), whose stated purpose is to provide proactive leadership in the drive to improve community safety across the districts of South Hams District West Devon Borough, and Teignbridge District Councils.</p> <p>Governance arrangements are in place and operating for the management of the Partnership.</p>	<p>Action plan agreed for the three minor recommendations made.</p>
<p>Environmental Initiatives including South Devon Area of Outstanding Natural Beauty (AONB) Issued 21.07.2014</p>	<p>Good</p> <p><i>Environmental Initiatives</i></p> <p>Besides the South Devon AONB, the Council makes a financial contribution to several environmental initiatives, e.g. Tamar Valley AONB (TV AONB) and Tamar Estuary Consultative Forum (TECF) and sits on the relevant Steering Group. In some cases the Council manages an element of a project on behalf of the partnership, e.g. Wembury Marine Centre building management.</p> <p>A signed Management Agreement and an aged unsigned Addendum were available to us for the Wembury Marine Centre (WMC), but we were unable to agree the contributions made by the Council to the budgets in these documents.</p> <p>For both the TECF & TV AONB we understand that signed current partnership agreements are in place detailing agreed funding and responsibilities but these were not available to us at the time of the audit.</p> <p>AONB</p> <p><i>Continued overleaf.</i></p>	<p>The Council's contribution to the WMC needs to be reviewed as it receives a disproportionate amount of funding compared to some other partnerships.</p> <p>Officers will ensure that signed copies of Agreements are held for all Environmental Initiative partnerships which the Council enters into and that these are stored with the Councils' Legal Service.</p>

Planned Audit 2014/15 – Final Reports Issued (continued)

Subject	Audit Findings	Management Response
<p>Environmental Initiatives including South Devon Area of Outstanding Natural Beauty (AONB) Issued 21.07.2014 <i>Continued.</i></p>	<p>Good AONB</p> <p>The AONB partnership is well managed by the AONB Manager and his staff, with best practice being demonstrated in terms of governance arrangements for partnerships.</p> <p>The AONB receives income towards core costs from three organisations, Defra, SHDC and DCC, between whom there is a Memorandum of Agreement (MoA) in place.</p> <p>However, we are aware that the AONB is exposed to potential future financial risk when the current core funders MoA comes to an end on 31st March 2015.</p> <p>We understand that Defra, who provide 75% of core funding, are looking to further reduce their contribution. But also of significance is that they will no longer be prepared to indemnify the AONB against any future redundancy costs. The AONB would therefore have to bear such costs should they arise.</p> <p>Project funding is received from a wider range of sources. For projects delivered by a partnership which we reviewed there was a formal agreement in place. However we have been advised by the Natural Environment & Recreation Manager that there is no Agreement in place for the SD AONB Estuaries Partnership. This body includes a range of partners beyond the core AONB Partnership.</p> <p>Arrangements are generally in place to draw down income in the form of funding on a timely basis.</p> <p>Controls are in place to manage funding from other sources such as events and sales of leaflets.</p> <p>Controls are generally in place and operating over expenditure, including the salary and on costs for members of the AONB staff unit.</p>	<p>This will be discussed with Finance. It is noted that a redundancy provision has already been made. It would be hoped that if required, DCC would contribute to any redundancy costs as they are a major funder, but this has not been confirmed.</p> <p>It is agreed that an Agreement should be in place to ensure the security of funding contributions, but officers are aware that one key funder has withdrawn from other similar partnerships rather than make a commitment through a Memorandum of Agreement.</p>

Planned Audit 2014/15 – Final Reports Issued (continued)

