

Internal Audit

Audit Progress Report 2019-20

Mid Devon District Council Audit Committee

August 2019



Robert Hutchins
Head of Audit Partnership



Auditing for achievement

Introduction

The Audit Committee, under its Terms of Reference contained in Mid Devon District Council's Constitution, is required to consider the Chief Internal Auditor's annual report, to review and approve the Internal Audit programme, and to monitor the progress and performance of Internal Audit.

The Accounts and Audit (Amendment) (England) Regulations 2015 introduced the requirement that all Authorities need to carry out an annual review of the effectiveness of their internal audit system and need to incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

The Internal Audit plan for 2019/20 was presented and approved by the Audit Committee in March 2019. The following report and appendices set out the background to audit service provision; a review of work undertaken in 2019/20 and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual report providing an opinion that can be used by the organisation to inform its governance statement. This report provides that opinion.

Expectations of the Audit Committee from this progress report

Audit Committee members are requested to consider:

- the assurance statement within this report;
- the basis of our opinion and the completion of audit work against the plan;
- the scope and ability of audit to complete the audit work;
- audit coverage and findings provided;
- the overall performance and customer satisfaction on audit delivery.

In review of the above the Audit Committee are required to consider the assurance provided alongside that of the Executive, Corporate Risk Management and external assurance including that of the External Auditor as part of the Governance Framework and satisfy themselves from this assurance that the internal control framework continues to be maintained.

Robert Hutchins
Head of Devon Audit Partnership

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Opinion Statement

Overall, based on work performed during 2019/20 and our experience from the current year progress and previous years' audit, the Head of Internal Audit's Opinion is of "Substantial Assurance" on the adequacy and effectiveness of the Authority's internal control framework.

This opinion statement will support Members in their consideration for signing the Annual Governance Statement.

Internal Audit assesses whether key, and other, controls are operating satisfactorily within audit reviews, and an opinion on the adequacy of controls is provided to management as part of the audit report. All final audit reports include an action plan which identifies responsible officers, and target dates, to address control issues identified. Implementation of action plans is the responsibility of management yet may be reviewed during subsequent audits or as part of a specific follow-up process.

Directors and Senior Management have been provided with details of Internal Audit's opinion on each audit review to assist them with compilation of their individual annual governance assurance statements at year end.

| | |
|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Full Assurance | Risk management arrangements are properly established, effective and fully embedded, aligned to the risk appetite of the organisation. The systems and control framework mitigate exposure to risks identified & are being consistently applied in the areas reviewed. |
| Substantial Assurance | Risk management and the system of internal control are generally sound and designed to meet the organisation's objectives. However, some weaknesses in design and / or inconsistent application of controls do not mitigate all risks identified, putting the achievement of particular objectives at risk. |
| Limited Assurance | Inadequate risk management arrangements and weaknesses in design, and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in a number of areas reviewed. |
| No Assurance | Risks are not mitigated and weaknesses in control, and /or consistent non-compliance with controls could result / has resulted in failure to achieve the organisation's objectives in the areas reviewed, to the extent that the resources of the Council may be at risk, and the ability to deliver the services may be adversely affected. |

Executive Summary of Audit Results

Core Audits we have just started covering the Council's key financial controls including housing benefits and council tax, debtors and recovery shortly. The focus this year will, as agreed in the audit plan, be on review and documentation of the control environment with focused testing on 'hotspot' areas rather than wide ranging compliance testing.

No material issues have been identified to date.

Risk Based Audits have formed the majority of the work in the first part of the year. Opinions for the current period are included in appendix 2 to this report.

Findings have generally found a good level of control and opportunity value for improvement in achievement of objectives.

Of particular note is the opportunity the Council takes for public engagement seen through the reviews of:

- Community Engagement;
- Public Sector Housing;

These provide assurance of an sound internal control framework that is generally operating as required.

Other Work

- Risk Management
- Audit Committee guidance

Tender documents have been verified as usual.

Value Added

We know that it is important that the internal audit service seeks to "add value" whenever it can and we believe internal audit activity has added value to the organisation and its stakeholders by:

- Providing objective and relevant assurance;
- Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.

We have provided training and support to Members and Officers over the last few months and plan to do further with risk management and business continuity in the next period.

