

## Agenda Item 8

**Audit and Governance Committee**

**29 September 2009**

**TC**



**Internal Audit activity report for the period 1 July 2009 to 30 September 2009, including:**

- **Audit Plan Monitoring to 30 September 2009**
- **Audit Report Executive Summaries**

The attached Activity Report gives brief details on the staffing situation within the council's Audit and Governance section and gives an overview of the use of temporary contractors.

The report also highlights Internal Audit activity for the second quarter and indicates where audits are progressing well and identifies those that have slipped against the internal audit plan. Members will note the progress made and also be informed of the audits that remain outstanding and those that have been rolled over into future years.

### **Recommendations**

**Members are asked to note and keep under review the:**

- **Audit Plan Monitoring Document**
- **Audit Performance Indicators**
- **Internal Audit Report Executive Summaries**

**a) Reasons for Recommendation**

To ensure that progress is made on the plans of Internal Audit in line with Member expectations.

**b) Alternative Options**

None

**c) Risk Considerations**

- The responsibilities of the Section 151 Officer will not be fulfilled
- Weaknesses in internal controls, potential fraud and irregularities may go undetected
- Criticism from External Audit and other external review agencies
- Adverse impact on the Council's Governance Arrangements

**d) Policy and Budgetary Considerations**

None

**e) Date for Review of Decision**

N/a

### **Main Body of the Report**

#### **Audit Staffing**

The Service has managed to attract and retain two external contractors (audit consultants). One to complete the review of the Council's Performance Indicators; is a long-term and loyal contractor returning year on year when required to complete this work (together with one or two other assignments). This contract ended at the end of July. The other Contractor lives fairly locally and

has proved to be both competent and an asset to the Service, he is being retained until the return of the Principal Auditor in 2010. The Service has managed to retain the one remaining Trainee Auditor.

## Audit Activity

- **Appendix 1 – Audit Plan Monitoring Document**

This schedule provides a summary of activity for the period and assists Members in following the progress of audits.

### Interpretation:

#### First Quarter – April to June 2008

The first quarter consists of a variety of shorter and mid-length audits the largest of which was the National Indicator work which covers a specialist area and this is reported separately in this meeting.

All work has been completed for this quarter, one audit remains at 'draft report' stage until the return of audit staff from annual leave in late September.

#### Second Quarter – July to September 2008

The second quarter consists of a mix of more complex audits, such as Procurement and Contract Audit. The team has made good progress on completing this quarters' work. Three audits remain outstanding (although all have been commenced and are at differing stages of completion).

#### Unplanned and Ad-hoc Audit Work

At its meeting on the 25<sup>th</sup> June 2009, the Audit & Governance Committee requested that a report be presented to the next meeting of the Committee setting out the Council's policies relating to Officer and Member expenses. In testing the adequacy of the procedures relating to members' expenses a random sample of claims were examined – the report is due to be discussed at this meeting. There has been no other unplanned or ad-hoc audit work other than the usual advice to staff and managers on council policy, financial regulations and contract standing orders (usually provided by the Manager).

### Audit Performance Indicators

- **Percentage of planned audits commenced** (two quarters) – 100%
- **Percentage of planned audits completed** (two quarters) – 66%
- **Percentage of feedback responses at least 'satisfactory'**

| Name of Audit                 | Feedback received          | Satisfactory |
|-------------------------------|----------------------------|--------------|
| Home Safeguard                | Yes                        | ✓            |
| Housing Needs                 | Audit not finalised        |              |
| NIs and BVPIs                 | Yes                        | ✓            |
| Street Scene                  | Yes                        | ✓            |
| Section 106                   | Yes                        | ✓            |
| Procurement                   | Audit not finalised        |              |
| Disposal & Purchase of Assets | 2 <sup>nd</sup> request    |              |
| Housing Partnership           | Audit not finalised        |              |
| Housing Client                | 2 <sup>nd</sup> request    |              |
| Officers' / Members expenses  | Review at request of A & G |              |
| Car Parks                     | Audit not finalised        |              |
| Refuse & Recycling            | Audit not finalised        |              |

