

Internal Audit

Annual Audit Report  
2020-21

Mid Devon District Council  
Audit Committee

June 2021

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 carry out an annual review of the effectiveness of their internal audit system, and 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 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, a review of work undertaken to close down our work 2020/21, and start work on 2021/22, 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 to support signing the Annual Governance Statement.

**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 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 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. The Head of Internal Audit's Opinion is informed by the assurance conclusions obtained through the audits undertaken in 2020/21. Any significant weaknesses identified in specific areas will need to be considered by the Authority in preparing its Annual Governance Statement for 2020/21.

In carrying out our audits, Internal Audit assesses whether key, and other, controls are operating satisfactorily with an overall opinion provided on the adequacy of controls to management within the audit report. Audit reports include an action plan with responsible officers and target dates to address control issues identified. While implementation of action plans rests with management, these are reviewed during subsequent audits or as part of a specific follow-up.

Our Reasonable Assurance is underpinned by the 2 Substantial, 20 Reasonable, and 3 Limited Assurance Opinions provided. The summary Assurance Opinions chart (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. We also include our Assurance Map in Appendix 2 which was first discussed with Audit Committee in January 2021.

### 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 we have highlighted instances of poor compliance to key controls, none are considered to have had a material impact on the Authority's operations.

Our audits have assessed the impact on the control framework from the Covid-19 emergency and resultant changes to working practices and controls, such as increased home working. In some areas this also placed significant additional work burdens, for instance in the placement of Covid-19 government grants. While we have identified instances where key controls have been affected, such as monthly reconciliations, overall, the control environment has coped reasonably well with most core controls continuing to operate effectively.

#### Risk Management

Risk Management process at strategic and operational level remains in place although 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 areas such as Procurement, Three Rivers, and Partnerships, and found to be effective, but with opportunities to improve consistency or alignment to business need.

#### Performance Management

Performance is subject to monitoring at management and Committee levels by PDG and Scrutiny. This is supported by the SPAR performance monitoring system. In several areas we identified that key performance indicators could be included for better monitoring of day to day operations.

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

# Summary Assurance Opinion

Service Area Overview of Audit Coverage						
Finance & Resources		Corporate Affairs	Operations	Planning & Economy	Opportunity	Value Added
Summary of key audit reviews	Assets Management	Sickness	Car Park	Building Control	Assurance Mapping	Tender opening
	Commercial Rents	Members Allowances	Stores Check	Licensing Services		
	Procurement	Climate Change				
	Covid-19 Grants (incl Income Compensation Scheme, Small Business grants)	Three Rivers	Covid-19 Safe Staff Operations			
Core Assurance	Key Financial Systems -	Income Collection, Creditors	Council Tax & NNDR,	Housing Benefits, Housing Rents	Main Accounting System	Payroll
	Governance & Business Processes -	Procurement	Partnerships			
	ICT / Digital	ICT Core	Digitalisation and Social Media			

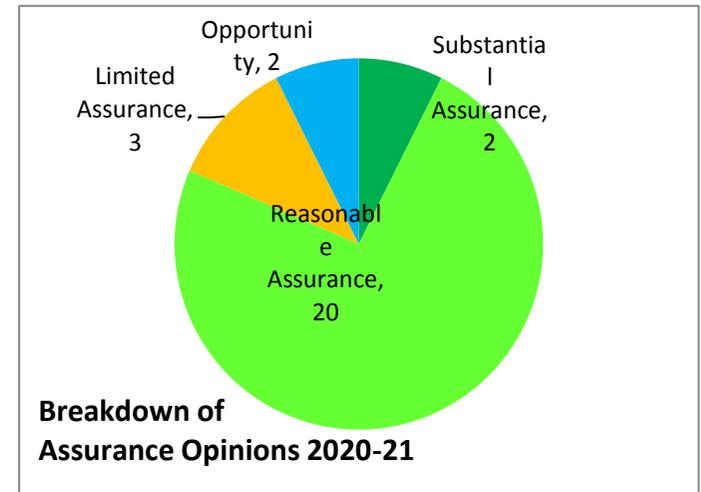
Note: Assurance opinions are 'RAG' rated to support the overall assurance opinion for the year. The ratings are relevant at the time of the audit review and assurance may have improved since that time. Performance against recommendations is shown in appendix 2. Areas shaded blue denote opportunity or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

## Audit Coverage and performance against plan

We have completed 89% (24 audits) of the revised plan agreed in November 2020 for this year (to draft /final report stage), along with three reports from 2019/20. The remaining audit on Cyber Security will report in 2021/22. Appendix 5 shows the performance indicators for audit delivery. Some audits have required a richer mix of staff resource than planned in the initial audit plan due to the complexity / sensitivity of the area under review e.g. ICT and property.

