

Internal Audit

## Audit Progress Report 2021-22

Mid Devon District Council  
Audit Committee

July 2021

Robert Hutchins  
Head of Audit Partnership

CUSTOMER  
SERVICE  
EXCELLENCE



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 2021-22 based on work undertaken to date in the Opinion Statement.

The Internal Audit plan for 2021-22 was presented and approved by the Audit Committee in March 2021. 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**

<b>Contents</b>	<b>Page</b>
Introduction	1
Opinion Statement	2
Executive Summary Audit Results	2
Value Added	3
Audit Coverage & Progress Against Plan	3
<b>Appendices</b>	
1 – Summary of Audit Results	4
2 – Clearance of audit recommendations	11

## Opinion Statement

**Overall, based on work performed during 2021/22 and our experience from the current year progress and previous years' audit, the Head of Internal Audit's Opinion is of "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

A draft report is with management on our Debt Recovery audit, with a Reasonable Assurance opinion. Conclusions from other core 2020/21 audits recently completed are contained in our Annual Assurance report.

### Risk Based Audits

We have close to completing our testing for our remaining 2020/21 audit on Cyber Security (Malware and Ransomware) audit. A report will be provided in time for the next Audit Committee.

We also reviewed the third tranche of the Income Compensation Scheme claim prepared by the council and confirmed that the figures were a true and fair reflection of those within the financial systems, and lost income claimed was appropriate.

**Appendix 1** provides a summary of the audits undertaken since our last progress report in March 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 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, and we continue to track recommendation completion.

### Fraud Prevention and Detection

The councils revised strategy promotes a more systematic approach to dealing with fraud risk in the Council. We will continue to provide support as required to improve fraud prevention and detection.

## Audit Coverage and Performance Against Plan

During the first quarter, work was focused on concluding the 2020-21 audit plan, with the results contained in the Annual Audit report. We also started work on the current year's plan and have agreed indicative timings for most of our audits. Audits currently in fieldwork include Stores, Income Collection, and Care Services (Alarm Income). In the next few months, we will be providing important assurance on Governance, the Corporate Plan, and Performance Management.

## 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.

Confirming that core controls continue to be effective despite changing work conditions and current pressure of work.

## Audit Recommendations

We have now added all the recommendations from our remaining 2020/21 audits to SPAR and are tracking implementation progress. As these have recently been added, some recommendations will already be implemented. (See **Appendix 2**).

Our Payroll report in February 2020 identified weaknesses related to Business Continuity and Third-Party Contractor support. This resulted in a Red rating in our Assurance Map in the 2020-21 Annual report. HR has now confirmed that this risk is much reduced as follows:

*IT has not been required to restart the server for some considerable time now (months) because of changes made in the New Year. These included changing systems, so people come out properly from the database when exiting so records are not left*

*open and locked which was placing considerable strain on the system. The contractor also advised us how to unlock records corporately on the system without having to restart the server.*

*There is now a scoping project underway to look at a new HR database and supplier as well as some upgrade work which needs to be carried out on our server which has been identified by the IT department.*

*On top of the above this will put the organisation in a much stronger position longer term (and a position which can be sustained).*

**Customer Satisfaction** – As part of our approach to obtain more visibility of customer satisfaction, we are including a section in our reports for the client to indicate whether they were content with the audit. We also be seeking more standard customer satisfaction returns specific to MDDC.

## 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>COR/E – KEY FINANCIAL SYSTEMS</b>				
Debtor Recovery  ANA – Risk Assessment SPAR Risk – no risk identified	Reasonable Assurance  Status: Draft Report	<p>Our assurance is based upon finding a good process to monitor accounts, the approval of a new updated policy which should simplify the process, appropriate separation of duties between raising invoices and credit notes and taking payments. There is good management of special payment arrangements and suspension of accounts.</p> <p>The Team has worked hard to achieve a reasonable level of recovery in what has been a challenging year where the Covid-19 emergency required a softer approach to debt collection, with only gentle reminders sent out for most of 2020. Despite this the Team has achieved a collection rate of 84% which we consider to be good in the circumstances when compared with previous years (2019/20 – 90%, 2018/19 – 87%, and 2017/18 – 91%).</p> <p>During the year a new Corporate Debt Recovery Policy was produced and approved in March 2021. The biggest change is that after raising of the invoice the debt falls under the Team’s remit to progress collection without referral back to the service area for instruction on recovery meaning that the Team will become responsible for the whole process of debt collection. This should provide for a leaner, more efficient process, although the Team will need training and coaching to take on their new responsibilities. Procedure notes and training is required to maximise collection in line with the new policy. We will review whether the new process has achieved its aims in our next review.</p>	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
<b>RISK BASED REVIEWS</b>						
Income Compensation Scheme – review of third tranche of the claim  ANA – Risk Assessment SPAR Risk	Certified  Status: Final Report	<p>In 2020/21 we reviewed tranche 1 and 2 of the claims submitted by the Council for the Income Compensation Scheme. We have now reviewed the tranche 3 claim and have provided assurance on the accuracy of the figures and that the lost income claimed falls within the eligibility criteria of the MHCLG guidance.</p> <p>Specifically, we confirm that:</p> <ul style="list-style-type: none"> <li>• Original budgets and actuals as shown in the working document can be traced back to the general ledger.</li> <li>• Income losses claimed could reasonably fall within the eligibility criteria.</li> <li>• Claimed amounts correspond with the correct periods.</li> <li>• Supporting evidence is retained for adjustments arising from general cost savings and grants in respect of furloughed staff.</li> </ul> <p>We identified that for some income streams, most notably Commercial Waste, estimated losses for the first claim were significantly higher than the actual losses across the entire year, due to an increase in income in later months. In these cases, the Council has received an excess of reimbursement as part of earlier claims. The full extent of such excess and any resulting repayment will need to be calculated as within the final reconciliation exercise taking place in the summer.</p>	0	0	0	

## Appendix 2 – Clearance of audit recommendations

Audits with open recommendations	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		
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			2	2		2			5	0	2	🔴	
Ctax and NNDR and recovery	2018	1			1	0	3	4			6	0	3	🔴	Outstanding S106 invoice escalated now to Legal and Finance for debt recovery including payment plans. Covid delayed completion of the other two.
Asset Management	2019				2				2		2	0	2	🔴	Dates extended
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.
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.
Licensing - Hearings process	2020					1		2			0	2	1	🟢	
ICT Core Material Systems	2020				1	2	2	2	7		3	9	2	🟢	
Payroll	2020	1			7			2			0	10	0	🟢	
Main Accounting	2020				2	1		1	1		0	3	2	🟢	
Digitalisation	2020				6	1		5			0	11	1	🟢	
Building Control	2020	3				2		1			4	0	2	🟢	
Procurement	2020		1		5	3		1	1		0	6	5	🟢	These recommendations will discussed given the recent transfer of Procurement services to DCC.
Car Parking	2020				4	1					4	0	1	🟢	
Commercial Rents	2020				4	2		5			0	9	2	🟢	
Safe Staff Operations during Covid	2020				6	1		5			0	11	1	🟢	
		13	2	2	38	30	26	22	19	6	73	45	31	🟢	

CORE
SYSTEM

**C = Completed** 49%  
**N = Not yet due** 30%  
**O = Overdue** 21%

Not progressing 🔴  
 Progressing some overdue 🔴  
 On Target, report just issued 🟢

This page is intentionally blank.

## 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).