- **Percentage of recommendations ‘accepted’ versus ‘recommendations made’**

|   |    |   |    |
|---|----|---|----|
| Total Recommendations made in 1 <sup>st</sup> Quarter | 51 | Total Recommendations accepted in 1 <sup>st</sup> Quarter | 51 |
| Total Recommendations made in 2 <sup>nd</sup> Quarter | 20 | Total Recommendations accepted in 2 <sup>nd</sup> Quarter | 20 |

- **Percentage of audits completed within the planned time**  
8 Audits completed – 1 over-ran one day (90%)

### **Internal Audit Report Executive Summaries – for discussion**

#### **Conclusion**

The role of Internal Audit continues to change and expand according to demand; changing legislation and the requirements of our external review agencies. This report covers the period 1<sup>st</sup> July 2009 to 30<sup>th</sup> September 2009. A report covering the period 1<sup>st</sup> October 2009 to 31<sup>st</sup> December 2009 will be presented at the next meeting of the Audit and Governance Committee scheduled for 3<sup>rd</sup> December 2009.

#### **Legal Implications**

No legal observations

#### **Financial Implications**

No financial observations

#### **Consultation on Reports to the Executive**

None

#### **Background Papers**

- Specified appendices



**PROGRESS AND MONITORING OF 2009/10 INTERNAL AUDIT PLAN**

Detailed below is a summary of the work completed so far in 2009/10, showing the 'Areas for Improvement' found during the audit, the number of suggested **Actions** and the audit **Assurance Level** allocated by the auditor.

|                              | Name of Audit                               | Stage of Audit   | Start Date | Date of Draft Report | Date of Final Report | Days - (Planned 'v' actual) | Report Reference | Areas for Improvement |        |     | Assurance Level | Actions |              | Client Rating |               |
|------------------------------|---|------------------|------------|----------------------|----------------------|-----------------------------|------------------|-----------------------|--------|-----|-----------------|---------|--------------|---------------|---------------|
|                              |   |                  |            |                      |                      |                             |                  | High                  | Medium | Low |                 | Total   | Total Agreed | Sat'd         | Not Satisfied |
| Quarter 2 – July - September | Procurement (inc. Print, Post & Stationery) | Complete         | July 2009  | Aug 2009             | Aug 2009             | 15 / 16                     | AUA 10           | -                     | 5      | 1   | LA              | 6       | 6            |               |               |
|                              | Disposal and Purchase of Assets             | Complete         | July 2009  | Aug 2009             | Aug 2009             | 3 / 3                       | AUA 08           | -                     | 3      | -   | AA              | 3       | 3            |               |               |
|                              | Contract Audit – Housing Partnership        | Testing          | July 2009  |                      |                      | 15 /                        | AUD              |                       |        |     |                 |         |              |               |               |
|                              | Housing Client Services                     | Complete         | July 2009  | Aug 2009             | Aug 2009             | 2 / 2                       | AUC              | -                     | 1      | -   | AA              | 1       | 1            |               |               |
|                              | Officers' and Members' Expenses *           | Complete         | July 2009  | Aug 2009             | Aug 2009             | 10 / 10                     | AUE 13           | -                     | 10     | -   | AA              | 10      | 10           |               |               |
|                              | Car Parks                                   | Initial Meetings | Sept 2009  |                      |                      | 12                          | SS               |                       |        |     |                 |         |              |               |               |
|                              | Street Scene – Refuse and Recycling         | Initial Meetings | Sept 2009  |                      |                      | 8                           | SS               |                       |        |     |                 |         |              |               |               |
|                              |   |                  |            |                      |                      | 65 /                        |                  |                       |        |     |                 |         |              |               |               |

- At request of A & G Committee 25<sup>th</sup> June 2009 / swapped with Property Services



