



# North Devon District Council

## Internal Audit Progress Report 2018/19

March 2019

### Distribution List:

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

This report ("Report") was prepared by Mazars LLP at the request of North Devon District Council and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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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 January 2019 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	6	36%
Number of audits issued at draft	2	12%
Number of audits in progress	5	29%
Number of audits with agreed planned dates	3	17%
Number of audits to be planned	1	6%

- 2.2 We can report that 77% (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.

Council Tax and NNDR
Email and Exchange Server
GDPR

- 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. If we have issued a report with a limited overall opinion, the report is attached in full rather than summarised in Appendix II. As our Email and Exchange Server report has a limited overall audit opinion it has been attached in full.

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	3.83

### 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					Draft Report 12 <sup>th</sup> February 2019
2.	Main Accounting System and Budgetary Control	Q3	12	High					Draft Report February 2019
3.	Creditors	Q3	10	Medium	<b>Substantial</b>	<b>0</b>	<b>1</b>	<b>2</b>	Final Report 16 <sup>th</sup> August 2018
4.	Payroll	Q1	10	Medium	<b>Substantial</b>	<b>0</b>	<b>0</b>	<b>1</b>	Final Report 16 <sup>th</sup> August 2018
5.	Cash Collection	Q2	8	Medium	<b>Substantial</b>	<b>0</b>	<b>0</b>	<b>1</b>	Final Report 13 <sup>th</sup> December 2018
6.	Council Tax and NNDR (including NNDR maximisation)	Q3	15	Medium	<b>Substantial</b>	<b>0</b>	<b>0</b>	<b>1</b>	Final Report 8 <sup>th</sup> January 2019
7.	Housing Benefits	Q1	10	Medium	<b>Substantial</b>	<b>0</b>	<b>0</b>	<b>1</b>	Final Report 12 <sup>th</sup> 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 <sup>th</sup> February 2019
10.	Regeneration Projects	Q1	10	Medium					Fieldwork in progress
11.	Business Continuity	Q2	10	High					Programmed in for week commencing 18 <sup>th</sup> March 2019
12.	Civil Contingencies Plan	Q1	10	High					Programmed in for week commencing 18 <sup>th</sup> March 2019
13.	IT Audits:	Q4		High					
	- GDPR		11		<b>Substantial</b>	<b>0</b>	<b>1</b>	<b>5</b>	Final Report 19 <sup>th</sup> February 2019
	- Email Exchange		11		<b>Limited</b>	<b>0</b>	<b>3</b>	<b>1</b>	Final Report 24 <sup>th</sup> January 2019

	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					Fieldwork in progress
15.	VAT	Q1	10	Low					Fieldwork completed
16.	Crematorium	Q4	3	Low					
17.	Follow Up	Q4	10	N/A					Fieldwork completed
18.	Contingency		20	N/A					
19.	Audit Management		22	N/A					
	<b>Total</b>		<b>220</b>			<b>0</b>	<b>5</b>	<b>12</b>	

## Appendix II – Internal Audit Recommendations 2018/19

### Council Tax and NNDR

**Substantial  
Assurance**



#### Scope

The audit covered the following areas:

- Policies and procedures;
- Convenient Methods of Payment;
- Reconciliation between the Debit and Valuation List;
- Discount and Reduction Applications;
- Billing and Receipts;
- Clearance from Suspense Accounts;
- Income Maximisation and Recovery Action;
- Writing Off Irrecoverable Income;
- Monitoring Collection Rates;
- Refunds and Void Allowances; and
- IT systems security and access.

#### One priority 3 recommendation was raised

**Priority 3** The Revenues team should prioritise their review of 'single person discount' through their National Fraud Initiative (NFI) facility, to ensure that the annual review for Council Tax discounts is completed.

**Scope**

The audit covered the following areas:

- Awareness;
- Information you hold;
- Communicating privacy information;
- Individual's rights;
- Subject access requests;
- Lawful basis for processing personal data
- Consent;
- Children;
- Data Breaches;
- Data Protection by Design and Data Protection Impact Assessments ;
- Data Protection officers; and
- International.

**One priority 2 and five priority 3 recommendations were raised**

## Priority 2

Recommendation	Rationale	Management Response
<p>The Council should look to develop a formal action plan to ensure a continued commitment to embedding the GDPR within the Councils BAU process. The plan should include an overview of:</p> <ul style="list-style-type: none"> <li>• what has been completed;</li> <li>• what needs to be completed;</li> <li>• projected implementation timescales; and</li> <li>• responsible officer for action, as an example.</li> </ul>	<p>A detailed action plan will articulate commitment to, and evidence of, the required progress from the council against the new GDPR regulations.</p> <p>Whilst we noted that a “preparing for GDPR document” was produced initially back in 2017, no formal action plan exists to manage and monitor the progress of the GDPR project on an ongoing basis and to assist with embedding the principles within the Council’s BAU process.</p> <p>Without a formal action plan to manage and monitor progress the Council may fail to achieve compliance with the GDPR principles.</p>	<p>Agreed - A live action plan will be developed with planned GDPR actions, plus those actions that arise from the Information Management Asset Group (IMAG) of which the DPO, SIRO and ICT Security Officer attend and the Information Group of which all DP Leads attend. This plan and progress against it will also be reported to our Senior Management Team as part of IMAG’s quarterly reporting.</p>

## Priority 3

Management in cooperation with the HR department should consider implementing a schedule of refresher training to ensure staff remain fully aware of their GDPR responsibilities. This can be in the form of one to ones with the DP leads or as previously carried out, refresher workshops. The Council should also explore the possible introduction of an e-learning package which would enable them to incorporate all mandatory training into one easy to use application and allow them to manage and monitor staff compliance

Information asset owners and data protection leads should be reminded of the importance of maintaining and updating the Information Asset Registers (IAR’s) on the Pentana system. They should be asked to carry out a brief review to ensure they are completed consistently and the correct information is entered to the correct screens. Management should also ensure that the assigned information asset owners details are entered correctly to ensure accountability arrangements are clear. Consideration should be given to formally documenting the process for completing the IAR’s on the system along with the process for ensuring updates.

The Council should continue to undertake a data cleansing exercise of both paper and electronic records to provide assurance that personal information is not being retained for longer than there is a business need and records are disposed of in a safe and secure manner.

A documented internal process for staff to follow when a subject access request is received should be developed and disseminated to the relevant individuals to ensure that in the event a subject access request is received, the Council can respond effectively and as efficiently as possible within the new reduced timescales.



## 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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