The Summary Assurance Opinion (page 3) shows that we have undertaken audits across different areas of the Council to support an assurance opinion, along with all but one of the Core audits completed (the exception was Treasury Management that was cancelled). A graph of the assurances provided is shown opposite.

Appendix 1 to this report provides a summary on each of the remaining audits reporting after the March 2021 Audit Committee. The other audits were reported to Audit Committee through the year. Where a “Substantial” or “Reasonable” 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 “Limited” has been provided then issues were identified during the audit process that required attention. In our summary we detail some of the key issues reported to management. We are content that management are appropriately addressing these issues.



## Value Added

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.

This current year, we have sought to provide added value by confirming that key controls continue to operate despite the significant changes to business operations, and that new ways of working arising from the Covid-19 emergency are allowing business activities to function effectively.

## Fraud Prevention and Detection

Overall, the risk of fraud at the Council is considered low. We contributed to a review of the Council’s Counter Fraud Strategy so that there is a more proactive approach to identifying and preventing fraud that may occur, with a focus on high risk areas. All our internal audit assignments include considering the potential for fraud and how the council prevents such fraud occurring. Work on the key financial systems (payroll, creditors, debtors 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.

## Appendix 1 – Summary of audit reports and findings - following March 2021 Audit Committee

### 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 Audit – Key Financial Systems</b>				
<b>Parking Operations</b> Risk: ANA - Low	Reasonable Assurance	<p>The car parking function is a well-established operation with staff using detailed and comprehensive guidance and procedures to manage the car parking function. Systems and processes are effective and are those commonly used by many local authorities with customers able to online purchase a 'virtual' parking permit (RinGo) or pay by cash, or debit/ credit card. Car park machine box income is collected by a third party, then credited to the Council's bank account.</p> <p>Reconciliation between the number and type of permits issued, and the amount of permit income received is not currently undertaken. The result is that income collection performance is not centrally monitored for completeness and error nor consideration on how to improve. We also identify opportunities to provide management information reports to support review of collection of Penalty Charge Notice debt, with around 35% of debt outstanding for 2018 and 2019 equating to £86k. While Mid Devon have no laid down KPI, the Authority has just entered a joint procurement with other councils for enforcement agency services. Within this agreement is a laid down percentage collection rate to be achieved in the first three years of the contract.</p>	- 5 -	
<b>Council Tax / NNDR</b> Spar Risk (Rev & Benefit Collection): 4 x 4 = 16	Reasonable Assurance	<p>Staff have been mainly working from home and appear to have managed processes effectively with no service disruption or significant impact on recovery rates (see below). The Team has worked hard to address daily workflow during an extremely tough year. The Team has also lost three experienced Team members leaving it under resourced, but measures are being taken to address this issue</p> <p>Our last audit report noted that accuracy checking of 10% of all claims was not being undertaken. Pandemic circumstances have delayed resolve this year, due to the reduced staffing levels, training of a new employee, and the impact of Covid-19, but is shortly to restart. 100% testing of a new employee's work is being carried out which is appropriate. We also note that while NNDR reconciliations have been</p>	- 2 1	

