

# AUDIT SCRUTINY COMMITTEE

**CHAIRMAN:** Cllr Chris Clarance

**DATE:** 22 March 2018

**REPORT OF:** Audit Manager

**SUBJECT:** INTERNAL AUDIT QUARTERLY PROGRESS REPORT

## PART I

### RECOMMENDATION

To note the report.

#### 1. PURPOSE

To advise Members of recent progress against the Audit Plan and the outcomes of completed audits.

#### 2. BACKGROUND

2.1 The Audit Plan is approved by the Audit Scrutiny Committee in March annually and progress is reported at every meeting thereafter.

2.2 Internal audit reviews lead to an opinion on the effectiveness of the framework of risk management, control and governance of the area under review. Assurance opinions are graded as follows:

**Excellent**      ☆☆☆☆      The areas reviewed were found to be well controlled, internal controls are in place and operating effectively. Risks against achieving objectives are well managed.

**Good**            ☆☆☆      Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some areas for improvement have been identified.

**Fair**             ☆☆        There is a basic control framework in place, but most of the areas reviewed were not found to be adequately controlled. Generally risks are not well managed and require controls to be strengthened to ensure the achievement of system objectives.

**Poor**            ☆         Controls are seriously lacking or ineffective in their operation. No assurance can be given that the system's objectives will be achieved.

### 3. AUDIT PLAN 2017-2018 – Progress at 22 March 2018

<b>PROJECT</b>	<b>STATUS</b>	<b>OPINION</b>
Governance Review and AGS	<b>Complete</b>	<b>Good</b>
Housing Enforcement	<b>Complete</b>	<b>Good</b>
Planning	<b>Complete</b>	<b>Good</b>
LAHS Housing Data Return	<b>Complete</b>	<b>Good</b>
Corporate Purchasing Cards	<b>Complete</b>	<b>Good</b>
Coastal Monitoring Programme Grant	<b>Complete</b>	<b>Good</b>
Safeguarding	<b>In Progress</b>	-
Community Infrastructure Levy	<b>Complete</b>	<b>Good</b>
Emergency Planning & Business Continuity	<b>In Progress</b>	-
Election Fees Review	<b>C/fwd 18-19</b>	-
Health and Safety	<b>Complete</b>	<b>Good</b>
Building Control	<b>Complete</b>	<b>Good</b>
Crime and Disorder Partnership (Grant Claim)	<b>Not required</b>	-
Teign Estuary Partnership	<b>TOR Agreed</b>	-
Information Governance	<b>In Progress</b>	-
Risk Register	<b>In Progress</b>	-
Council Tax	<b>Complete</b>	<b>Good</b>
Benefits and Council Tax Support	<b>In Progress</b>	-
Bacs / Smarter Pay (Income and Banking)	<b>Draft Report Issued</b>	<b>Good</b>
Creditor Payments	<b>Complete</b>	<b>Good</b>
Debtors	<b>In Progress</b>	-
Main Accounting and Budgetary Control	<b>In Progress</b>	-
NDR (Business Rates)	<b>Draft Report Issued</b>	<b>Good</b>
Treasury Management	<b>Complete</b>	<b>Excellent</b>
Payroll – on hold due to Midland iTrent project	-	-
Register of Interests, Hospitality and Gifts	<b>Complete</b>	<b>Good</b>

Summarised findings for audits recently completed is shown in **Appendix A** below.

#### 4. CONCLUSION AND RECOMMENDATION

13 audits have been completed, 10 are in progress, and due to be completed within this audit cycle. Generally, controls were found to be in place and risks well managed for the areas examined. The payroll audit has been postponed as the payroll team are busy migrating to a new system. Although internal audit are not formally on the project board for this, we receive project team minutes and keep a watching brief commenting on control requirements where needed. The review of Election fees will be rolled forward to next year's plan.

Members are recommended to note the report.

#### Sue Heath - Audit Manager

<b>Wards affected</b>	<i>N/A</i>
<b>Contact for any more information</b>	<i>Sue Heath – Audit Manager – 01626 215258</i>
<b>Background Papers (For Part I reports only)</b>	<i>Audit Files and Final Reports File 2017 – 2018</i>
<b>Key Decision</b>	<i>N</i>
<b>In Forward Plan</b>	<i>N</i>
<b>In Audit Scrutiny Work Programme</b>	<i>Y</i>

