

Internal Audit

Audit Progress Report 2020-21

Mid Devon District Council  
Audit Committee

March 2021

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 carry out an annual review of the effectiveness of their internal audit system and incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual report providing an opinion for use by the organisation to inform its governance statement. This report provides our proposed opinion for 2020-21 based on work undertaken to date in the Opinion Statement.

The Internal Audit plan for 2020-21 was presented and approved by the Audit Committee in June 2020, and subsequently revised in October 2020. The following report and appendices set out the background to audit service provision; summaries of audit work undertaken during the year and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

### 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.
- approve the amendments to the audit plan.

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 2020/21 and our experience from the current year progress and previous years' audit, the Head of Internal Audit's Opinion is "Reasonable 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. 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 specific follow-ups.

Directors and Senior Management are 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.

<b>Substantial Assurance</b>	A sound system of governance, risk management and control exists across the organisation, with internal controls operating effectively and being consistently applied to support the achievement of strategic and operational objectives.
<b>Reasonable Assurance</b>	There are generally sound systems of governance, risk management and control in place across the organisation. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of some of the strategic and operational objectives.
<b>Limited Assurance</b>	Significant gaps, weaknesses or non-compliance were identified across the organisation. Improvement is required to the system of governance, risk management and control to effectively manage risks and ensure that strategic and operational objectives can be achieved.
<b>No Assurance</b>	Immediate action is required to address fundamental control gaps, weaknesses or issues of non-compliance identified across the organisation. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of strategic and operational objectives.

## Executive Summary of Audit Results

### Core Audits

We have completed six of the core audits, with four others underway at this point to complete in March / April. The completed audits all obtained a Reasonable Assurance, including our payroll system audit on which we recently provided a report.

### Covid-19 Grants

Significant government grants have been paid out through local authorities. We recently reported on the Covid-19 Small Business Grants, and Retail, Hospitality and Leisure Grants. We consider the system for processing grant applications was generally effective and made recommendations to improve future grant making.

### Risk Based Audits

During the period we completed audits on Digitalisation (including Social Media (SM)), and Procurement. Several other audits are at draft report stage.

With reference to the Digitalisation audit, we identified the need for more control over postings on SM by council staff to mitigate reputational risk, and for the Council to consider how SM could be used to communicate with the public.

On the procurement audit we noted the effective procurement framework and process in place, although we identified a lack of clarity in finance regulation on how Waivers are flagged up to the Council.

We have also provided a draft report on Covid-19 Staff Operations which is being discussed. The draft provides a Reasonable Assurance Opinion and recognises the good measures put in place to support staff, with some recommendations to further support staff going forward.

### Fraud Prevention and Detection

Following discussion at the last Audit Committee, we have worked with the Group Manager Risk and Performance to develop the Council's Counter Fraud Strategy. This is due to be discussed as part of the further review of the strategy in this meeting. We consider the revised strategy promotes a more systematic approach to dealing with fraud risk in the Council.

## Value Added

We know that it is important that the internal audit service seeks to "add value" whenever it can. 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.
- Undertaking audits across organisational boundaries such as the recent audit on Building Control for North Devon and Mid Devon.

## Audit Coverage and Performance Against Plan

We are on track to deliver our revised audit plan as shown in the diagram below, with any significant audits to be completed in the next few weeks.



**Appendix 1** to this report provides a summary of the audits undertaken since our last progress report in January 2021, along with our assurance opinion. Where we provide a "Substantial assurance" or "Reasonable assurance" of audit opinion we can confirm that, overall, sound controls exist to mitigate exposure to risks identified. Where we have provided a "Limited assurance" opinion then issues were identified during the audit process that required attention. We are broadly content that management are appropriately addressing these issues albeit recent audits have identified instances where recommendations are yet to be fully completed.

**Key performance indicators** on progress against audit recommendations reveals that the Council continues to make progress although management reports that there are current 3 High Recommendations overdue from prior year audits (See **Appendix 2**).

**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.

### Assurance Mapping

We have continued to refine our assurance map based on our work undertaken this year. We present a paper on this work to this meeting of the Committee.