Risk Area / Audit Entity	Audit Report					
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low			Direction of Travel Assurance
		<p>prompt, but Council tax reconciliations have not been as timely.</p> <p>We reviewed the payment collection rates and consider they are very good given the circumstances throughout the year:</p> <ul style="list-style-type: none"> <li>• Council Tax at February 2021 was 94.34% (compared with a recovery rate of 95.48% at this time last year).</li> <li>• The NNDR rate at February 2021 was 90.94% (compared with a recovery rate of 93.5% at this time last year).</li> </ul>				
<b>Housing Benefits</b> Risk: ANA Low Spar n/a	Reasonable Assurance	<p>Access to the Revenues and Benefit System, Northgate, is well controlled and overpayments are effectively monitored and are being recovered through the various channels available. Council Tax Reduction claims are manually reviewed to ensure that awards are accurate. Workload management and working from home arrangements are effective and management has ensured that team members do not work excessive hours. Core controls have been maintained despite the pressures arising from the emergency although some checks have been reduced due to the additional workload and re-structure. For instance, capacity for checking of assessments has been reduced and during times when workload has been excessive, checking has then not been possible. In addition, restructure of the Benefits and Revenues Team should improve overall resilience, cross service training is not yet complete which reduces the level of cover for the Benefits and Revenues Team Leader in times of absence.</p>	-	2	1	
<b>Housing Rents</b> Risk ANA Medium Spar n/a	Substantial Assurance	<p>Our assessment is that access to the housing system, Orchard, and management of applying accurate weekly rental rates and collection of arrears is effective and well controlled. Staff have been mainly working from home during the pandemic and they appear to have managed processes effectively with no notable disruption to the service. Customer First have helped with calls. Significant efforts have been made to support tenants suffering adverse impact from the Covid-19 emergency. Inevitably rent arrears have increased due to pandemic circumstances (circa 32%), though MDDC remain in the upper quartile for collection. The Team is working to reduce the level have applied additional resource to achieve this.</p>	-	2	3	
<b>Debt Recovery</b>	Reasonable Assurance	Report being drafted – indicative “Reasonable” at this time.				

Risk Area / Audit Entity	Audit Report					
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low			Direction of Travel Assurance
<b>Risk Based Audits</b>						
<b>Counter Fraud</b> Risk / ANA: ANA – Low Spar 4x2=8 Low	Opportunity	There are recognised policies and procedures within the Council for the management of fraud. Our review confirmed that management are clear on their understanding of the requirements and expected action. There are few recognised incidents of fraud and whilst this can be taken as a level of comfort, all agreed that there is opportunity to improve identification, reporting, prevention and management of potential fraud to improve the assurance that can be taken from the current level of general awareness through the revised strategy. This should also lead to an improved consciousness of dealing with any potential incidents that may arise. The Council's Audit Committee are keen to engage further support from our counter fraud services.	0	0	9	
<b>Safe Staff Operations during Covid-19</b> Risk ANA: Medium	Reasonable Assurance	The pandemic has had a big impact on the Council both financially and operationally and its staff, who have shown flexibility and determination to deliver. The Council has shown a real concern for staff during this period and made significant effort to support them. We have found that the Council has provided good support to its staff since the start of the emergency whilst balancing the need to deliver its core services. It is noteworthy that no Council officer contracted Covid-19 last year until 25 December when a small number of staff got the virus. One conclusion from our survey was that most staff were “contented” with work and well-being. Another finding was that a large proportion of those working both outside or in the office felt the Council had done enough to support them in ensuring they had a safe working environment. They also felt well supported by their teammates and colleagues. That said, we have agreed recommendations to improve support to staff, and address concerns that were expressed in the survey.	-	7	3	
<b>Three Rivers Housing Company – Follow Up</b> SPAR Risk: (Company Failure) 5x3 = 15; (disclosure requirements / transparency) 4x2 = 8	Reasonable Assurance	Since our last review there has been important improvements to governance, risk management and controls including appointment of a new Finance Director and Non-Executive Director, new charges placed on properties, implementation of a more formal loan arrangement, and better reporting to Cabinet including two ambassadors. We consider that there has been good progress on clearance of the internal audit management actions, with 32 of the 35 agreed actions implemented. We also agreed further recommendations to further improve control against the eight risk	1	4	5	

