



devon**audit**partnership

Internal Audit

Annual Audit Report 2019-20

Mid Devon District Council
Audit Committee

June 2020

Robert Hutchins
Head of Audit Partnership



Auditing for achievement

Introduction

The Audit Committee, under its Terms of Reference contained in the 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 to date 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 annual 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 (see appendix 5) and satisfy themselves from this assurance for signing the Annual Governance Statement.

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 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. The exception to this is in relation to the Council's governance arrangements over it's investment exposure associated to it's property development operation where our opinion is of 'improvements required'.

This opinion statement will provide Members with an indication of the direction of travel for their consideration for the Annual Governance Statement see appendix 4.

The Authority's internal audit plan for the year includes specific assurance, risk, governance and value added reviews which, with prior years audit work, provide a framework and background within which we assess the Authority's control environment. These reviews have informed the Head of Internal Audit's Opinion on the details of Internal Audit's opinion on each audit review carried out in 2019/20 to date. If significant weaknesses have been identified in specific areas, these will need to be considered by the Authority in preparing its Annual Governance Statement later in the year when preparing the Statement of Accounts for 2019/20.

In carrying out systems and other reviews, 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 rests with management, these are reviewed during subsequent audits or as part of a specific follow-up.

The summary Assurance Opinions chart on page 3 provides a "Themed" overview. We have RAG rated the audit areas covered to identify what our assurance is relative to the audit plan.

This statement of opinion is underpinned by:

Internal Control Framework

The control environment comprises the Council's policies, procedures and operational systems including processes in place to establish and monitor the achievement of the Council's objectives; facilitate policy and decision making; ensure economical, effective and efficient use of resources, compliance with established policy, procedure, law and regulation; and safeguard the Council's assets and interests from losses of all kinds. Core financial and administrative systems were reviewed by Internal Audit.

The Council's overall internal control framework is considered to have operated effectively during the year. Where internal audit work has highlighted instances of none or part compliance, none are understood to have had a material impact on the Authority's affairs. However, the opinion provided must be considered in light of the current (at time of writing) ongoing coronavirus pandemic, and the impact of this on the Council. Our opinion is based on internal audit work undertaken during 2019/20, a majority of which took place prior to Covid-19 and the resulting emergency measures being implemented.

Covid-19 measures have resulted in a significant level of challenge to the Council and put pressure on the expected control environment; the need for prompt and urgent action by officers has required changes to some procedures and control arrangements e.g. business grant funding. The level of impact this had in 2019/20, and continues to have in 2020/21, is changing as the situation develops. In respect of this annual report it has not been possible to fully quantify the additional risk that may have arisen from such emergency and short-term measures or fully determine the overall impact on the framework of governance, risk management and control.

Risk Management

Risk Management process at strategic and operational level remains in place although it is recognised that ongoing review is required to improve the focus of risks to key business objectives and improve mitigation control. There remains work to be done to embed this at operational level.

Governance Arrangements

Governance arrangements have been considered in the areas of projects and procurement and Contract, and found to be effective, but with opportunities to improve consistency or alignment to business need. The Council's engagement with the Information Security Group continues to provide governance in relation to management of information.

Performance Management

Performance is subject to monitoring at management and Committee levels through PDG and Scrutiny. This is supported by the SPAR performance monitoring system though it is recognised that this requires improvement to further embed monitoring into day to day operations.

| | | | |
|-----------------------|---|-------------------|---|
| 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. | 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. |
| 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. | 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. |

Summary Assurance Opinion

| Summary of key audit reviews | | Service Area Overview of Audit Coverage | | | | Opportunity | Value Added |
|------------------------------|-----------------------------------|---|--------------------------------------|---------------------------------|-------------------------------------|------------------------------------|----------------------------------|
| | | Finance & Resources | Corporate Affairs | Operations | Planning & Economy | | |
| | | Assets Management | Job Evaluation Framework | Private Sector Housing | Development Control – S106 | Appraisals and Training | Tender opening |
| | | Commercial Rents | Ethics and Culture | Vehicle Fleet Management | Community Engagement & Consultation | Ethics and Culture | Fraud Prevention & Investigation |
| | | Contract Management | Safeguarding | Housing Repairs and Maintenance | Property Development | Safeguarding | National Fraud Initiative |
| | | VAT management of Partial Exemption | Business Continuity Planning | Trade Waste Income | | Housing Benefits Discovery Testing | Audit Follow-up |
| | | | Freedom of Information | Lettings | | Leisure Centre - EVLC | Consultancy |
| Core Assurance | Key Financial Systems - | Main Accounting system, Financial Systems Admin | Council Tax & NNDR, Housing Benefits | Debtors, Housing Rents | Creditors, Payroll | Treasury Management, Bank Rec. | |
| | | | | | | | |
| | Governance & Business Processes - | Contract Management | Risk Management | Budgeting system | Human Resource Systems | Procurement | |
| | | | | | | | |
| | ICT - | Cyber Security | Systems Admin | | | | |
| | | | | | | | |