Training has focused on new members and development of the audit committees understanding of risk and its roll in developing and maintaining the assurance framework of the Council

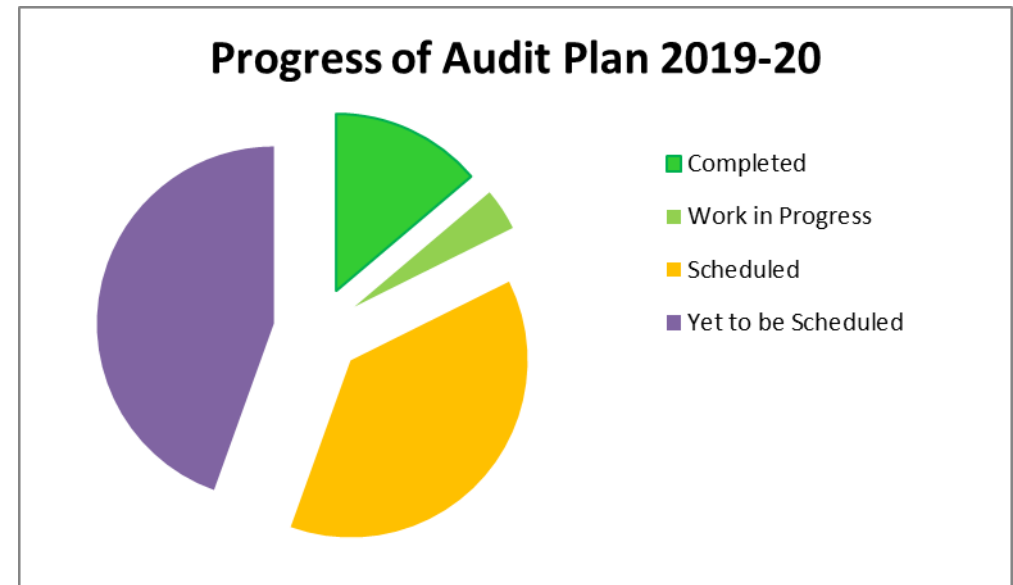
Audit Coverage and Performance Against Plan

Performance against plan has initially been a little slow though gaining pace. It is generally as expected that the larger proportion of the work to be completed in the second half of the year. This is due in part to leave arrangements and development of the audit approach. It is expected that DAP will complete the audit plan by year end. Work will be prioritised to the core financial systems in the coming 3 months to fit with External Audit requirements.

The pie charts right shows the progress of audit against plan. The work completed in this period is primarily risk based work with some core key financial systems being commenced now.

Appendix 1 to this report provides a summary of the audits undertaken since our last progress report in June 2019, along with our assurance opinion. Where a "high standard" or "good standard" of audit opinion has been provided we can confirm that, overall, sound controls are in place to mitigate exposure to risks identified; where an opinion of "improvements required" has been provided then issues were identified during the audit process that required attention. We have provided a summary of some of the key issues reported that are being addressed by management. It should be pointed out that we are content that management are appropriately addressing these issues.

Key performance indicators on progress against audit recommendations reveals that the Council continues to make progress though there remain



several recommendations outstanding from prior year audits. See appendix 2. We have been working with the Council to improve procedures to ensure that these are monitored more effectively such that they are brought to a close more quickly.

Fraud Prevention and Detection

There have been no reviews this period.

Customer Satisfaction – satisfaction returns specific to MDDC have yet to be received this year though in general for DAP, survey returns score 98% satisfaction year to date.



Appendix 1 – Summary of audit reports and findings for 2019/20


Risk Assessment Key

Spar – Local Authority Risk Register score Impact x Likelihood = Total & Level
 ANA - Audit Needs Assessment risk level as agreed with Client Senior Management
 Client Request – additional audit at request of Client Senior Management; no risk assessment information available

Direction of Travel Assurance Key

Green – action plan agreed with client for delivery over an appropriate timescale;
 Amber – agreement of action plan delayed or we are aware progress is hindered;
 Red – action plan not agreed or we are aware progress on key risks is not being made.
 * report recently issued, assurance progress is of managers feedback at debrief meeting.