Risk Area / Audit Entity	Audit Report					
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low			Direction of Travel Assurance
		<p>areas assessed in our previous report.</p> <p>We also provided an assessment on the 33 actions developed following external advice and agreed by the Audit Committee. 22 of those have been fully completed, with six currently being taken forward, 3 not yet due and 2 no longer relevant.</p>				
<p><b>Climate Change</b></p> <p>Spare risk: 5x4 = 20 (finance strategic budget and plans)</p>	Reasonable Assurance	<p>The Council has made a clear commitment to support climate change action by its commitment to become carbon neutral by 2030. It has released a Climate Change Strategy and Action Plan and has already identified significant opportunities to reduce the impact of carbon emissions and secure funding and grants supporting those actions. Many of the opportunities identified in this report are already being taken forward, including identifying an overall climate change budget and other actions to reduce emissions. We have identified other opportunities to improve risk and opportunity management and increase the scope of the action plan to consider 'Adaption' requirements as well as the level of Carbon Offsetting required. Overall, the Council is making good progress towards the end objective, but sustained work over many years will be needed to meet the challenging 2030 target.</p>	-	4	1	
<p><b>Stores Annual Review</b></p> <p>ANA Risk: Low</p>	N/A	<p>We supported the annual stores stocktake with review of the results and approach taken to check the store stock check, and interviews of those involved. Based on our review, we consider that the stock check was undertaken systematically, and the results provide a good degree of assurance that stock is appropriately monitored to reduce risk of loss or error.</p> <p>We are undertaking a formal risk-based review of the Stores area in May 2021.</p>	-	1	2	

## Appendix 2 – Assurance Map

The Institute of Internal Auditors provides a summary of the benefits of Assurance Mapping:

- *An assurance map brings an organisations risk appetite to life. At the same time as highlighting assurance gaps, it also shows where there is duplication or too much assurance. It is a simple way of aligning assurance resource, risk and internal control.*
- *It improves awareness of the control environment by looking across the organisation rather than at individual reports which can lead to siloed thinking.*
- *It drives positive behaviours by enabling robust discussions about risk, educating on the value of assurance and aiding collaboration between functions.*
- *Collectively, the assurance community of an organisation often has a more powerful voice when it works together; an assurance map is a practical platform benefiting all parties.*

During the year we have developed an assurance map for Mid Devon to provide a high-level graphical picture of the effectiveness of key controls on which the Council relies on to ensure integrity and effectiveness in its operations. This is presented below. The summary is underpinned by individual operational assurance maps for each audited area. These have been populated using previous audit reports, the Council's risk register and cumulative audit knowledge of the respective authority. The completion of the summary and individual maps provides us with a base from which we can concentrate future audit fieldwork on key risks and areas marked as 'Improvements required' (Amber) or Fundamental Weaknesses (Red).

## Conclusions

From this assurance mapping work, we highlight the following:

- **3<sup>rd</sup> party resilience and governance, and business continuity:** We list some areas as 'Amber'. While we expect these areas to have been exercised and challenged over the Covid-19 period and have worked sufficiently, there are opportunities to review the resilience of systems and the support provided to them.
- **Fraud and Error:** Expected controls surrounding anti-fraud management were not always present or considered in every core system or process. These included fraud investigation training and processes, and a formalised fraud incident reporting process. We have recently been feeding into the Counter Fraud Strategy to encourage a more systematic approach.
- **Input processing and output controls:** In some areas we identified that there were weaknesses in segregation or delegations. As a small organisation the Council will find it challenging to meet best practice in authorisation and review of operations such as raising and posting of financial transactions. It will need to balance the risk of single sign off processes to improve business resilience and operations, against the increased risk of error arising. In those cases, we have noted that management has accepted the increased risk (sometimes a small increase) in favour of resilience and operations.
- **Performance and Financial Management:** In several reviews we noted that performance indicators were not in place or did not support effective monitoring and management of performance or delivery, for example use of Social Media, Payroll, Parking Operations.
- **Strategies and Business Plans:** Related to the above point, in some areas there could be more consideration of strategies and business plans underpinned by relevant performance indicators.
- **Guidance, manuals, and job descriptions.** We identified several areas where guidance or manuals needed to be either updated or created to improve the control framework. These support business resilience, but also help ensure key controls are maintained through clear description of the processes and steps for people to follow.

- **Sources of Independent Assurance.** Within our current model we do not currently have much information on the sources of independent assurance other than Internal Audit and External Audit. As the Council should be considering useful sources of independent assurance and review, we will seek to populate more detail on those sources.

The Assurance Map on the next page is intended to provide a high-level graphical picture of the effectiveness of key controls on which the Council relies on to ensure integrity and effectiveness in its operations. It will be further developed in 2021-22 to allow more business and internal audit focus on areas of weakness.

