



# North Devon District Council

## Internal Audit Progress Report 2018/19

June 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.

This Report was prepared solely for the use of North Devon District Council and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance based on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

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 March 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	7	41%
Number of audits issued at draft	3	18%
Number of audits in progress	7	41%
Number of audits with agreed planned dates	0	
Number of audits to be planned	0	

- 2.2 We can report that 88% (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.

Main Accounting System and Budgetary Control
--

- 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
2.	Main Accounting System and Budgetary Control	Q3	12	High	<b>Substantial</b>	<b>0</b>	<b>0</b>	<b>1</b>	Final Report 5 <sup>th</sup> March 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					Draft Report
9.	Waste Management (Refuse and Recycling)	Q3	10	Medium					Fieldwork completed
10.	Regeneration Projects	Q1	10	Medium					Fieldwork completed
11.	Business Continuity	Q2	10	High					Fieldwork in progress
12.	Civil Contingencies Plan	Q1	10	High					Fieldwork in progress
13.	IT Audits: - GDPR - Email Exchange	Q4	11 11	High	<b>Substantial</b> <b>Limited</b>	<b>0</b> <b>0</b>	<b>1</b> <b>3</b>	<b>5</b> <b>1</b>	Final Report 19 <sup>th</sup> February 2019 Final Report 24 <sup>th</sup> January 2019
14.	Fraud, Bribery & Ethics National Fraud Initiative	Q2	8	Low	2pm 30/4/19				Fieldwork completed

	Audit Title	Proposed Quarter	Planned Days	Anticipated Risk Level	Assurance	Priority One	Priority Two	Priority Three	Status
15.	VAT	Q1	10	Low					Draft Report
16.	Crematorium	Q4	3	Low					Fieldwork in progress
17.	Follow Up	Q4	10	N/A					Draft Report
18.	Contingency		20	N/A					
19.	Audit Management		22	N/A					
	<b>Total</b>		<b>220</b>			<b>0</b>	<b>5</b>	<b>13</b>	

## Appendix II – Internal Audit Recommendations 2018/19

### Main Accounting System and Budgetary Control

**Substantial  
Assurance**



#### Scope

The audit covered the following areas:

- Policies, procedures, standing orders and financial regulations, including staff awareness;
- Completeness, accuracy, reliability & integrity of transactions and records for production of annual accounts, including suspense accounts and other financial returns;
- Journal entries and manual adjustments;
- Year-end procedures including carry forward of balances;
- Production and availability of budget setting and monitoring guidance;
- Output Based Budgeting and Zero Based Budgeting exercises;
- Budgetary responsibilities;
- Budget setting processes, including the identification and management of base budget deficiencies and the use of activity data;
- Budget monitoring processes;
- Variance reporting;
- Virements and journal transfers; and
- Budget Management Training.

**One priority 3 recommendation was raised**

**Priority 3** Procedures should denote the last review date and next date it is due for review to confirm, it is still fit-for-purpose.

## 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.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, re-interpretation amendment and/or modification by any third party is entirely at their own risk.

Registered office: Tower Bridge House, St Katharine's Way, London E1W 1DD, United Kingdom. Registered in England and Wales No 0C308299.