**Planning for 2021-22 Audit Plan** - We have created a draft audit plan which we have discussed with Senior Management Team. The plan is to be discussed as a separate agenda item at this Audit Committee.

**Internal Audit Charter and Strategy** – At this meeting we have also provided an updated Audit Charter and Strategy for agreement by the Audit Committee as a separate agenda item.

## Appendix 1 – Summary of audit reports and findings for 2020-21

### 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			Direction of Travel Assurance
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low	
<b>CORE – KEY FINANCIAL SYSTEMS</b>				
<b>Payroll</b> Spar (Payroll) Risk 1 x 1 = Low	Reasonable Assurance  Status: Final Report	Payroll process operate effectively. User access to the system is effectively controlled to prevent unauthorised access. Controls for BACS payments are also effective. Payroll calculations we tested were accurate. The Senior HRBP (L&D) is now periodically processing the payroll run providing confidence that there is sufficient cover to pay employees on time in the absence of the HR Service Development and Payroll Manager. However, there are issues with the resilience and operation of the payroll software. The existing payroll system is operating less than optimally following an upgrade which has resulted in issues requiring daily intervention from IT Services. This issue has also previously impacted on proposed improvements to the overall HR Service. There appears to be no reflection of these risks / issues captured on Spar. Management inform us there is no Business Continuity Plan specific for Payroll, particularly with reference to 3 <sup>rd</sup> Party Resilience, which is an essential core system. Continuity processes have been tested to a degree over Covid-19 lockdown, so if servers are working the Payroll Team should be able to process from home, including Bacs transfers.	1      7      1	
<b>COVID-19 GRANT REVIEWS</b>				
<b>Covid-19 Small Business Grants, and Retail, Hospitality and Leisure Grants</b>	Reasonable Assurance  Status: Final Report	The system for processing Small Business and Retail, Hospitality & Leisure grant applications was generally effective. At short notice, significant effort was taken by the team to process and make payments to companies which was effectively managed and administered. At the time of testing, the gov.uk website stated that the Council had paid £20m of the initial allocation of £22.7m to local businesses. Weekly and monthly data returns to central government have been submitted via the Delta system. The total number and value of grants paid out on an Authority basis is then published via the gov.uk website. We identified some follow-on opportunities to make improvements related to having	0      3      0	

Audit Report						
Risk Area / Audit Entity	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low			Direction of Travel Assurance
		a pre and post payment assurance plan as identified by central guidance, placing greater emphasis on potential cases of fraud, and maintaining records of rejected applications for later analysis.				
<b>RISK BASED REVIEWS</b>						
<b>Digitalisation: Electronic Payments, Online forms and Social Media</b>  Risk (Social Media) - SPAR 5x2 = Medium	Limited Assurance  Status: Final Report	<p>Service areas are pro-active in their use of social media and find it a useful form of communication. There is a Council social media policy for users to conform to. Further opportunities exist for the Council to consider how social media could be used more broadly to promote council services and good news stories and increase customer engagement. Following our fieldwork, the Council created a Social Media governance group, and an operational protocol to ensure more focus is provided on this opportunity.</p> <p>As social media attracts significant reputational risk it is important that oversight and appropriate controls are effective. The current Social Media Policy did not contain sufficient measures to prevent inappropriate Social Media use by Council officers. This is now being subject to review by a member working group prior to submission to Community PDG. This will include review of the use of personal devices to edit council social media by some council officers which creates risk as there is no assurance that these are suitably protected by virus software and other defensive mechanisms.</p>	0	5	0	
<b>Procurement</b>	Reasonable Assurance  Status: Final Report	<p>The Council has a good procurement framework to help effectively and efficiently procure goods, works and services. This is supported by a Procurement Dashboard, and an experienced procurement manager who helps the Council deliver best value for money. Most purchases follow the procurement process, although there continues to be a small number of purchases where this has not been followed. The Council is involved in the Devon District Procurement Strategy (DDPS) 2019-22 encouraging collaborative working with members to maximize the benefits of the collective spend with external suppliers.</p> <p>That said, we identify opportunities to further develop the function and monitor procurement delivery through a Business Plan with performance indicators. We also highlight that Finance Regulations are not clear in respect to referral of Waivers to ensure consideration of the reputational risk of diverging from standard procurement procedures</p>	1	8	1	

