



devon **audit** partnership

# Draft Internal Audit Report

Mount Edgcumbe Joint  
Committee 2014/15  
Place Directorate  
Plymouth City Council

May 2015

**OFFICIAL**



**Auditing for achievement**

## **Devon Audit Partnership**

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The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay and Devon councils. We aim to be recognised as a high quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at [robert.hutchins@devonaudit.gov.uk](mailto:robert.hutchins@devonaudit.gov.uk).

## **Confidentiality and Disclosure Clause**

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This report is protectively marked in accordance with the National Protective Marking Scheme. Its contents are confidential and, whilst it is accepted that issues raised may well need to be discussed with other officers within the organisation, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.

This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

## **1 Introduction**

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The Mount Edgcumbe Joint Committee was formed by agreement between Cornwall County Council and Plymouth City council as joint owners of the Mount Edgcumbe Country Park.

In accordance with Regulation 6 of the Accounts and Audit Regulations 2003 Devon Audit Partnership has carried out a review of the Mount Edgcumbe Joint Committee's financial accounting systems and internal control arrangements in place for the 2014/15 financial year.

## **2 Audit Opinion**

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High Standard - The system and controls in place adequately mitigate exposure to the risks identified. The system is being adhered to and substantial reliance can be placed upon the procedures in place. We have made only minor recommendations aimed at further enhancing already sound procedures.

## **3 Executive Summary**

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Overall arrangements are of a high standard. Mount Edgcumbe Joint Committee's focus for 2014/15 has been to drive forward the transformational change of Mount Edgcumbe Park, the objectives of which are now starting to be realised.

Cornwall County and Plymouth City Council's agreed a total annual contribution of £284k for 2014/15, a reduction of £30k from 2013/14.

As part of on-going business planning, budget monitoring and transformation projects risks to objectives are considered, a formal risk register has now been developed and is due to be considered by the Joint Committee at its meeting in July 2015. With the continued pressures on budget and the significant changes from transformational change risk management will be integral to management decision making and business planning process

The detailed findings and recommendations regarding these issues and less important matters are described in the Appendices. Recommendations have been categorised to aid prioritisation. Definitions of the priority categories and the assurance opinion ratings are also given in the Appendices to this report.

## 4 Assurance Opinion on Specific Sections

The following table summarises our assurance opinions on each of the areas covered during the audit. These combine to provide the overall assurance opinion at Section 2. Definitions of the assurance opinion ratings can be found in the Appendices.

Areas Covered		Level of Assurance
1	Inappropriate accounting records have been maintained.	High Standard
2	Payments made do not comply with financial regulations, are not approved, supported by invoices or appropriately accounted for.	High Standard
3	Risks to objectives are not identified or managed.	Good Standard
4	Budgetary control processes are inadequate	High Standard
5	Income has not been received, properly recorded or promptly banked.	High standard
6	Petty cash payments are not approved, supported by receipts or appropriately accounted for.	Not Covered
7	Salaries are paid without approval and PAYE and NI requirements are not met.	High Standard
8	Asset and investment registers are incomplete and inaccurate.	High Standard
9	Periodic and year end bank account reconciliations are not carried out.	Not Covered
10	Accounting statements have not been prepared on the correct basis, agreed to the cash book or supported by an adequate audit trail.	High Standard

The findings and recommendations in relation to each of these areas are discussed in the "Detailed Audit Observations and Action Plan" appendix. This appendix records the action plan agreed by management to enhance the internal control framework and mitigate identified risks where agreed. Management are required to agree an action plan, ideally within three weeks of receiving the draft internal audit report. Written responses should be returned to Brenda Davis ([brenda.davis@devonaudit.gov.uk](mailto:brenda.davis@devonaudit.gov.uk)) or Louise Clapton ([louise.clapton@devonaudit.gov.uk](mailto:louise.clapton@devonaudit.gov.uk)). Alternatively a meeting to discuss the report and agree the action plan should be arranged with the named auditors.

## **5 Issues for the Annual Governance Statement**

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The evidence obtained in internal audit reviews can identify issues in respect of risk management, systems and controls that may be relevant to the Annual Governance Statement.

In terms of this review we are able to report that there are no issues arising that warrant inclusion in the Annual Governance Statement.