| Risk Area / Audit Entity | Audit Report | | | | | |
|-------------------------------------------------------------------------------------|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|---|-------------------------------|---------------------------------------------------------------------------------------|
| | Assurance opinion | Executive Summary / Residual Risk | Summary of Recommendations High / Med / Low | | Direction of Travel Assurance | |
| Risk Based Reviews | | | | | | |
| Community Engagement Risk / ANA: ANA – Med Spar = 4x3=12 Med/Orange | Good Standard Status: Final | <p>The framework to ensure that the Council engages and consults with the community efficiently is now in place with the adoption of the Community Engagement Strategy. There are 'proposed' external and internal communications action plans within the strategy, and performance against the plan is monitored at monthly Corporate Performance Meetings with Leadership Team to ensure objectives are being met.</p> <p>Our survey of 7 service areas within the Council found that there were examples where services demonstrated excellent customer engagement and involvement; it is recognised that in some cases, this is essential for regulatory or legislative requirements. There are other non-regulatory functions where council services also engage with voluntary groups, form partnerships with other organisations and encourage community involvement in local events. There are numerous ways that residents are kept informed of updates, through emails alerts, council website updates, and social media platforms, as well as news stories and information to local newspapers. It is also recognised that Councillors also provide a vital engagement channel, as representatives of their constituents.</p> <p>Our review found that there are further opportunities to increase customer engagement through a 'Champion' and greater use of 'plain English' but overall, there is a good level of assurance that the Council is working to achieve the objectives of the Community Engagement Strategy</p> | 0 | 0 | 2 |  |
| Housing – Lettings Risk / ANA: ANA – Med Spar = n/a | High Standard Status: Final | <p>A high level of assurance can be given for the application process and allocation of banding, according to housing needs. All applications are checked by the housing options team and the necessary supporting documentation is verified to ensure that banding awarded in line with the Devon Home Choice Policy.</p> <p>System access to the Devon Home Choice system is well controlled. All users were found to have access rights that were appropriate to their job role, and there are</p> | 0 | 1 | 0 |  |

| Risk Area / Audit Entity | Audit Report | | | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|---|---|---------------------------------------------------------------------------------------|
| | Assurance opinion | Executive Summary / Residual Risk | Summary of Recommendations High / Med / Low | | | Direction of Travel Assurance |
| | | <p>robust processes in place to ensure that access for new users is authorised and there are arrangements in place to remove users when they leave the Council. This process has been the subject of separate ICT review.</p> <p>The process for allocations is mainly a manual task and all information relating to property allocation is maintained by the Void and Allocation Officers. This area is also well controlled, however much of the process is managed using a large spreadsheet.</p> <p>While no errors or omissions were found in the samples selected from the spreadsheet during our review, there is always a risk of file corruption or unauthorised access to these types of documents. This risk has been recognised by Housing Management and a project has commenced to configure and utilise an allocations module within the Orchard Housing system. This should offer a more secure environment for information and increase efficiency of the process.</p> | | | | |
| <p>Private Sector Housing</p> <p>Risk / ANA: ANA – Low</p> <p>Spar</p> <p>HMO = 3x2=6 low/orange</p> <p>BCF = 3x2=6 Low/orange</p> <p>Client Request</p> | <p>Good Standard</p> <p>Status: Final</p> | <p>Our review focused on two areas, provision of disabled facilities through use of the Better Care Fund and Houses in Multiple Occupation. Operationally the control framework for both these areas, provision of disabled facilities and licensing of houses in multiple occupation is considered to be generally sound and to operate effectively.</p> <p>The Uniform system is used to record/monitor all applications, for both HMOs and BCF applications, although it is noted that monitoring is currently a manual task. Uniform requires further development to enable automation of trigger points/alerts for monitoring purposes. Further system development is required to improve efficiency and strengthen assurance of the control framework.</p> <p>It is recognised that it is the Council's responsibility to license Houses in Multiple Occupation (HMOs) and that the landlord is responsible for establishing if their property constitutes an HMO and to apply for a license.</p> <p>The Council currently has a total of 12 HMOs licensed within Mid Devon. Although it's not the Council's duty to identify HMOs, it has taken measures to identify HMOs and recognises the risk as 'Failure to address control of HMOs could result in the Council failing to meet the Decent Home Standard and people living in poor conditions, with hardship and disease'. We feel, considering the low number of licensed premises that there could be further opportunity to identify potential HMOs through data analytics.</p> | 0 | 5 | 0 |  |