Note: Assurance opinions are 'RAG' rated to support the overall assurance opinion for the year. The ratings are relevant at the time of the audit review and assurance may have improved since that time. Performance against recommendations is shown in appendix 2.
 Areas shaded blue denote opportunity or value added work.

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.

Feedback has led us to change the clearance process of audit findings with the introduction of a debrief at the close of audit. This will bring the feedback to an earlier stage and smooth the clearance process of the draft report. A selection of audit feedback surveys received have stated:-

"on cyber security – a fair reflection of the councils position"

"on Housing Health and Safety– identified opportunity gfor improvement"

"on audit – the customer service and manner of the auditor was excellent"

We trust that officers have found our engagement, support as a "trusted advisor" effective and constructive in these significantly changing times.

Audit Coverage and performance against plan

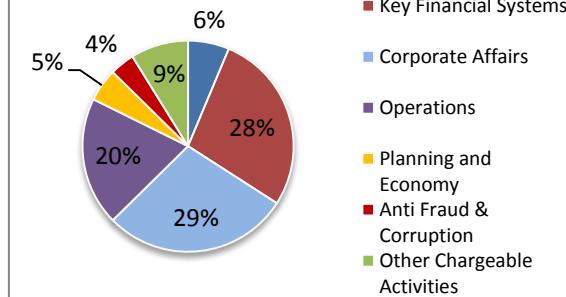
We have completed 91% of the revised plan for the year. The remaining audits have been either deferred by the client or rolled over the year end as work in progress. These will all be completed. The pie charts right shows the breakdown of audit days planned by service area / type of audit support provided. The balance of work has varied slightly during the year as can be seen from comparison with the second chart, and variations have been with full agreement of the client. Appendix 6 shows the performance indicators for audit delivery. Some audits required a richer mix of staff resource due to the complexity / sensitivity of the area under review e.g. ICT and property.

Appendix 1 to this report provides the final progress summary of the audits undertaken during the year, along with our assurance opinion. Where a "high" 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 "improvement required" has been provided then issues were identified during the audit process that required attention. We have provided summaries 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.

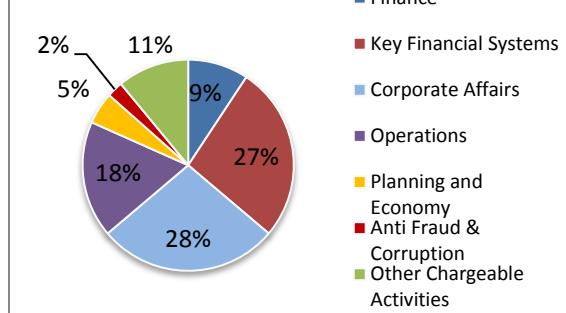
Fraud Prevention and Detection

Overall the risk of fraud at the Council is considered low. We have completed a review of the Council's fraud policy and procedures this year and provided training to Members on their role to develop understanding. The Council are in the process of agreeing improvement opportunities to their counter fraud arrangements. All our internal audit assignments include an aspect of considering the potential for fraud and how the council prevents such fraud occurring. In particular, work on the key financial systems (payroll, creditors, debtors, treasury management etc) considered the suitability and robustness of the control framework to prevent, detect and address fraud. The national data matching exercise (National Fraud Initiative - NFI) is supported by the Council every two years. There were no significant investigations that were required during the year though we are currently reviewing.