Subject	Audit Findings	Management Response
<p>Land and Investment Properties Issued 21.07.2014</p>	<p>Good</p> <p>The Council's list of land and investment properties that it receives an annual rent for is small compared to the other assets (Estates etc.) it is responsible for.</p> <p>The properties and assets are usually unique in nature.</p> <p>Examination of a sample of recent rents received, and tenant agreements, highlighted that for a number of properties the rent has not been formerly reviewed in line with the agreement.</p> <p>We reviewed the previous audit report, and have again reported the following recommendations;</p> <ul style="list-style-type: none"> • That a review is undertaken of the process of raising debtors for land and investment properties as this is currently completed by Corporate Finance following instruction from Legal and Estates, rather than by the service direct as is the case in other areas.; • That a combined report is available for all Council assets to agree the annual charge and rates levied is in agreement to that declared in the Council's accounts; and • That insurance records are adequately checked by a Council officer for those assets that are insured by the tenant or relevant third party. 	<p>We have presented a number of options to members and so are evaluating the best preferences for the future.</p> <p>Agreed this is a process that needs to be considered during the T18 review.</p> <p>The current systems do not provide sufficient information and reliance is placed on processes completed by Corporate Finance. This needs to be considered as part of the T18 review.</p> <p>This process will need to be discussed and the other relevant service managers responsible for these assets to best determine the control and review of insurance arrangements.</p>

Planned Audit 2014/15 – 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)	<p>A report setting out the work done to enable the 2013/14 AGS to be completed in line with the CIPFA/SOLACE guidance was presented to the July 2014 Audit Committee.</p> <p>The Committee approved the AGS on behalf of the Council as part of the process of approval of the Statement of Accounts and recommended that the Constitution be amended for the Audit Committee to have specific delegated powers to approve the AGS.</p> <p>The AGS is required to be updated to the date of publishing in September 2014 and a further report is made to the September 2014 Audit Committee.</p>

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

September 2014 Audit Committee

Subject	Comments
Area of Outstanding Natural Beauty (AONB) – 2008/09	Implemented, although for one issue similar circumstances were noted.
Employment Estates and Investment Properties – 2007/08	Mainly implemented. 3/17 recommendations repeated, the most significant of which concerns raising of debtor invoices.
Community Safety – 2006/07	Implemented.
Pest Control – 2008/09	Implemented.
Sustainability – 2009/10	Mainly implemented. 11/61 recommendations repeated or superseded by events.
Coast Protection – 2008/09	Mainly implemented. 5/12 recommendations repeated, the most significant of which concerns the policy relating to inspection of defences and the management of Dartmouth Embankment.
Flood Defence and Land Drainage – 2007/08	Some implementation. 2/4 recommendations repeated, the most significant of which concerns the watercourse maintenance.
Internet and Email Use – 2013/14	Mainly implemented. 2/10 recommendations repeated, the most significant of which concerns a revised policy on internet and email usage.

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

Subject	Comments
Emergency Planning	Aligned process so followed up with 2014/15 audit at West Devon.

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

Subject	Comments
Planning Policy including S.106 Agreements	Memo sent, no reply to date. Meeting to be arranged.
Private Sector Housing Renewal	Confirmed implemented, and taken to annual audit July 2014.
Data Protection and Freedom of Information	Memo sent, no reply to date. Meeting to be arranged.
Beach and Water Safety	Confirmed implemented. No further action.
Partnership Management	Confirmed implemented. No further action.
Food Safety	Memo sent, no reply to date. Meeting to be arranged.
Community Grants and Loans	Confirmed implemented. No further action.
Use of Agency Staff	Memo sent, one reply to date. Meeting to be arranged with other officers.
Pollution Reduction	Memo sent, no reply to date. Meeting to be arranged.

Unplanned Audit – 2014/15

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; • Advice and review of updated finance software including ordering system and creditor payments; • Housing Benefits risk based verification etc; • Document retention enquiries; • Additional individual internet and e-mail monitoring as requested my managers; • Salcombe Harbour – advice and assistance re new software; • Dartmouth Ferry – advice and assistance re new software; • Audit Commission fraud survey and other additional counter fraud publicity work; • T18 Transformation – various; • Advice re RDPE LAGs Accountable Body; • 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.