**PROGRESS AND MONITORING OF 2009/10 INTERNAL AUDIT PLAN**

|                             | Name of Audit  | Stage of Audit | Start Date | Date of Draft Report | Date of Final Report | Days - (Planned 'v' actual) | Report Reference | Areas for Improvement |        |     | Assurance Level | Actions |              | Client Rating |               |  |  |
|-----------------------------|--|----------------|------------|----------------------|----------------------|-----------------------------|------------------|-----------------------|--------|-----|-----------------|---------|--------------|---------------|---------------|--|--|
|                             |  |                |            |                      |                      |                             |                  | High                  | Medium | Low |                 | Total   | Total Agreed | Sat'd         | Not Satisfied |  |  |
| Quarter 4 – January - March | Housing Rents (including any cash floats)            | Not Due        |            |                      |                      | 10 /                        | AUA 05           |                       |        |     |                 |         |              |               |               |  |  |
|                             | Customer Service Centre                              | Not Due        |            |                      |                      | 10 /                        | AUB 01           |                       |        |     |                 |         |              |               |               |  |  |
|                             | Creditors (Corporate Purchase Cards and Cash Floats) | Not Due        |            |                      |                      | 10 /                        | AUA 02           |                       |        |     |                 |         |              |               |               |  |  |
|                             | Debtors  | Not Due        |            |                      |                      | 10 /                        | AUA 09           |                       |        |     |                 |         |              |               |               |  |  |
|                             |  |                |            |                      |                      |                             |                  |                       |        |     |                 |         |              |               |               |  |  |
|                             |  |                |            |                      |                      |                             |                  |                       |        |     |                 |         |              |               |               |  |  |
|                             |  |                |            |                      |                      | 40 /                        |                  |                       |        |     |                 |         |              |               |               |  |  |
|                             |  |                |            |                      |                      |                             |                  |                       |        |     |                 |         |              |               |               |  |  |

Legend

- Completed task
- Mild concerns or minor set backs
- Serious problems or significant delays
- Work in progress or task not yet due

### AUDIT INVESTIGATIONS FOR THE PERIOD

Detailed below is a summary of the audit investigations undertaken in 2008/09 showing the 'Areas for Improvement' found during the review, the number of suggested **Actions** and the audit **Assurance Level** allocated by the auditor.

|  | Investigation                    | Stage of Audit | Start Date | Date of Draft Report | Date of Final Report | Days - (Planned 'v' actual) | Report Reference | Areas for Improvement |        |     | Assurance Level | Actions |              | Client Rating |               |
|--|----------------------------------|----------------|------------|----------------------|----------------------|-----------------------------|------------------|-----------------------|--------|-----|-----------------|---------|--------------|---------------|---------------|
|  |                                  |                |            |                      |                      |                             |                  | High                  | Medium | Low |                 | Total   | Total Agreed | Sat'd         | Not Satisfied |
|  | There has been no investigations |                |            |                      |                      |                             |                  |                       |        |     |                 |         |              |               |               |
|  |                                  |                |            |                      |                      |                             |                  |                       |        |     |                 |         |              |               |               |

### UNPLANNED AND AD-HOC AUDIT WORK – 2008/09

Detailed below is a summary of the unplanned and ad-hoc audit work undertaken in 2008/09, showing the number of suggested 'actions' (if appropriate) and the audit **Assurance Level** (if appropriate) allocated by the auditor.

|         | Details of Unplanned and/or ad-hoc work        | Start Date | End Date | Assurance level given | Actions Remaining |              | Comment from Head of Service |
|---------|--|------------|----------|-----------------------|-------------------|--------------|------------------------------|
|         |  |            |          |                       | Total             | Total Agreed |                              |
| 2009/10 | There has been no unplanned and/or ad-hoc work |            |          |                       |                   |              |                              |
|         |  |            |          |                       |                   |              |                              |
|         |  |            |          |                       |                   |              |                              |
|         |  |            |          |                       |                   |              |                              |



## **Street Scene – EXECUTIVE SUMMARY**

### **Introduction**

An audit was undertaken in June – July 2009 to provide assurance that the work processes and systems operating within Street Scene are efficient and effective. The review was undertaken as part of the Internal Audit planned work for the year 2009/10

### **Areas of Concern**

**Contractor Endorsement of Civil Engineering Contracts.** At present contractors do not sign to indicate that they agree to the conditions of the contract exposing the Council to the risk of having no agreement signed by the contractor as reference if a dispute arises

### **Contract for Seafront and Security Lighting Schemes.**

A contract for the provision of the Seafront and Security Lighting services has been operating with the current provider for 13 years and has not been reviewed during that period. This introduces the risk of Council currently not receiving best value.