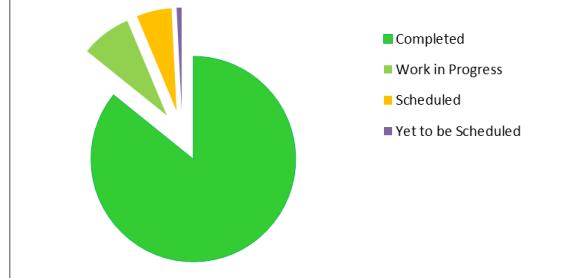
Audit Plan 2019-20



Audit Delivery 2019-20



Progress of Audit Plan 2019-20



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 | Assurance opinion | Executive Summary / Residual Risk | Audit Report | | |
|--|--|---|---|---|---|
| | | | Summary of Recommendations High / Med / Low | | Direction of Travel Assurance |
| Core Audit – Key Financial Systems | | | | | |
| Housing Rents Risk / ANA: ANA – High Spar 4x2=8 Low/amber Income collection | Good Standard Status: Draft | <p>There is good control over budget setting and implementation of annual rents changes where government guidance on formula rent is complied with. There is a robust process in place for direct debit collection and associated maintenance of accounts.</p> <p>There has been a focus on collection of current tenant arrears for 2018/19. An analysis of arrears over the last year identified that the number of current tenant arrears accounts has increased by 14% however, the monetary increase has risen marginally (2.1%) which indicates that current tenant arrears is being managed well. Former tenant arrears have increased by just over 50% both in monetary value and number of accounts. The re-structure in Housing Services has allowed for a designated team to focus on income collection including reviewing and implementing the arrears procedures.</p> <p>The process of informing System Administrators of leavers and movers requires review to ensure that risk of unauthorised access is addressed.</p> | 2 | 1 | 1 |
| Council Tax, NNDR and Recovery Risk / ANA: ANA –High Spar 3x3=9 Medium | Good Standard Status: Completed | <p>The audit has been completed ad we are currently in the process of drafting our report. The control framework for council tax and NNDR remains sound and the operation of controls by staff on a day to day basis is considered to be effective. Customer accounts were found to be effectively managed and amendments are processed in good time. We found no material concerns from our review. One of the key compliance controls has not been operating during the year due to staff availability which reduces the internal control assurance, however, we understand that this will be resumed. At the time of the audit, staff were in the process of reviewing of the Small Business Rates Relief to ensure income maximisation from Non - Domestic Rates. This is the second year that this has been undertaken and it will provide some additional assurance to the emergency arrangements for business grant relief during the current pandemic.</p> <p>Work has been carried out to ensure accuracy of reconciliations between the cash receipting system and the Northgate system (Revenues and Benefits). These are now up to date and are carried out by Finance.</p> <p>There is an effective process in place to monitor arrears and progress with recovery. Detailed testing of this will be carried out the 1920-21 audit plan.</p> | n/a | |  |

| Risk Area / Audit Entity | Assurance opinion | Audit Report Executive Summary / Residual Risk | Summary of Recommendations High / Med / Low | Direction of Travel Assurance |
|---|---|---|--|---|
| Risk Based Audits | | | | |
| Commercial Rents Risk / ANA: ANA - Medium Spar – not recorded | Improvements required Status: draft | <p>In overview the high-level control framework is sound where the Capital Asset Management Group is responsible for ensuring effective liaison on asset management issues across the Council, and to also ensure that assets are being managed efficiently. A review of the meeting minutes found that regular progress updates were provided by the Group Manager for Corporate Property and Commercial Assets, and other officers. These procedures comply with the Asset Management and Capital Strategy Plan 2016-20 and give a high level of assurance of a corporate approach to proposals effecting the Council's land and buildings.</p> <p>We found a number of operational risks where mitigating controls were not operating effectively and where the impacts of market forces and operational approach have compromised controls. Key among these are:</p> <ul style="list-style-type: none"> - delays in renewal of tenancy leases many of which have passed expiry dates and are in a 'rolling' status; - property database is not up to date with all information for management control; - debt performance management through property agents. <p>These are all known issues and some progress is being made, however, the corporate stance on some of these matters needs further consideration.</p> | 2 5 2 |  |
| Culture and Ethics Risk / ANA: ANA - Medium Spar – not recorded | Good Standard Status: Final | <p>The purpose of this review was to follow-up on the progress of the management actions from our previous audit, carried out in February 2019. Our follow-up found that progress has been made in all of the areas highlighted in our original review, with the Scrutiny Committee having received training in May 2019 to enable them to understand their role to 'challenge' decisions made by the Council. Since our previous review, the new Corporate Plan has been approved and there is now a dedicated section within the Plan which explains 'how' the Council intends to do business. This addresses the 'opportunity' raised in the previous report to communicate the Council's values to their customers. These measures should help to continue the work to embed the Council's vision and ethos with both the community and staff.</p> | 0 0 1 |  |
| Freedom of Information Risk / ANA: ANA –Medium Spar – not recorded (GDPR Compliance 5x2=10 Amber) | High Standard Status: Final | <p>Our review found that for recording of response to FOI Requests (including exemptions, exceptions and charges) - the process for handling requests received is compliant with the FOI Act 2000. Policies and procedures in place, are up to date and specify responsibilities regarding the treatment of FOI and EIR requests. These documents comply to the Information Commissioners Office (ICO) Code of Practice, have owners and are subject to regular review and update. The Council, as required, also has a procedure in place for dealing with complaints in relation to its handling of information requests. The complaints procedure is in accordance with the FOI Act, Code of Practice and the EI Regulations. There is sufficient information available to the public on the website to be able to make a complaint / appeal if they are dissatisfied with an FOI response.</p> | 0 0 0 |  |