Corporate Governance / Audit Committee

Senior Management

Risks / key Objectives/ key services are taken from the Corporate Plan, Risk Register and audit universe with a focus on the higher risks and audit needs assessed feeding through into the

Risk / Key Objective / Key Service	Business Operation - 1st line defence							Financial, Corporate and Governance - 2nd line defence							Independent Assurance - 3rd line defence			Regulators		EXTERNAL AUDIT	Notes from Regulators / External Auditors reviews	Points related to Red or Amber assessments
	Identifying risks and improvement actions. Implementing controls. Reporting on progress. Management assurance							Assurance oversight, management and financial policies, setting direction, risk management, ensuring compliance.							Independent challenge & audit. Reporting on assurance. Audit of assurance providers. Entity level assurance.			Legal, Government other inspection				
	Internal Control Measures				Management controls																	
	Core systems controls inc. IT system, parameters	Input processing and output controls	Fraud and Error prevention	Authorisation, supervision and segregation	Performance & Financial management reports	3rd Party and Business continuity, Disaster recovery	Strategies and business plans inc. Benchmarking	Financial / Monitoring, reconciliation, reporting, Statutory Returns	Functional & Service compliance reviews	Quality control checks (H&S, Info Governance)	Security inc. IT systems & physical	Governance structures and processes (inc. financial & other policy)	Corporate risk management/assurance	External accreditation or Certification (ISO 27001):	External compliance testing e.g. security, resilience, quality; 3rd party assurance letters; Consultant reviews; Strategic partners assurance reports inc. Peer review	Internal Audit Assignments	Report date	Inspection - Ofsted, COC, ICO, HSE	HMRC Tax and Revenue			
KFS - Main Accounting System	G	A	G	G	G	G	G	A	G	G	G	G	G		Reasonable	Dec-20					Dual journal posting & approvals over £25k, Reconciliation of Bank Accounts	
KFS - Treasury Management	G	G	G	G	G	A	G	G	G	G	G	G	G		Substantial	Dec-19					Business Continuity Plan	
KFS - Payroll	G	G	G	G	G	R	G	A	G	G	G	G	A		Reasonable	Feb-21	n/a				Resilience and operation of Payroll System, Finance Reconciliations, KPIs, Risks	
KFS - Council Tax / NNDR	G	G	A	G	G	G	G	G	G	G	G	G	G		Reasonable	Apr-21					Quality checks	
KFS - Income & Cash Collection	G	A	G	G	G	G	G	G	G	G	G	G	G		Reasonable	Aug-20	n/a				Trader market tolls, Property Service Income	
KFS - Debtors	G	A	A	G	G	A	G	G	G	G	G	G	G		Fieldwork		n/a					
KFS - Creditors	G	G	G	A	G	A	G	G	G	G	G	G	G	G	Reasonable	Aug-20					Purchase without an P Order, Business Continuity Plan	
KFS - Housing Benefits	G	G	A	G	G	G	G	A	G	G	G	G	G		Reasonable	Apr-21					Quality control checks	
KFS - Housing Rents	G	G	A	G	G	G	G	G	G	G	G	G	G		Reasonable	Apr-21					Quality control checks	
KFS - Car Parking Income	G	G	G	G	A	G	G	A	G	G	G	G	G		Reasonable	Mar-21					Key Performance Indicators, reconciliations to MAS	
VAT	G	G	G	G	G	G	G	A	G	n/a					Reasonable	Nov-19					Monitoring / sign off of VAT calculations	
Core - ICT	G	G	G	G	G	A	A	G	G	G	G	G	G	G	Reasonable	Nov-20					Backup review, Disaster Recovery exercises	
ICT Cyber Security	A	G	G	G	G	A	A	G	G	G	G	G	G		Fieldwork							
Commercial Rents	G	A	G	G	A	G	G	G	G	G	G	A	G		Limited	Nov-20					Property database, communication of rental income, expired leases	
NMD Building Control (Planning)	G	G		G	G		G	G	G	G	G	A	A	G	Reasonable	Sep-20					Periodic management meetings, risk escalation	
Digitalisation inc Social Media	A	A	G	R	A	G	R	G	G	G	A	A	G		Limited	Dec-20					Core controls in policy, overall Social Media Strategy, approval of posts, use of personal	
Freedom of Information	G	G	n/a	G	G			G	G			G			Substantial	Feb-20						
Procurement and Contract Management	G	G	G	A	A	G	A	G	G	G	G	G	G		Reasonable	Feb-21					Waivers, purchase orders, monitoring of performance, business plan	
Pandemic - Covid-19 - Staff Safety	A	G	A	G	A	G	G	G	A	G	G	G	G		Reasonable	Feb-21					WFH system issues, Asset register, employee feelings, manager engagement	
HR - Sickness and Absences	G	G	A	G	A	G	G	G	G	G	G	G	G		Reasonable	Mar-20					Deduction of unpaid leave, return to work interviews	
Licensing	G	A										G			Reasonable	Nov-20					Recording of decision rationale	
Vehicles and Fuel	G		G	G	G	G	G	G		G	G			G	Reasonable	Oct-19						
Members Allowances	G	A	A	A	G	G	G	G	G	G		G		G	Reasonable	Mar-20					Double check of payments, authorisation during absences	
Three Rivers	G	G	G	G	A	G	G	G	G	G	G	A	G		Reasonable	Mar-21			G			
Climate Change	G	G	G	G	G	G	G	A	G	G	G	G	A		Reasonable	Apr-21					Financial budget for action plan, risks to achievement of overall objective	