### **Recording of stores receipts/ issues – Manstone Depot**

Receipts and issues of stock items stored at Manstone Depot are not being recorded. This could result in stock items being used for non- council related activities and the loss of the items not being identified

### **Recording of Street Scene Assets**

The Council's Parks and Gardens assets are recorded in a Down to Earth computer module however no records are available of Street Scene assets that are outside of the Parks and Gardens schemes. This introduces the risk of inaccurate valuation of Street Scene assets

### **Conclusion**

In our opinion and after careful consideration Internal Audit can offer a neutral opinion and can confirm that the level of assurance that can be given is LA – Limited Assurance. The definitions relating to the levels of assurance are contained in the appendix to the main report.

Jim Saunders  
Contract Auditor.  
August 2009

## Purchase and Disposal of Assets – EXECUTIVE SUMMARY

### Introduction

An audit was undertaken in July – August 2009 to provide assurance that the work processes and systems operating for the Purchase and Disposal of Assets are efficient and effective. The review was undertaken as part of the Internal Audit planned work for the year 2009/10

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### Areas of Concern

#### Purchasing of Assets

The administration processes of a recent Planning and Countryside asset purchase was reviewed to determine compliance with relevant Council regulations. It was identified that no written quotation confirmation was available as required by Contract Standing Orders to support the purchase and that the order had been authorised by an officer who does not have the appropriate delegated permission to endorse orders. These weaknesses could result in orders being placed with a non-preferred supplier and the Council not receiving best value.

### Conclusion

In our opinion and after careful consideration Internal Audit can offer a positive opinion and can confirm that the level of assurance given is AA – Adequate Assurance. The definitions relating to the levels of assurance are contained in the appendix to the main report.

Jim Saunders  
Contract Auditor.  
August 2009

## **AUDIT OF HOME SAFEGUARD – EXECUTIVE SUMMARY**

### **Introduction**

An audit was undertaken in June - July 2009 of the Home Safeguard function, including the Home Safeguard Call Centre operating within East Devon District Council. The Home Safeguard Service falls within Housing Services.

### **Purchase Invoice Processing**

Invoices from suppliers are not always being processed within a reasonable amount of time from the transaction date.

### **Service Continuity (loss of ICT server)**

There is no provision for service continuity if the Call Centre Servers were out of action as the system is not held on other Council servers. This will result in a loss of service for both ourselves and North Devon District Council for whom we provide a Community Alarm Service. This could place vulnerable clients at considerable risk and adversely affect the reputation of the Council.

### **Non-Fee Paying Clients**

The current system does not distinguish fee paying clients from non-fee paying clients. We found however that a supplementary spreadsheet identifying 'fee paying clients only' was maintained up until 2007. From 2008 a spreadsheet was maintained detailing both fee paying and non-fee paying clients.

This means that the Council will not be able to easily identify non-fee paying clients who benefited from an installation prior to 2007.

As the Executive Board has recently decided to charge some clients the full lease cost from September 2009 and all other current non-fee paying clients from April 2010 this will require urgent attention as mentioned below.

In addition, there is a significant risk that clients who have died may not have been removed from the system, and that their equipment has not been reclaimed.

### **Service Quality Monitoring**

All calls are recorded, but service quality is not monitored by monitoring conversations on a random basis

### **Budgetary Control**

Internal Audit reviewed the budgets for Home Safeguard for 2008/09 and considered that £70k to be under the direct control of the Home Safeguard Manager. This element of the budget was overspent by £35k (17.5%) and would need to be recovered from other areas in the council.

We noticed that the cost of maintaining and purchasing new alarm units was 2.5 times the budget at £47,000. This would suggest that the original 'estimate' was incorrect and not enough budget had been allocated to this account.

**Lone Working**

Internal Audit could not substantiate that the Lone Working Policy is being complied with for Mobile Support Officers but there was a lone working arrangement for Call Centre Operators.

**Filing Administration**

Some files containing personal client records could not be found when we carried out our audit testing, therefore there could be a breach in the Data Protection Act as sensitive personal data could have gone missing.

**Home Safeguard - ICT Training**

Home Safeguard staff lack Microsoft Office ICT skills. After discussions with the ICT Services it would appear that little ICT training has been undertaken, however this cannot be verified as we were told they do not keep records.

**One – to – One Staff Reviews**

There is little evidence of these reviews being held regularly.

**Return to Work Interviews**

Although we can confirm that self certification of sickness appears to be operating satisfactory, we found that Return to Work interview forms were not available and this suggests that these interviews are not being undertaken when an employee returns to work.