Audit Report				
Risk Area / Audit Entity	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low	Direction of Travel Assurance
<b>Completing the Audit Plan for 20/21</b>	<p>We are discussing the following draft reports with management:</p> <ul style="list-style-type: none"> <li>• Safe staff operations during Covid-19.</li> <li>• Car Parks.</li> <li>• Three Rivers Housing Company.</li> </ul> <p>The following audits are in fieldwork:</p> <ul style="list-style-type: none"> <li>• Council Tax / NNDR.</li> <li>• Housing Benefits.</li> <li>• Housing Rents.</li> <li>• Debt Recovery.</li> <li>• Climate Change</li> </ul>			

## Appendix 2 – Clearance of audit recommendations

Incomplete Audits	Year	Recommendations									Direction of Travel RAG	COMMENTS ON IMPLEMENTATION			
		High			Medium			Low					Totals		
		C	N	O	C	N	O	C	N	O	C	N	O		
Insurance	2017	1			3					1	4	0	1		Insurance checks for external contractors. 75% contracts are souced through Framework agreements or SLoAC; compliance insurance is monitored through these agreements. Managers have received training in 2018/19 on monitoring of contracts. The Procurement Manager is about to roll out refresher training, due to complete end June 2020.
Job Evaluation	2019				2	3		3			5	0	3		Work to implement these are in hand and were expected to complete in January 2021. Completion has been delayed due to Covid-19 emergency.
Development Management S106	2018			2		3					0	0	5		Community Infrastructure levy: the meeting of Council on 6 January 21 decided not to progress CIL. The Exacom system is surplus to requirement and will not be renewed. The Infrastructure Funding Statement for 19/20 including S106 records for that year was prepared and published to meet the 31 Dec 20 deadline. Information has been published and shared with parishes on public open space S106 funding. Interim measures are in place for project reporting until full reporting arrangements under the project management system can be finalised. This has been delayed due to issues identified through system testing and ICT staff resource pressures. In the next project phase application and payment records need to be added / updated in the new system.
Creditors	2018				4			2	1	1	6	1	1		Review of masterfile - date has been extended to end March 2021 to fit with workflows.
Debtors	2019&20				3	1		4	1		7	0	2		New sales pro-forma has been created to be introduced by end of March 2021. Identification of duplicate customers - deadline extended to end of March 2021 to fit with workflows.
Adaptations	2019	1			4	1	1	2	1		7	1	2		Aids and Adaptations policy has been updated, currently being reviewed Internally. Due to go to Housing PDG later in the year.
Sickness and Absence	2020		1		1	3		2			3	0	4		
Ctax and NNDR and recovery	2018	1			1	1	2	4			6	1	2		Outstanding S106 invoice escalated now to Legal and Finance for debt recovery including payment plans. Covid delayed completion of the other two.
Housing Health & Safety	2019	1			13	2		2			16	2	0		Reducing Medium risk properties to low risk over next 2 years - budget resourced to increase target for 2021/22. Training - delayed due to Covid - dates extended.
Members Allowances	2020				2			2	2		4	0	2		
Safeguarding	2019	3			3	1					6	0	1		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 - delayed due to Covid.
Housing Benefits	2019					2					0	0	2		Delayed due to Covid.
Asset Management	2019				2			2			2	2	0		Dates extended
Licensing - Hearings process	2020				1			2			0	3	0		
ICT Core Material Systems	2020				1	2		2	5		3	7	0		
Payroll	2020	1			7			2			0	10	0		
Main Accounting	2020				3			2			0	5	0		
Digitalisation	2020	1			4						0	5	0		
Building Control	2020	3				2	1				4	0	2		
		13	3	3	42	26	18	24	14	6	79	43	27		

CORE
SYSTEM

**C = Completed** 53%  
**N= Not yet due** 29%  
**O = Overdue** 18%

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](mailto:robert.hutchins@devonaudit.gov.uk) .