| Risk Area / Audit Entity | Audit Report | | | |
|--|--|---|--|---|
| | Assurance opinion | Executive Summary / Residual Risk | Summary of Recommendations High / Med / Low | Direction of Travel Assurance |
| Leisure Centres - EVLC Risk / ANA: ANA –Medium Spar – not recorded | Good Standard Status: Draft | <p>The Council committed to building a new extension at Exe Valley Leisure Centre (EVLC) where the site was considered to be at full capacity, particularly at peak times, and it was felt that there was potential to increase membership uptake and provide better equipment to improve customer satisfaction. The original Business Case was supported by results from studies carried out by external companies on latent demand, analysis of equipment usage and number of fitness classes. There is good evidence that memberships and usage has increased following the new extension though they have not reached expected targets. Leisure services have completed a post implementation “lessons learnt” report which is informing management monitoring.</p> <p>Our review found evidence that membership numbers, customer numbers and participation in fitness classes is analysed and closely monitored on a regular basis, by managers, along with customer comments which informs decisions relating to class and equipment requirements, driven by customer demand. An annual marketing plan is produced with details of each initiative, allocating time, expenditure and named officers to each campaign. We consider these actions and other monitoring to be good practice yet further drive is needed to enable target measures to be better achieved. We feel that there is an opportunity for service monitoring to be a more formal report for senior management, to give assurance that progress against objectives is achieved, and that the objectives of the project have been realised.</p> | 0 4 0 |  |
| Business Continuity Planning Risk / ANA: ANA –Medium Spar 4x2=8 Low/ amber | Good Standard Status: Final | <p>At the time of our previous review of Business Continuity Planning in February 2019, a full-scale test of BCP's covering Phoenix House to run through scenarios in a mock environment without giving any warning to staff, had just been completed. Following the exercise an action plan was created. Updates to the action plan were carried out through the regular Group Manager Forums. We found that most of the actions have been completed, however, there are some outstanding actions that still need to be followed up relating to evidence of BCP arrangements with 3rd party suppliers. It would be prudent to carry out (at least) an annual review of BCP's to ensure that plans are kept up to date, and amendments are made where necessary. It is recognised that this is happening during the current pandemic where many plans have been put in practice to good effect.</p> | 0 2 0 |  |
| Development Control – S106 – follow-up review Risk / ANA: ANA – High Spar 5x2=10 med /amber | Improvements Required Status: Draft | <p>Following our original audit review of the S106 Planning Obligations in 2017/18, a follow-up review was undertaken in 2018/19 where, despite some progress having been made in the system controls, the audit opinion remained at ‘improvements required’. Since then the Council’s decision, was to develop an in-house design and build software system to replace the existing software package which had not been used to any great effect. At this stage, where the newly designed system is not yet complete and operational. Until such time, the assurance remains at improvements required where the risks around identification of S106, income management and utilisation of funds remain. We do, however, consider that weaknesses previously reported are being addressed and therefore the direction of travel is positive.</p> | 2 2 0 |  |