## 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.

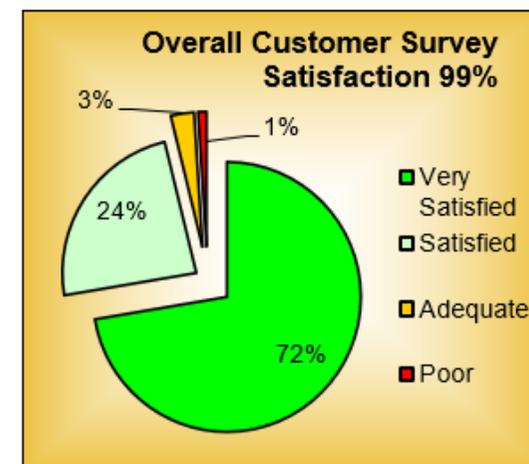
**Improvement Programme** – DAP maintains a rolling development plan of improvements to the service and customers. All recommendations of the external assessment of PSIAS and quality assurance were included in this development plan and have been completed. This will be further embedded with revision 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:

<b>Local Performance Indicator (LPI)</b>		<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>Full Year Target</b>	<b>12mth Month Actual</b>	<b>12mth Month Actual</b>	<b>12mth Month Actual</b>
Percentage of Audit plan Commenced	90%	98%	100%	96% (1)
Percentage of Audit plan Completed	90%	98%	91%	89% (2)
Actual Audit Days as percentage of planned	90%	93%	93%	97% (3)
Percentage of fundamental / material systems reviewed annually	100%	100%	100%	90% (4)
Percentage of chargeable time	65%	66%	67%	65.8%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	97%	98%	96% (5)
Draft Reports produced within target number of days (currently 15 days)	90%	83%	69%	87%
Final reports produced within target number of days (currently 10 days)	90%	91%	86%	92%
Out-turn within budget	Yes	Yes	Yes	Yes

(1) Of our adjusted plan agreed in November 2020, we calculate 27 specific audits started, and 1 (on Collaborative / Partnerships not started, as our 2019/20 audit reported in September 2020). This compared to a target of 28 audits.

(2) The remaining audits not yet fully completed (Debt Recovery, and Cyber Security) are at draft report, and fieldwork, stage. We also reported on three audits from 2019/20.

(3) Revised plan agreed in November 2020.

(4) We agreed to defer our audit on Treasury Management (Substantial Assurance) to 2021/22 as part of our revised audit plan.

