



North Devon District Council

Internal Audit Progress Report 2018/19

January 2019

Distribution List:

Mike Mansell	-	Chief Executive
Jon Triggs	-	Head of Resources
Audit Committee		

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Please refer to the Statement of Responsibility in Appendix III of this Report for further information about responsibilities, limitations and confidentiality.

1. INTRODUCTION

- 1.1 The purpose of internal audit is to provide Members and the Chief Executive, through the Audit Committee, with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving North Devon District Council's agreed objectives. In order to provide this opinion, we are required to review annually the risk management and governance processes within North Devon District Council and on a cyclical basis, the operation of internal control systems within the organisation.
- 1.2 This report sets out the internal audit activity since the last Audit Committee meeting in September 2018 for North Devon District Council.

2. COMPLETION OF THE INTERNAL AUDIT PLAN

- 2.1 Appendix I details the 2018/19 Audit Plan and shows the status of work to date and the number of days delivered.

The following tables summarise progress against the plan:

Number of audits in plan	17	
Number of audits finalised	4	24%
Number of audits issued at draft	2	12%
Number of audits in progress (fieldwork complete)	5	29%
Number of audits with agreed planned dates	5	29%
Number of audits to be planned	1	6%

- 2.2 We can report that 65% (based on the number of days in the plan excluding contingency) of the 2018/19 Operational Internal Audit Plan has been completed.
- 2.3 We have issued the following final reports since the last Committee meeting.

Cash Collection
Housing Benefits

- 2.4 Appendix II details the 2018/19 Audit recommendations for individual reports with a full or substantial overall opinion finalised since the last Audit Committee meeting. Recommendations with a priority rating of 2 are detailed in full, whilst those with a rating of 3 are not shown in detail. In addition, an overall audit opinion is given for each report.

Management responses are only included where there is a substantial comment. Where management has accepted the recommendation this has not been included.

Significant Control Weaknesses 2018/19

- 2.5 Based on the work we have undertaken, there are no priority one recommendations to bring to the attention of the Audit Committee.

Performance of the Internal Audit Service

- 2.6 The following table details the Internal Audit service performance for the 2018/19 year measured against the key performance indicators set out in the Internal Audit Quality Plan.

No.	Performance indicator	Target	Actual
1.	A close out meeting to be held for each audit	100%	100%
2.	Average period between the close out meeting and issue of the draft report	10 days	4.4 days
3.	Average period between the receipt of final management responses and issue of the final report	10 days	1 day
4.	Average customer satisfaction score (measured by survey for each audit) – (Target is 80% or 4 or above) 5=Very good; 4=Good; 3=Satisfactory; 2=Poor; 1= Very poor	4	4.34

3. Action Required

- 3.1 The Audit Committee is asked to note our progress report.

Appendix I – Progress against the Internal Audit Plan 2018/19

	Audit Title	Proposed Quarter	Planned Days	Anticipated Risk Level	Assurance	Priority One	Priority Two	Priority Three	Status
1.	Risk Management and Corporate Governance	Q4	10	Medium					Fieldwork completed
2.	Main Accounting System and Budgetary Control	Q3	12	High					Fieldwork completed
3.	Creditors	Q3	10	Medium	Substantial	0	1	2	Final Report 16 th August 2018
4.	Payroll	Q1	10	Medium	Substantial	0	0	1	Final Report 16 th August 2018
5.	Cash Collection	Q2	8	Medium	Substantial	0	0	1	Final Report 13 th December 2018
6.	Council Tax and NNDR (including NNDR maximisation)	Q3	15	Medium					Draft Report 13 th December 2018
7.	Housing Benefits	Q1	10	Medium	Substantial	0	0	1	Final Report 12 th December 2018
8.	Efficiency savings	Q2	10	Medium					Fieldwork completed
9.	Waste Management (Refuse and Recycling)	Q3	10	Medium					Programmed in for week commencing 25 th February 2019
10.	Regeneration Projects	Q1	10	Medium					Fieldwork in progress
11.	Business Continuity	Q2	10	High					Programmed in for week commencing 18 th March 2019
12.	Civil Contingencies Plan	Q1	10	High					Programmed in for week commencing 18 th March 2019
13.	IT Audits: - GDPR - Email Exchange	Q4	11 11	High					Draft Report 27 th November 2018 Draft Report 21 st November 2018

	Audit Title	Proposed Quarter	Planned Days	Anticipated Risk Level	Assurance	Priority One	Priority Two	Priority Three	Status
14.	Fraud, Bribery & Ethics National Fraud Initiative	Q2	8	Low					Programmed in for week commencing 7 th January 2019
15.	VAT	Q1	10	Low					Fieldwork in progress
16.	Crematorium	Q4	3	Low					
17.	Follow Up	Q4	10	N/A					Programmed in for week commencing 17 th December 2018
18.	Contingency		20	N/A					
19.	Audit Management		22	N/A					
	Total		220			0	1	5	

Appendix II – Internal Audit Recommendations 2018/19

Cash Collection	Substantial Assurance	
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Scope

The audit covered the following areas:

- Collection & Recording of payments;
- Banking;
- Reconciliations;
- Suspense accounts; and
- Security.

One priority 3 recommendation was raised

Priority 3

The Debt Recovery policy should be reviewed as practicably soon as possible.

The Council should also consider implementing a version control within the Electronic payments policy, to aid in development of policy review timescales



Scope

The audit covered the following areas:

- Policies and procedures, including adherence to legislation, financial regulations and local policy;
- Post opening procedures;
- Segregation of duties, to include conflicts of interest;
- Compliance with the current scheme of operation;
- Timeliness and accuracy of assessments, amendments, back dated claims, payments and cancellations;
- Management of overpayments and recovery arrangements;
- Reliability of records (paper and electronic) and protection against loss and unauthorised access;
- Accuracy and timeliness of performance monitoring;
- Reconciliations; and
- Complaints.

One priority 3 recommendation was raised

- Priority 3** The process for the authorisation of write-offs should be reviewed to ensure that all debt write-offs are reviewed by an appropriate officer before being processed.

Appendix III - Statement of Responsibility

We take responsibility to North Devon District Council for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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