| Risk Area / Audit Entity | Audit Report | | | Summary of Recommendations High / Med / Low | Direction of Travel Assurance |
|---|------------------------------------|---|---|--|--|
| | Assurance opinion | Executive Summary / Residual Risk | | | |
| Contracts Management Risk / ANA: ANA – High Spar – not recorded | High Standard Status: Final | Controls in place to ensure that the Council's contracts register is accurate and updated in a timely manner operate to a high standard. Policies, procedures and monitoring of compliance with the expected procedures is effective. There is an opportunity to enhance assurance in the automation of reports relating to supplier spend, to ensure that contracts are in place where expenditure over three cumulative years may reach the defined thresholds alternative procurement procedures, to comply with the Public Sector Procurement Framework. | 0 | 0 | 1  |
| Partnerships Risk / ANA: ANA – Medium Spar – 4x2=8 Low/amber | Opportunity Completed | Findings of the audit are currently being reviewed and will be agreed with management. The main consideration relates to the definition of 'what is a partnership'? The Council's financial regulations set clear understanding of how formal partnerships are to be agreed and this is recognised in the strategic risk register. There are only two formal partnerships which are governed by proper legal agreements. There are, however, a large number of informal partnerships many of which the Council is dependent on for achievement of objectives and or where, for example information governance, risks are not clearly recognised or defined. The wider control framework may mitigate some of these risks like information governance, however, in the absence of clarity this is not clear and requires review. | | n/a | |
| Members Allowances Risk / ANA: ANA – Low Spar – not recorded | Good Standard Completed | The draft report is currently being prepared – there are no material errors or concerns. | | n/a |  |
| Sickness Absence Risk / ANA: ANA – Medium Spar – not recorded | In progress | This audit was delayed because of the current situation with the pandemic. Progress is being made and will be reported at the following audit committee meeting. The focus of the review is compliance with existing absence policy to inform new policy to be introduced and to provide assurance around the current reported KPI levels. | | | n/a |
| ICT – Core Systems Risk / ANA: ANA – High Spar 5x3=15 High/Red | Completed | Findings of the audit are currently being reviewed and will be agreed with management – no material concerns found. | | |  |
| ICT Cyber Security and Strategy Risk / ANA: ANA – High Spar 5x4=20 Very High/Red | Deferred | Work carried forwards and to be scheduled in the Summer 2020 | | | n/a |

Appendix 2 – Recommendation Performance Indicators

| Incomplete Audits | Year | Recommendations | | | | | | | | | Direction of Travel R,A,G | Comments | |
|----------------------------------|------|-----------------|----|---|--------|----|----|-----|----|---|------------------------------|---|---|
| | | High | | | Medium | | | Low | | | | | |
| | | C | N | O | C | N | O | C | N | O | C | N | O |
| Development Management S106 | 2017 | 2 | 1 | 3 | | | | 0 | 1 | 5 | 🔴 | Progress being monitored by LT. S106 Governance arrangements to be approved by Cabinet. ICT are developing an in-house software solution. Currently at end-user testing stage. CIL action plan delayed due to Inspector review of Local Plan. New target date for CIL is 31/03/20 | |
| Equality impact assessment | 2018 | 1 | 3 | | | | | 1 | 4 | 0 | 1 | 🔴 | Use of equality impact assessments for all restructuring processes. |
| Procurement | 2018 | 1 | 4 | 2 | | | | 4 | 0 | 3 | 🔴 | Corporate Procurement Strategy outstanding - deadline extended. Monitoring Waivers over £10k to Audit Committee. | |
| Partnerships - Building Control | 2018 | 1 | 1 | 8 | | | | 9 | 1 | 0 | 🔴 | Joint Partnership management meetings | |
| Payroll | 2017 | 3 | 6 | 1 | | | | 9 | 0 | 1 | ⚠️ | Call logged with Zellis, awaiting information on how to set up auditing using the auditing report | |
| Insurance | 2017 | | 3 | | | | | 1 | 3 | 0 | 1 | ⚠️ | Insurance checks for external contractors. 75% contracts are sourced through Framework agreements or SLoAC; compliance insurance is monitored through these agreements. |
| Creditors | 2018 | | 3 | 1 | 2 | 1 | | 5 | 0 | 2 | ⚠️ | On-line pro-forma has not yet gone 'live'. End-user testing still needs to be done. User guides for creditors process need to be reviewed and saved in digital format. | |
| Housing Health & Safety | 2019 | 1 | 6 | 2 | 5 | 1 | 1 | 8 | 2 | 6 | ⚠️ | Policy due to go to cabinet in May 2020 | |
| Private Sector Housing | 2019 | | 2 | 3 | 3 | | | 5 | 0 | 3 | ⚠️ | | |
| Debtors | 2019 | | 1 | 2 | 1 | 1 | 1 | 2 | 1 | 3 | ⚠️ | Progress has been deferred to July 2020 | |
| Vehicles & Fuel | 2015 | 5 | 6 | 1 | | | | 11 | 0 | 1 | ⬆️ | Draft transport policy has now been written & to LT in December | |
| Housing Benefits | 2018 | | 1 | 1 | | 1 | | 2 | 1 | 0 | ⬆️ | Re-tendering of disaster recovery contract - due date June 2020 | |
| Ctax and NNDR and recovery | 2018 | 1 | 2 | 1 | 3 | | | 6 | 0 | 1 | ⬆️ | Outstanding S106 invoice escalated to now Legal for debt recovery | |
| Business Continuity Planning | 2018 | | | | 2 | | | 0 | 0 | 2 | ⬆️ | Links to third party assurance | |
| Risk Management | 2018 | 6 | | 7 | | 0 | | 0 | 13 | 0 | ⬆️ | | |
| Cyber Security and LGA Stocktake | 2018 | 5 | 2 | 5 | 1 | 1 | | 10 | 3 | 1 | ⬆️ | | |
| Safeguarding | 2019 | 2 | | 3 | 1 | | | 5 | 1 | 0 | ⬆️ | 3 safeguarding awareness training sessions have been carried out with operatives during May 2020. Now need to pick up on those who were unavailable at the time. | |
| Vehicles & Fuel | 2019 | 1 | | 1 | | | | 0 | 2 | 0 | ⬆️ | | |
| Housing - adaptations | 2019 | 1 | | 6 | | 3 | | 0 | 10 | 0 | ⬆️ | | |
| Housing Benefits | 2019 | | 2 | 1 | | | | 2 | 1 | 0 | ⬆️ | | |
| Housing Lettings | 2019 | | | 1 | | | | 0 | 1 | 0 | ⬆️ | | |
| ICT Service Transition | 2019 | 3 | 1 | 3 | 5 | | | 6 | 6 | 0 | ⬆️ | | |
| Asset Management | 2019 | | | 2 | 0 | 2 | | 0 | 4 | 0 | ⬆️ | dates extended | |
| | | 22 | 12 | 3 | 58 | 29 | 22 | 11 | 6 | 5 | 91 | 47 | 30 |