| Risk Area / Audit Entity | Audit Report | | | | | |
|------------------------------------------------------------------------------------|--------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|----|---|-------------------------------|
| | Assurance opinion | Executive Summary / Residual Risk | Summary of Recommendations High / Med / Low | | | Direction of Travel Assurance |
| | | In relation to the Better Care Fund, the Council identifies on the risk register: "Failure to allocate DFG money to those most in need could result in vulnerable people suffering needlessly in their homes". All applications for Better Care Fund (BCF) grants (previously Disabled Facilities Grants) requires referral from an Occupational Therapist within the social care services. The Council, therefore, works closely them and with other support services to promote the BCF and has, during 2018/19 engaged in activities to promote the BCF and plan to do it again this year. This has seen an increase from 1 application in 2013-14 to over 50 per year in the last 3 years. Recognising this, the Council has still underspent on the BCF during 2018/19 so there is further opportunity to increase take up of the BCF with development of a recognised budget and strategy for the promotion of the BCF. | | | | |
| Housing Health and Safety Risk / ANA: ANA – High Spar 5x1=5 low/green | Improvement required Status: Final | This review was reported as part of the annual report in June 2019. Recommendations have now been finalized and management action agreed. | 3 | 13 | 3 | |
| Safeguarding Risk / ANA: ANA – High Spar 5x2=10 Med/Orange | Good Standard Status: Final | At a higher level the control framework is in place through safeguarding policy and procedures to ensure safeguarding operates effectively, however, it has been noted that the departmental Safeguarding Designated Officers have not met as a group for over 12 months. There have been some staff changes within the group, therefore, it is important to resume these meetings to ensure that SDO's are kept up to date with any safeguarding issues and to ensure a consistent approach across all service areas. Our review went on to focus on the safeguarding arrangements within a specific service area - taxi licensing. We found that overall, the controls in place give a high level of assurance that the Licensing Service recognises its safeguarding responsibilities. This is evident where policies and procedures are in place to support safeguarding awareness and to reduce the risk of issues. | 2 | 4 | 0 | |
| ICT – Service Transition Risk / ANA: ANA - Medium Spar – not recorded | Improvements required Status: Final | This review was reported as part of the annual report in June 2019. Recommendations have now been finalized and management action agreed. | 4 | 8 | 0 | |

| Risk Area / Audit Entity | Audit Report | | | | |
|---------------------------------------------------------------------------|----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|--|-------------------------------|
| | Assurance opinion | Executive Summary / Residual Risk | Summary of Recommendations High / Med / Low | | Direction of Travel Assurance |
| Asset Management Risk / ANA: ANA – Low Spar 3x3=9 Med/Orange | High Standard Status: Audit completed | Our review has been concluded and the draft report is being concluded for consideration by management. Outline conclusions are of a High level of assurance that there is a robust Asset Management Strategy in place. | | | n/a |

The following audits have been completed:
 - draft reports are being prepared - Housing Benefits, Partnership Working
 No material concerns have been identified with these reviews. Opinions will be provided in the November progress report.
 The remaining plan work is scheduled for completion by the year end.




