



# North Devon District Council

## Internal Audit Progress Report

October 2019

### Distribution List:

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

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Please refer to the Statement of Responsibility in Appendix IV 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 Governance 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 Governance Committee meeting in September 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 table summarise progress against the plan:

Number of audits in plan	17	
Number of audits finalised	11	65%
Number of audits issued at draft	1	6%
Number of audits in progress	5	29%
Number of audits with agreed planned dates	0	
Number of audits to be planned	0	

Appendix II details the 2019/20 Audit Plan and shows the status of work to date and the number of days delivered.

The following table summarise progress against the plan:

Number of audits in plan	19	
Number of audits finalised	0	
Number of audits issued at draft	0	
Number of audits in progress	3	15%
Number of audits with agreed planned dates	4	
Number of audits to be planned	12	

- 2.2 We can report that based on the number of days in the plan (excluding contingency) as at 30<sup>th</sup> September 2019, 100% of the 2018/19 Operational Internal Audit Plan has been completed and 15% of the 2019/20 Operational Internal Audit Plan has been completed.
- 2.3 We have issued the following final reports since the last Committee meeting.

Efficiency Savings 18/19  
Follow Up 18/19  
Risk Management and Corporate Governance 18/19  
VAT 18/19

- 2.4 Appendix III details the 2018/19 Audit recommendations for individual reports with a full or substantial overall opinion finalised since the last Governance 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 Governance Committee.

### Performance of the Internal Audit Service

- 2.6 The following tables details the Internal Audit service performance for the 2018/19 and 2019/20 years measured against the key performance indicators set out in the Internal Audit Quality Plan.

No.	Performance indicator	Target	Actual 18/19
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

No.	Performance indicator	Target	Actual 19/20
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	n/a*
3.	Average period between the receipt of final management responses and issue of the final report	10 days	n/a*
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	n/a*

\* - No reports issued for 2019/20 yet.

### 3. Action Required

- 3.1 The Governance 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	<b>Substntial</b>	<b>0</b>	<b>1</b>	<b>2</b>	Final Report 21 <sup>st</sup> August 2019
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	<b>Full</b>	<b>0</b>	<b>0</b>	<b>0</b>	Final Report 23 <sup>rd</sup> August 2019
9.	Waste Management (Refuse and Recycling)	Q3	10	Medium					Draft Report issued 3 <sup>rd</sup> October 2019
10.	Regeneration Projects	Q1	10	Medium					Fieldwork completed, draft report in progress
11.	Business Continuity	Q2	10	High					Fieldwork completed, draft report in progress
12.	Civil Contingencies Plan	Q1	10	High					Fieldwork completed, draft report 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					Fieldwork completed, draft report in progress

	Audit Title	Proposed Quarter	Planned Days	Anticipated Risk Level	Assurance	Priority One	Priority Two	Priority Three	Status
15.	VAT	Q1	10	Low	<b>Substantial</b>	<b>0</b>	<b>0</b>	<b>1</b>	Final Report 9 <sup>th</sup> October 2019
16.	Crematorium	Q4	3	Low					Fieldwork completed, draft report in progress
17.	Follow Up	Q4	10	N/A		<b>0</b>	<b>0</b>	<b>0</b>	Final Report 22 <sup>nd</sup> August 2019
18.	Contingency		20	N/A					
19.	Audit Management		22	N/A					
	<b>Total</b>		<b>220</b>			<b>0</b>	<b>6</b>	<b>16</b>	

## Appendix II – Progress against the Internal Audit Plan 2019/20

	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					
2.	Main Accounting System and Budgetary Control	Q3	12	High					Audit programmed in for w/c 9 <sup>th</sup> December 2019
3.	Debtors	Q1	8	Medium					Fieldwork completed, Draft Report in progress
4.	Payroll	Q1	10	Medium					Fieldwork in progress
5.	Treasury Management	Q1	8	Medium					Fieldwork in progress
6.	Council Tax and NNDR (including NNDR maximisation)	Q2	15	Medium					Fieldwork to commence 29 <sup>th</sup> October 2019
7.	Housing Benefits	Q2	10	Medium					
8.	Human Resources	Q3	10	Medium					
9.	Housing Needs	Q3	10	Medium					
10.	New Housing Schemes	Q2	10	Medium					
11.	Building Control	Q3	10	Medium					
12.	IT Audit	Q4	22	High					
13.	CCTV	Q4	8	Medium					
14.	Contracts and Capital Expenditure	Q3	10	High					
15.	Performance Management	Q4	10	Medium					
16.	Safeguarding	Q3	8	Low					