## **6 Scope and Objectives**

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To provide Mount Edgcumbe Joint Committee with an opinion on whether internal control objectives were achieved throughout the financial year.

## **7 Inherent Limitations**

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The opinions and recommendations contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed.

## **8 Acknowledgements**

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We would like to express our thanks and appreciation to all those who provided support and assistance during the course of this audit.

**Robert Hutchins**  
**Head of Partnership**

**Draft Internal Audit Report - Appendix A**

**Detailed Audit Observations and Action Plan**

<p><b>1. Area Covered:</b> Inappropriate accounting records have been maintained.</p>	<p><b>Level of Assurance</b></p>
<p><b>Opinion Statement:</b>                  Mount Edgcumbe Joint Committee have maintained appropriate accounting records throughout the 2014/15 financial year.                   Plymouth City Council's CIVICA general ledger system is the main accounting system used to record the financial transactions of the Committee, from which budget monitoring reports, financial statements and statutory returns are prepared.                   A review of the internal controls operating within the main accounting system were found to be of a good standard.</p>	<p><b>High Standard</b></p>
<p>No observations and recommendations recorded.</p>	

<p><b>2. Area Covered:</b> Payments made do not comply with financial regulations, are not approved, supported by invoices or appropriately accounted for.</p>	<p><b>Level of Assurance</b></p>
<p><b>Opinion Statement:</b>                  Mount Edgcumbe Joint Committee make payments through Plymouth City Council's CIVICA creditors system.                   Internal controls operating within the creditors system were found to be of a good standard, payments cannot be made without authorised approval, due to automated controls within the system.                   Payments were found to be correctly recorded with VAT appropriately accounted for and appropriate documentation retained to support each payment.</p>	<p><b>High Standard</b></p>
<p>No observations and recommendations recorded.</p>	

<b>3. Area Covered:</b> Risks to objectives are not identified or managed.	<b>Level of Assurance</b>
<p><b>Opinion Statement:</b></p> <p>The last risk management report to Mount Edgcumbe Joint Committee was made in February 2010. Although Committee minutes do clearly demonstrate that the Joint Committee receive and discuss reports that identify the key issues impacting on its core objectives, with the continuous uncertainty of Mount Edgcumbe Parks future and the budget pressures being experienced, risk management should be integral to the business planning to ensure that ongoing and future risks are identified and managed.</p> <p>As at May 2015 a review of Mount Edgumbes risks have been completed and a draft risk register prepared. This is currently being finalised and will be presented to the next Committee meeting in July 2015 for scrutiny and agreement.</p>	<b>Good Standard</b>
No observations and recommendations recorded.	

<b>4. Area Covered:</b> Budgetary control processes are inadequate	<b>Level of Assurance</b>
<p><b>Opinion Statement:</b></p> <p>Revenue and Capital budget monitoring reports were presented to the Mount Edgcumbe Joint Committee at its meetings during the 2014/15 financial year. The reports highlighted the key financial issues arising and were supported by fully detailed budget monitoring.</p> <p>The 2014/15 budget was presented and formally approved by the Joint Committee at its meeting in July 2014. Cornwall County and Plymouth City Council's agreed to continue to equally fund Mount Edgcumbe with a total approved budget of £284K for the 2014/15 financial year. The level of subsidy has continued to reduce significantly with a decrease of £30k from that approved in 2014/15. The commercial business plan developed in 2013/14 has started to realise its objectives through increasing its income streams and reducing expenditure.</p>	<b>High Standard</b>
No observations and recommendations recorded.	

<b>5. Area Covered:</b> Income has not been received, properly recorded or promptly banked.	<b>Level of Assurance</b>
<p><b>Opinion Statement:</b>  Mount Edgcumbe Joint Committee receives income through Plymouth City Council's CIVICA debtors system and ICON cash receipting system.</p> <p>All expected income was properly recorded and promptly banked. VAT has been correctly accounted for.</p> <p>Overall the level of internal control was found to be of a good standard,</p>	<b>High standard</b>
No observations and recommendations recorded.	