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

C = Completed

54%

Not progressing



N= Not yet due

28%

Progressing some
overdue



O= Overdue

18%

On Target



* report just issued

Appendix 3 - Professional Standards and Customer Service

Conformance with Public Sector Internal Audit Standards (PSIAS)

Conformance - Devon Audit Partnership conforms to the requirements of the PSIAS for its internal audit activity. The purpose, authority and responsibility of the internal audit activity is defined in our internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. Our internal audit charter was approved by senior management and the Audit Committee in March 2017. This is supported through DAP self-assessment of conformance with Public Sector Internal Audit Standards & Local Government Application note.

Quality Assessment – through external assessment December 2016 “DAP is considered to be operating in conformance with the standards”. External Assessment provides independent assurance against the Institute of Internal Auditors (IIA) Quality Assessment & Public Sector Internal Audit Standards (PSIAS). The Head of Devon Audit Partnership also maintains a quality assessment process which includes review by audit managers of all audit work. The quality assessment process and improvement is supported by a development programme.

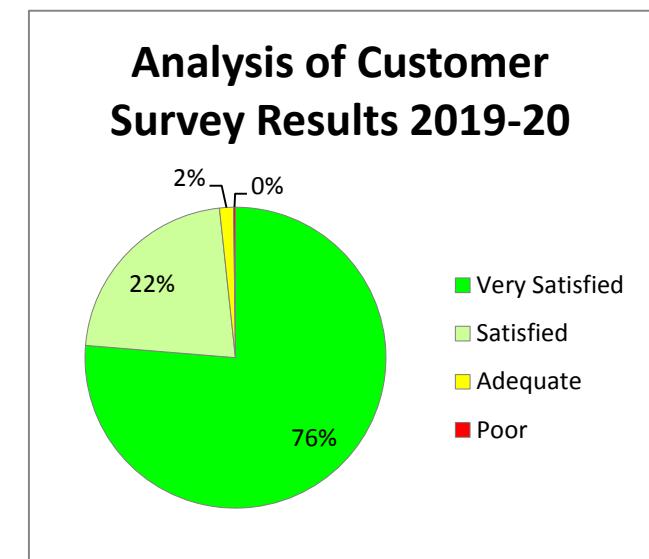
Improvement Programme – DAP maintains a rolling development plan of improvements to the service and customers. All recommendations of the external assessment of PSIAS and quality assurance were included in this development plan and have been completed. This will be further embedded with revision of our internal quality process through peer review. Our development plan is regularly updated and a status report was which is monitored by the Management Board in October 2019 and reported to the Partnership Committee.