**Conclusion**

After careful consideration our overall conclusion would be that a 'Neutral opinion' is appropriate and we further offer a 'limited assurance' on the adequacy and integrity of the internal control framework.

We are confident that when management implement the recommendations made in the report the system will be robust and fit for purpose and the control framework will operate as intended.

David Haddon  
Contract Auditor  
July 2009

## **Housing Business Unit – EXECUTIVE SUMMARY**

### **Introduction**

An audit was undertaken in August 2009 to provide assurance that the work processes and systems for contractual arrangements operating within Housing Business Unit are efficient and effective. The review was undertaken as part of the Internal Audit planned work for the year 2009/10

### **Area of Concern**

Until the recently the contracts for Community Grounds Maintenance, Individual Garden Maintenance Scheme, and Communal Cleaning and Caretaking had not been reviewed for over 20 years. Long term contracts can result in the Council not currently receiving best value.

### **Conclusion**

In our opinion and after careful consideration Internal Audit can offer a positive opinion and can confirm that the level of assurance that can be given is AA- Adequate Assurance. The definitions relating to the levels of assurance are contained in the appendix in the main report.

Jim Saunders  
Audit Contractor  
August 2009

## PROCUREMENT – EXECUTIVE SUMMARY

### Introduction

An audit was undertaken in July/ August 2009 to provide assurance that procurement within the council is efficient and effective. The review focussed on the Print, Post and Stationery function (now brought in-house and managed by ICT) and various stationery contracts existing at the time of the audit.

### Areas of Concern

#### Print Room Recharging

No pricing or billing anomalies were identified but one of the recharges had not been processed and remains outstanding. This could result in the service not receiving all income due.

#### Issue of Toners.

We found there is no requirement to complete an order to support the request for print / photocopier cartridges / toners to verify that the cost centre code provided is authorised to receive the debit.

Analysis of the process shows that any officer can obtain toners by entering details on a list. This introduces the risk of toners being acquired for non – council activities or of toners being charged to a cost centre without authorisation.

#### Tendering Process

Internal audit reviewed the tendering process associated with the decision to bring the Print and Post Room service back in house.

We found that 3 tenders were received following the Expressions of Interest advertisement, but only two of these were available for us to review. The missing tender and supporting documentation had been discarded because it had not been signed; a fact we cannot verify.

We noted breaches to the Retention and Disposal of Documents Guidelines, Contract Tendering Policy and Contract Standing Orders.

#### Stationary Procurement Contract

Devon Procurement Partnership manages the contract with the stationery provider, Lyreco, on behalf of the Council. This should be governed by a 'Contract' or 'Agreement;'. We could find no such document.

#### Council's Procurement Officer

During a review of the Procurement Policy it was noted that the Policy has not been updated to reflect the appointment of the new Procurement Officer.

### Conclusion

In our opinion and after careful consideration Internal Audit can offer a neutral opinion and can confirm that the level of assurance that can be given is LA - Limited Assurance. The definitions relating to the levels of assurance are contained in the appendix to the main report.

## **Section 106 monies – EXECUTIVE SUMMARY**

### **Introduction**

An audit was undertaken in June – July 2009 to provide assurance that the work processes and systems operating within Section 106 monies are efficient and effective. The review was undertaken as part of the Internal Audit planned work for the year 2009/10.

### **Areas of Concern**

#### **4.1 Recreational Areas Strategy**

The Recreational Areas Strategy was produced by the Council as a Consultation Draft in June 2003. This consultation draft has not been formally adopted by the Council for development control purposes and the information contained within is now outdated.

The Council is currently relying on the information contained within the Recreational Areas Strategy for justification of financial contributions in the form of section 106 agreements and unilateral undertakings for open spaces and play areas in the planning process.

The status of the document has already been identified as a weakness at an appeal and it is considered that it is only a matter of time before an Inspector overrules the Council's justification for requiring the contributions. In this event, the council would have no further justification for the requirement of financial contributions in respect of recreational open space and play areas for new development

### **Conclusion**

In our opinion and after careful consideration Internal Audit can offer a positive opinion and can confirm that the level of assurance that can be given is AA- Adequate Assurance. The definitions relating to the levels of assurance are contained in the appendix to the main report.

Jim Saunders  
Audit Contractor  
July 2009