Appendix 2 – Performance Indicators

| Incomplete Audits | Year | Recommendations | | | | | | | | | Direction of Travel R,A,G | Comments | | | |
|---------------------------------|------|-----------------|----|---|--------|----|----|-----|---|---|------------------------------|----------|-------|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | High | | | Medium | | | Low | | | | | Total | | |
| | | C | N | O | C | N | O | C | N | O | | | C | N | O |
| Care Services - Alarm Call | 2017 | 2 | | 2 | 3 | | | | | | 5 | 0 | 2 | R | We are awaiting outcome of the South Somerset and Taunton Council merge and the merging and relocation of the Taunton Deane call centre before progressing these actions. |
| Development Management S106 | 2017 | | | 2 | | | 3 | | | | 0 | 0 | 5 | R | Progress being monitored by LT. S106 Governance arrangements to be approved by Cabinet. Reconsidering systems design. |
| Procurement | 2018 | | | 1 | 2 | | 4 | | | | 2 | 0 | 5 | R | Corporate Procurement Strategy outstanding. |
| Legal Services | 2015 | | | | 2 | | 2 | | | | 2 | 0 | 2 | A | Date extended, digital archiving system required |
| Standby | 2016 | | | | 2 | | 1 | | | | 2 | 0 | 1 | A | Will be taken into account during a review of the whole Standby Service, due by the end of 2018. |
| Payroll | 2017 | 3 | | | 6 | 1 | | | | | 9 | 1 | 0 | A | Call logged with Zellis, awaiting information on how to set up auditing using the auditing report |
| ICT Inventory | 2017 | 2 | | | 3 | | 1 | | | | 5 | 0 | 1 | A | Create a policy for returning equipment |
| Safeguarding | 2017 | 1 | | | 3 | | 1 | | | | 4 | 0 | 1 | A | Risk register - front line services. Requests sent to GMs to add to SPAR |
| Housing Rents | 2018 | 3 | 1 | | 4 | | 2 | | | | 7 | 1 | 2 | A | Officers now allocating time each week to carry out work to deal with backlog of refunds for accounts in credit. ICT helpdesk request raised for workflow process in respect of movers. |
| VAT - Partial Exemption | 2018 | | | 2 | 1 | | 1 | 2 | | | 3 | 0 | 3 | A | Review process has been added to the VAT calculation, further elements will be built into the wider VAT monitoring process which is yet to be formalised. |
| Equality Impact Assessment | 2018 | | 1 | | 3 | | | | | 1 | 3 | 1 | 1 | A | Incorporated some actions into Customer Engagement Strategy. Target extended to August 2019. |
| Partnerships - Building Control | 2018 | 2 | | | 3 | 3 | 2 | | | | 5 | 3 | 2 | A | |
| Vehicles & Fuel | 2015 | 5 | | | 6 | | 1 | | | | 11 | 1 | 0 | G | Draft policy had now been written & is with GM working group for sign off. |
| Creditors | 2017 | 1 | | | 1 | 1 | | 1 | | | 3 | 1 | 0 | G | System accountant is reviewing the invoice scanning project although this may now not prove cost effective. |
| Insurance | 2017 | 1 | | | 3 | | | | | 1 | 4 | 0 | 1 | G | Insurance checks for external contractors - in discussion with Procurement. |
| Creditors | 2018 | | | | 4 | | | 2 | 1 | | 6 | 1 | 0 | G | |
| Housing Benefits | 2018 | | | | | 2 | 0 | 1 | | | 1 | 2 | 0 | G | These outstanding recommendations relate to ICT functions. AK has reviewed and extended the completion dates. |
| Income & Cash Collection | 2018 | | 2 | | 2 | 4 | | 1 | 1 | | 3 | 7 | 0 | G | |
| Ctax and NNDR and recovery | 2018 | 1 | | | 1 | 1 | 1 | 3 | | | 5 | 1 | 1 | G | This relates to s106 developer payment (sundry debt raised). Developer continuing to pay monthly at a rate of £2k per month. Outstanding debt is currently £157K |
| Business Continuity Planning | 2018 | | | | | 2 | | | | | 0 | 2 | 0 | G | |
| Culture and Ethics | 2018 | | | | 2 | | | | 2 | | 2 | 2 | 0 | G | |
| Leisure CVSC | 2018 | | | | 5 | 1 | | | | | 5 | 1 | 0 | G | New procedures in place. Amended target date to reflect on-going review/testing of process in partnership with HR. |
| Grounds Maintenance | 2018 | | | | 2 | 1 | | 2 | | | 4 | 1 | 0 | G | Departmental SLA's for grass cutting |
| Housing Health & Safety | 2018 | | 1 | | | 15 | | 1 | 1 | | 0 | 17 | 1 | G | |
| Risk Management | 2018 | | 6 | | | 7 | | 0 | | | 0 | 13 | 0 | G | |
| | | 21 | 11 | 7 | 58 | 39 | 18 | 12 | 5 | 3 | 91 | 55 | 28 | | |

| |
|--------|
| CORE |
| SYSTEM |

8

C = Completed 52%
N= Not yet due 32%
O= Overdue 16%

Not progressing 
 Progressing some overdue 
 On Target 
 * report just issued

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Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon & Torridge 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 .