<b>6. Area Covered:</b> Petty cash payments are not approved, supported by receipts or appropriately accounted for.	<b>Level of Assurance</b>
<p><b>Opinion Statement:</b>  We have not provided assurance with regard to petty cash transactions (internal control objective F) as we consider the balance too small to warrant detailed review.</p>	<b>Not Covered</b>
No observations and recommendations recorded.	



<b>7. Area Covered:</b> Salaries are paid without approval and PAYE and NI requirements are not met.	<b>Level of Assurance</b>
<p><b>Opinion Statement:</b>  Mount Edgumbe staff are employed by Plymouth City Council with salary payments made through its iTrent Payroll System.</p> <p>A review of internal controls operating within the payroll system were found to be of a good standard.</p> <p>Payments cannot be made without authorised approval and appropriate documentation is retained to support each employee appointment and claim for additions to pay. Payroll expenditure payments were found to be correctly recorded, and PAYE and NI deductions made in accordance with HMRC regulations.</p>	<b>High Standard</b>
No observations and recommendations recorded.	

<b>8. Area Covered:</b> Asset and investment registers are incomplete and inaccurate.	<b>Level of Assurance</b>
<p><b>Opinion Statement:</b>  An asset register detailing Mount Edgumbes fixed assets has been maintained for the 2014/15 financial year.</p> <p>A review of internal controls operated to ensure completeness and accuracy of the fixed asset register were found to be of a good standard.</p>	<b>High Standard</b>
No observations and recommendations recorded.	

<b>9. Area Covered:</b> Periodic and year end bank account reconciliations are not carried out.	<b>Level of Assurance</b>
<b>Opinion Statement:</b> Mount Edgcumbe Joint Committee do not have their own bank account and therefore, we have not undertaken work against control objective I.	<b>Not Covered</b>
No observations and recommendations recorded.	

<b>10. Area Covered:</b> Accounting statements have not been prepared on the correct basis, agreed to the cash book or supported by an adequate audit trail.	<b>Level of Assurance</b>
<b>Opinion Statement:</b> The annual return has been prepared on an income and expenditure basis, with debtors and creditors found to be correctly stated. Figures have been verified to the general ledger system and sufficient financial records have been maintained, providing a complete audit trail.	<b>High Standard</b>
No observations and recommendations recorded.	

## Draft Internal Audit Report - Appendix B

### Definitions of Audit Assurance Opinion Levels

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Assurance	Definition
High Standard.	The system and controls in place adequately mitigate exposure to the risks identified. The system is being adhered to and substantial reliance can be placed upon the procedures in place. We have made only minor recommendations aimed at further enhancing already sound procedures.
Good Standard.	The systems and controls generally mitigate the risk identified but a few weaknesses have been identified and / or mitigating controls may not be fully applied. There are no significant matters arising from the audit and the recommendations made serve to strengthen what are mainly reliable procedures.
Improvements required.	In our opinion there are a number of instances where controls and procedures do not adequately mitigate the risks identified. Existing procedures need to be improved in order to ensure that they are fully reliable. Recommendations have been made to ensure that organisational objectives are not put at risk.
Fundamental Weaknesses Identified.	The risks identified are not being controlled and there is an increased likelihood that risks could occur. The matters arising from the audit are sufficiently significant to place doubt on the reliability of the procedures reviewed, to an extent that the objectives and / or resources of the Council may be at risk, and the ability to deliver the service may be adversely affected. Implementation of the recommendations made is a priority.

### Definition of Recommendation Priority

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Priority	Definitions
High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision. Important recommendations made to improve internal control arrangements and manage identified risks.
Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.

## Confidentiality under the National Protective Marking Scheme

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Marking	Definitions
Not Protectively Marked or Unclassified	Documents, information, data or artefacts that have been prepared for the general public or are for the public web pages or can be given to any member of the public without any exemptions or exceptions to release applying, have the classification NOT PROTECTIVELY MARKED. Some organisations will also use the word UNCLASSIFIED for publicly available information.
Official	The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.
Secret	Very sensitive information that justifies heightened protective measures to defend against determined and highly capable threat actors. For example, where compromise could seriously damage military capabilities, international relations or the investigation of serious organised crime.
Top Secret	The most sensitive information requiring the highest levels of protection from the most serious threats. For example, where compromise could cause widespread loss of life or else threaten the security or economic wellbeing of the country or friendly nations.