**TEIGNBRIDGE DISTRICT COUNCIL  
AUDIT SCRUTINY COMMITTEE**

**Summary of Internal Audits Completed this Quarter**

PROJECT TITLE	SUMMARY
<p><b>Treasury Management</b></p> <p><b>Audit Opinion: Excellent ☆☆☆☆</b></p>	<p>The annual review of the Treasury Management function to ensure key controls are in place and effective covering policy and procedures, risk management, fidelity guarantee insurance, reconciliations, monitoring and reporting and data security.</p> <p>The system has effective internal controls and is very well managed. The first two quarters saw the team deal with 247 transactions of 13 fixed loan, 66 call account, 44 money market fund transactions and 124 Lloyds deposit transfers. The total net interest received for this period is £13,497 with a forecast year –end total of £35,085. The average daily lend is £12.3 million. There has been no borrowing or overseas activity.</p>
<p><b>Creditors</b></p> <p><b>Audit Opinion: Good ☆☆☆</b></p>	<p>In previous years, internal audit have reviewed the creditor system in depth and have regularly advised on control measures needed for the prevention of mandate fraud and duplicate payments.</p> <p>The scope of this year's audit focused purely on the data quality and accuracy of input into the creditors system. As well as substantive testing on the verification checks made by the authorising officers and the creditors team before payments are processed.</p> <p>The review covered the controls in place for the following key risks to the Creditors system:</p> <ul style="list-style-type: none"> <li>• Inaccurate data;</li> <li>• Payment made to the wrong creditor or incorrect bank account;</li> <li>• Non-compliance with legislation or tax regulations;</li> <li>• System failure;</li> <li>• The authority pays for goods not received;</li> <li>• Incorrect VAT.</li> </ul> <p>The audit also revisited the recommendations presented in the previous audit report and followed up their implementation. Assurance was Good.</p>

**TEIGNBRIDGE DISTRICT COUNCIL  
AUDIT SCRUTINY COMMITTEE**

**Summary of Internal Audits Completed this Quarter**

PROJECT TITLE	SUMMARY
<p><b>Health and Safety</b></p> <p><b>Audit Opinion:</b> <b>Good ☆☆☆</b></p>	<p>Policies and procedures in place to manage and administer the internal Health &amp; Safety function were examined and evaluated to ensure the Council's responsibilities are being met. The review considered the following risks:</p> <ul style="list-style-type: none"> <li>• Non-compliance with legislation and regulations;</li> <li>• Officers not aware of their responsibilities;</li> <li>• Ill health, injuries, accidents and incidents occur and / or increase;</li> <li>• Adverse publicity and reputational damage.</li> </ul> <p>Findings were positive with processes found to be controlled and risks managed. Some recommendations were made relating to the annual review of the policy, training available on the new corporate training facility and reporting mechanisms.</p>
<p><b>Bacs / Smarter Pay (Income and Banking)</b></p> <p><b>Audit Opinion:</b> <b>Good ☆☆☆</b></p>	<p>This review focused on electronic Bacs payments as a new Bacs Smarter Pay system was being introduced and covered the controls in place for the following risks to the Smarter Pay system:</p> <ul style="list-style-type: none"> <li>• Bacs transmission not completed</li> <li>• Bacs records are missed or put in twice</li> <li>• Rejected Bacs payments</li> <li>• Fraudulent Bacs payments</li> <li>• Non-compliance with legislation</li> <li>• Data is not held securely</li> <li>• Business continuity</li> </ul> <p>Assurance was Good. Recommendations included the continuation of checks of the Bacs numbers and value shown on Smarter Pay and retaining evidence of these, as well as, checking the Bacs Input report against the BACSTEL report once the Bacs processing is complete to ensure that the payments compare to the total value of records submitted. Also, for smart cardholders to sign an '<i>Employee Agreement</i>' so they are aware of their responsibilities and security measures to be taken, as well as the terms and conditions of card use.</p>

**TEIGNBRIDGE DISTRICT COUNCIL  
AUDIT SCRUTINY COMMITTEE**

**Summary of Internal Audits Completed this Quarter**

PROJECT TITLE	SUMMARY
<p><b>Follow Up Audits</b></p> <p>The effectiveness of audits is increased if agreed actions are implemented. The audit cycle allows for a follow up check to be made on any important recommendations at an agreed time after each review. Details of completed follow ups are shown below:</p>	
<p><b>Housing Enforcement</b></p> <p><b>Audit Opinion:</b> <b>Good ☆☆☆</b></p>	<p>Original audit: September 2017. Followed up: February 2018</p> <p><b>6 of the 9 recommendations actioned and implemented. 3 remain on-going.</b></p>
<p><b>Non-Domestic Rates (Business Rates)</b></p> <p><b>Audit Opinion:</b> <b>Good ☆☆☆</b></p>	<p>Original audit: March 2017. Followed up: March 2018</p> <p><b>Both of the recommendations made have been actioned.</b></p>
<p><b>Other Work</b></p> <p><b>GDPR</b> - With the GDPR (General Data Protection Regulation) imminent, one of our auditors has undertaken GDPR support work for the information management group, helping to raise awareness of the new requirements around departments through attendance at team meetings, and provision of 1-1 advice.</p> <p><b>One Teignbridge Transformation Project</b> - project assurance and GDPR compliance roles are undertaken by the Audit Manager and Auditor.</p> <p><b>Investigations</b> – a number of investigations including 5 management issues and one fraud investigation have been completed</p>	