	Audit Title	Proposed Quarter	Planned Days	Anticipated Risk Level	Assurance	Priority One	Priority Two	Priority Three	Status
17.	Crematorium	Q4	3	Low					Audit programed in for w/c 17 <sup>th</sup> February 2020
18.	Follow Up	Q4	10	N/A					Audit programmed for w/c 23 <sup>rd</sup> December 2019
19.	Contingency		0	N/A					
20.	Audit Management		22	N/A					
	<b>Total</b>		<b>196</b>			<b>0</b>	<b>0</b>	<b>0</b>	

## Appendix III – Internal Audit Recommendations 2018/19

Efficiency Savings	Full Assurance	
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### Scope

The audit covered the following areas:

- Adequacy of the Authority's approach to capturing efficiency data to meet and exceed the savings target;
- Controls over the accuracy of efficiency data including evidence and challenge processes
- Reporting of efficiency savings to the Council's Strategy and Resources Committee and any external stakeholders;
- Directorate efficiency targets reported in service plans and progress against target including monitoring controls and accuracy checks; and
- Risk assessments are completed to ensure that any operational changes as a result of efficiency savings are considered.

**No recommendations were raised**



## Risk Management and Corporate Governance

**Substantial  
Assurance**



### Scope

The audit covered the following areas:

- Strategy
- Risk identification and assessment;
- Control / mitigation strategies;
- Roles and responsibilities;
- Decision making;
- Monitoring and reporting;
- Department Risk Management; and Compliance with best practice.

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

**Priority 2**

Recommendation	Rationale	Management Response
Heads of Service should ensure all risk registers have identified, assessed and scored all risks, with risk owners identified. Any mitigating controls, present or planned, should also be noted in each risk register.	<p>In order to ensure risks are effectively managed, Heads of Service should ensure all risk registers have identified, assessed and scored all risks, with risk owners identified. Any mitigating controls, present or planned, should also be noted for each risk.</p> <p>Review of a sample of ten service risk registers identified three instances where complete information was not present:</p> <ul style="list-style-type: none"><li>• ICT-RR04 No internal controls or mitigating actions present;</li><li>• HR -SRRHR4 No internal controls listed;</li><li>• EH&amp;H H SRR01 No internal controls listed; and</li><li>• Corporate and Community Services C&amp;C R02 No internal controls or mitigating actions present, despite notes on file regarding training and procedure notes being implemented.</li></ul> <p>In addition we noted the Covalent system documents mitigating actions to provide assurance that internal controls are operating effectively. We noted that in the majority of cases tested for both corporate and service risks mitigating actions had become obsolete, and were in need of review and update.</p> <p>Where risks are not effectively managed, there is a risk that the Council may not be able to achieve its objectives. This may lead to reputational damage and possible financial loss.</p>	A system of reviewing risk registers at the same time as service plans are prepared will be introduced. SMT will then approve the risk registers and service plans at the same time. Revised guidance will be issued to all middle managers in the autumn when work on service plans commences

**Priority 3** All risk registers should be reviewed regularly in accordance with the Risk Management Framework.

The Council should update and complete the policies and strategies listed as required by current law within its Constitution Article 4.3 Policy Framework.

**Scope**

The audit covered the following areas:

- Policies and procedures, including pre application guidance;
- Map VAT return process including sign-off and controls
  - 'walk through' most recent VAT return
  - review sample of 20 purchase invoices
  - review sample of 10 expense claims
  - understand process for raising invoices and determining VAT liability of income – sample 20 sales invoices
- Confirm partial exemption calculation is being carried out – any breaches of 5% limit?
- Review list of properties on which NDDC has opted to tax and understand decision-making process around option to tax.

**One priority 3 recommendation was raised**

**Priority 3** The Council should consider making use of specialist information and/or services provided to ensure they are Making Tax Digital compliant.

## Appendix IV - 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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