Performance Indicators

Overall, performance against the indicators has been very good with improvements made on the previous year (see Appendix 6). We are aware that some of our draft and final reports were not issued to the customer within the agreed timeframes (15 working days for draft report and 10 working days for final report). We continue to review where performance in this area can be improved.

Customer Service Excellence

In June 2019, DAP was successful in re-accreditation by G4S Assessment Services of the CSE. We continue to issue client survey forms with our final reports and the results of the surveys returned are, although low in number, very good and again are very positive. The overall result is very pleasing, with near 98% being "satisfied" or better across our services, see appendix 7. It is very pleasing to report that our clients continue to rate the overall usefulness of the audit and the helpfulness of our auditors highly.



Appendix 4 - Audit Authority



Appendix 5 - Annual Governance Framework Assurance

The conclusions of this report provide the internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.

The Annual Governance Statement provides assurance that

- the Authority's policies have been complied with in practice;
- high quality services are delivered efficiently and effectively;
- ethical standards are met;
- laws and regulations are complied with;
- processes are adhered to;
- performance statements are accurate.

The statement relates to the governance system as it is applied during the year for the accounts that it accompanies. It should:-

- be prepared by senior management and signed by the Chief Executive and Chair of the Audit Committee;
- highlight significant events or developments in the year;
- acknowledge the responsibility on management to ensure good governance;
- indicate the level of assurance that systems and processes can provide;
- provide a narrative on the process that has been followed to ensure that the governance arrangements remain effective. This will include comment upon;
 - The Authority;
 - Audit Committee;
 - Risk Management;
 - Internal Audit;
 - Other reviews / assurance.

Provide confirmation that the Authority complies with CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. If not, a statement is required stating how other arrangements provide the same level of assurance



The AGS needs to be presented to, and approved by, the Audit Committee, and then signed by the Chair.

The Committee should satisfy themselves, from the assurances provided by the Corporate Risk Management Group, Executive and Internal Audit that the statement meets statutory requirements and that the management team endorse the content.

Appendix 6 – Performance Indicators

There are no national Performance Indicators in existence for Internal Audit, however, the Partnership does monitor the following Local Performance Indicators LPI's:

| Local Performance Indicator (LPI) | | 2018/19 | 2019/20 |
|---|-------------------------|---------------------------|---------------------------|
| | Full Year Target | 12mth Month Actual | 12mth Month Actual |
| Percentage of Audit plan Commenced | 90% | 98% | 100% |
| Percentage of Audit plan Completed | 90% | 98% | 91%* |
| Actual Audit Days as percentage of planned | 90% | 93% | 93% |
| Percentage of fundamental / material systems reviewed annually | 100% | 100% | 100% |
| Percentage of chargeable time | 65% | 66% | 67% |
| Customer Satisfaction - % satisfied or very satisfied as per feedback forms | 90% | 97% | 98% |
| Draft Reports produced within target number of days (currently 15 days) | 90% | 83% | 69% ** |
| Final reports produced within target number of days (currently 10 days) | 90% | 91% | 86% |
| Average level of sickness absence (DAP as a whole) | 2% | 2.2% | 3% |
| Percentage of staff turnover (DAP as a whole) | 5% | 4% | 4%** |
| Out-turn within budget | Yes | Yes | Yes |

* remaining work has been rolled through to the new year (mainly ICT audit inc. cyber security and strategy in agreement with the client) and will be completed in the first half.