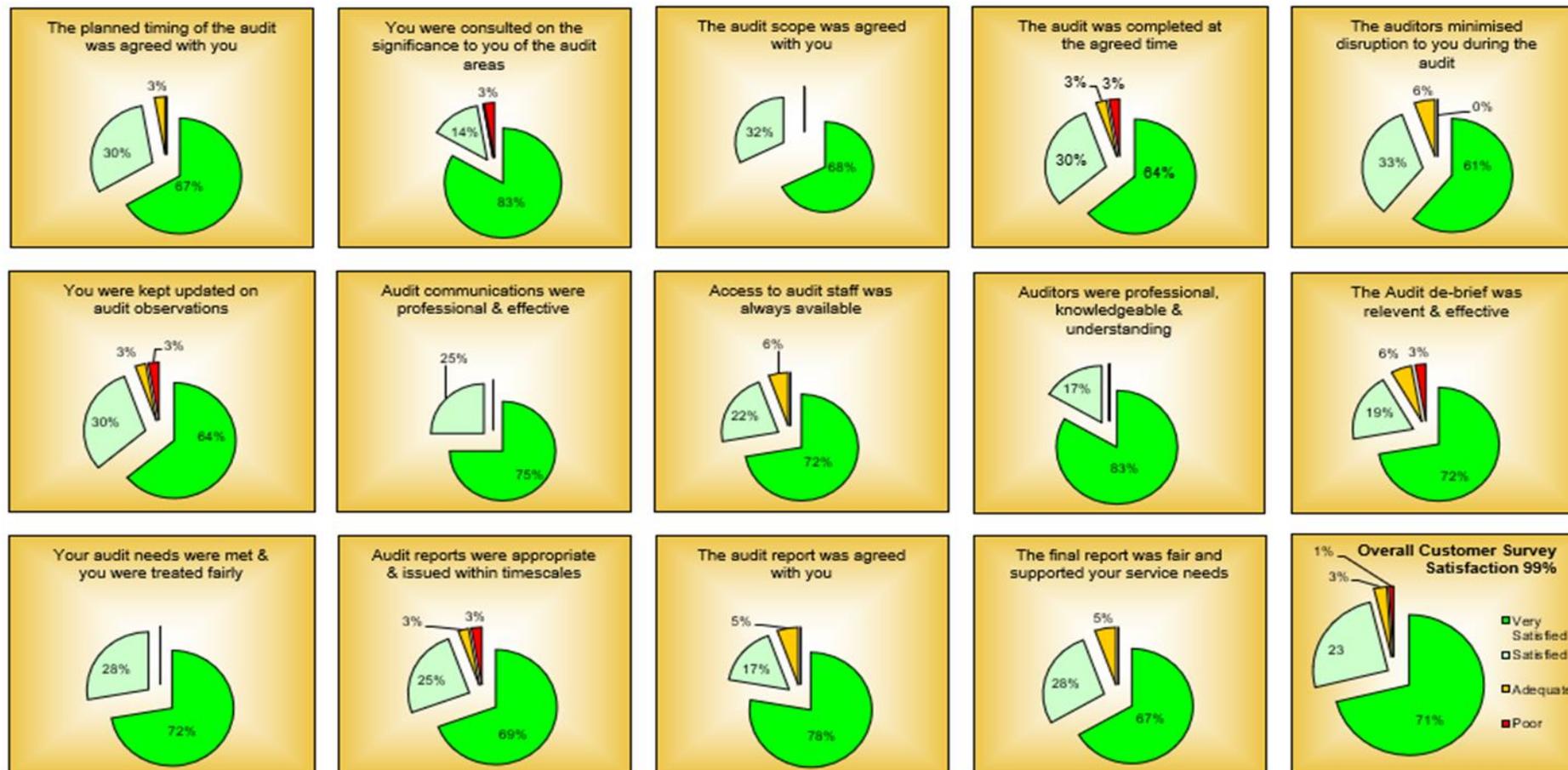
(5) Represents customer feedback from the wider DAP partnership including those received from Mid Devon.

Overall, performance against the indicators has been met.

## Appendix 7 - Customer Service Excellence

For each audit we issue a customer feedback form. The results we receive help us shape our service; it helps to identify possible training needs for staff and helps us understand the areas of our process that are more challenging for the auditee.

Due to the additional demands placed on staff during the Covid pandemic detailed client feedback forms for 2020/21 were not always issued; however we show below the results from wider customer feedback across Devon Audit Partnership. Whilst this does not allow detailed analysis across Mid Devon, it does provide an indication of the areas where the team have performed well, and those areas where we can still improve. We trust that we will be able to obtain a greater level of feedback in 2021/22.



## 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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<b>Devon Audit Partnership</b>	<b>Confidentiality and Disclosure Clause</b>
<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 <a href="mailto:robert.hutchins@devonaudit.gov.uk">robert.hutchins@devonaudit.gov.uk</a> .</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>