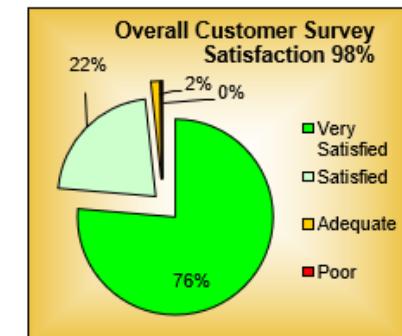
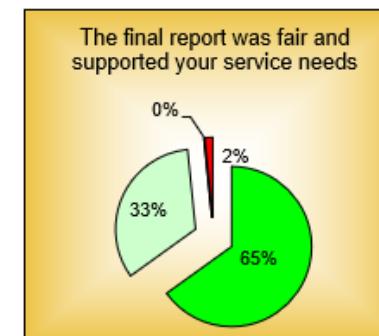
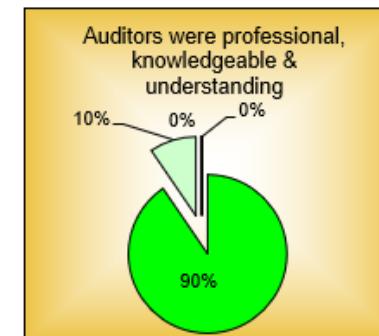
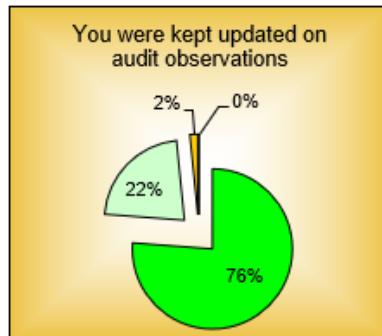
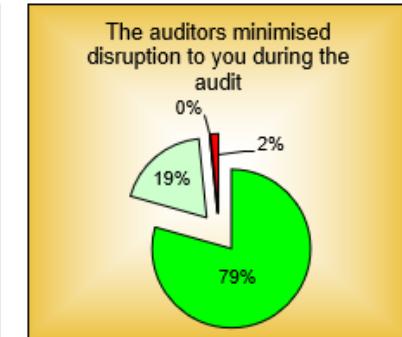
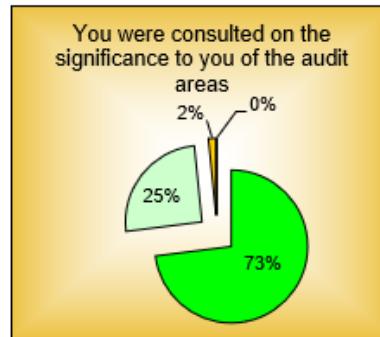
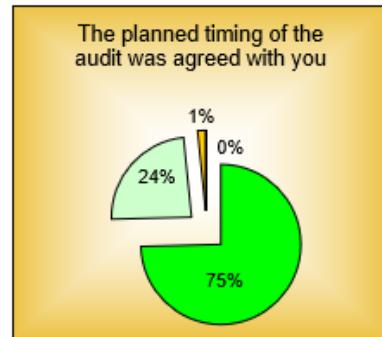
** There is a mixture of issues behind the draft report issue with staff allocation, leave and not least the pandemic in the later part of the year. This is a position overall that we will be addressing to get back on track with. Following staff change we have restructured our delivery and will have a Team of auditors delivering work to MDDC jointly with our other District Council Partners. This will help ensure that delivery is maintained and provides a wider experience base of staff.

Overall, performance against the indicators has been met.

Appendix 7 - Customer Service Excellence

Customer Survey Results April 2019 - March 2020

The charts below show a summary of 63 responses received.



Appendix 8 - Basis for Opinion

The Chief Internal Auditor is required to provide the Council with an opinion on the adequacy and effectiveness of its accounting records and its system of internal control in the Council. In giving our opinion, it should be noted that this assurance can never be absolute. The most that the internal audit service can do is to provide reasonable assurance, formed from risk-based reviews and sample testing, of the framework of governance, risk management and control.

This report compares the work carried out with the work that was planned through risk assessment; presents a summary of the audit work undertaken; includes an opinion on the adequacy and effectiveness of the Authority's internal control environment; and summarises the performance of the Internal Audit function against its performance measures and other criteria. The report outlines the level of assurance that we are able to provide, based on the internal audit work completed during the year. It gives:

- a statement on the effectiveness of the system of internal control in meeting the Council's objectives;
- a comparison of internal audit activity during the year with that planned;
- a summary of the results of audit activity and;
- a summary of significant fraud and irregularity investigations carried out during the year and anti-fraud arrangements.

The extent to which our work has been affected by changes to audit plans has not been notable this year and we have been able to accommodate the changes required within planned resources and completed the work.

In previous years, other service priorities have impacted audit delivery in only a small way and this year is no different. This has not affected the level of assurance provided.

The overall audit assurance will have to be considered in light of this position.



In assessing the level of assurance to be given the following have been taken into account:

all audits completed during 2019/20, including those audits carried forward from 2018/19;

any follow up action taken in respect of audits from previous periods;

any significant recommendations not accepted by management and the consequent risks;

the quality of internal audit's performance;

the proportion of the Council's audit need that has been covered to date;

the extent to which resource constraints may limit this ability to meet the full audit needs of the Council;

any limitations that may have been placed on the scope of internal audit.

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| Devon Audit Partnership | Confidentiality and Disclosure Clause |
|---|---|
| <p>The Devon Audit Partnership has been formed under a joint committee arrangement. 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.</p> <p>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 .</p> | <p>This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.</p> <p>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.</p> |