

Internal Audit

# Audit Progress Report 2021-22

Mid Devon District Council  
Audit Committee

September 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 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**

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## 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 exist 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 now started our core audit work, with a review on Trade Waste.

### Risk Based Audits

We have completed our remaining 2020/21 audit on Cyber Security (Malware and Ransomware) audit and provide a Reasonable Assurance. Within the report we have agreed six High Priority recommendations, which reflects that this is an area where there is significant risk from outside hostile actors. This audit focused on prevention of malware and ransomware being delivered onto council systems. In the next few months, we will be undertaking the second part of our work on Incident Response and Recovery.

We provide a Reasonable Assurance in our Store audit which we consider to be well managed, with experienced staff supported by an effective stock control system to monitor stock transactions and support re-order requirements. This is consistent with our recent report on the annual Stock Check where we noted the low level of stock discrepancies found.

Our report on Governance is focused on Principle 2 of the CIPFA Framework. We consider that MDDC conforms to a good level with the CIPFA governance principle related to openness and comprehensive stakeholder engagement. We have made recommendations to improve reporting of council performance, and more effective engagement with stakeholders, and the wider public.

Finally, we provide a Limited Assurance report for Care Services – Alarm Management as the council does not currently have effective processes to check that faults are rectified quickly, complaints are resolved, and equipment is accounted for. The business manager has told us that management of the Telecare services was impacted during the pandemic and has agreed actions to address the recommendations as a priority.

**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 have a meeting this month to discuss how DAP can provide support to the council's counter fraud activities. This includes fraud training for officers.

### **Audit Coverage and Performance Against Plan**

We are progressing delivery of our 2021-22 audit plan. In the next few months, we will be providing important assurance on the Corporate Plan, and Performance Management, and starting to deliver our core audits, starting with the Trade Waste audit.

### **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 last year's 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**

There are currently 33 overdue recommendations listed on Spar (See **Appendix 2** - 3 High and 30 Medium). This compares to 36 recommendations a year ago. While this denotes a small reduction, work is needed to reduce the number of overdue recommendations. Ultimately, these constitute acceptance of risk by business managers. We note that for most organisations Audit Committee approval is needed to allow extension of implementation dates and suggest that this may approach might be considered for this council.

**Customer Satisfaction** – For each review we ask for feedback on the audit. The number of returns has not been good, so it is a priority that we obtain more feedback in this area.

## Appendix 1 – Summary of audit reports and findings for 2021-22

### Risk Assessment Key

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

### Direction of Travel Assurance Key

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

Risk Area / Audit Entity	Audit Report					
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low		Direction of Travel Assurance	
<b>RISK BASED REVIEWS</b>						
<b>Cyber Security – Malware and Ransomware Phase 1</b>  SPAR Risk 5 x 4 = 20	Reasonable Assurance  Status: Draft Report	<p>Our evaluation follows the control framework described in the NCSC 'Cyber Essentials' accreditation, Ransomware and '10 Steps' guidance. Our 'Reasonable Assurance' audit opinion balances the control strengths and weakness listed in Appendix A. We have also recognised that Mid Devon Council are working towards the strengthening of anti-malware and ransomware controls. For example, the planned retirement of out-of-support servers and upgrades to the internet connection and firewall solution. The Council's ICT Service recognises cybersecurity as a priority for development during 2021-22.</p> <p>A layered 'defence in depth' approach is required to mitigate cyber threats, including ransomware. Controls are required in a range of IT service delivery processes. Our action plan at Appendix B of the report highlights where the defence in depth approach should be strengthened. An attack that exploits the weaknesses could bypass or negate the controls and allow malware to spread throughout the ICT infrastructure.</p> <p>The 6 High and 4 Medium recommendations in Appendix B (action plan) reflect the range of cybersecurity and operational ICT areas in the audit scope.</p>	6	4	1	
<b>Stores</b>  ANA – Risk Assessment: Medium SPAR Risk: None	Reasonable Assurance  Status: Final Report	<p>Stores are well managed, with experienced staff supported by an effective stock control system to monitor stock transactions and support re-order requirements. Our recent report on the annual Stock Check noted the low level of stock discrepancies found. There is good awareness of Council policy and procedures and the team are keen to provide value for money, alongside ensuring the quality and availability of products.</p> <p>We identified instances where improvements were needed to ensure compliance with procurement requirements in the Finance Regulations, to support value for money and reduce reputational risk. Testing of supplier spend found that there were</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
		<p>four suppliers in the last year where total spend was over £50K. The Financial Regulations state a formal contract should be placed with a supplier where spend is above that threshold. Other suppliers are also approaching that value threshold requirement. In addition, we identified procurements over £5k where three quotes were not obtained. Regular monitoring is imperative to provide awareness of supplier spend, and when a formal contract needs to be put in place.</p> <p>The Operations Manager for Building Services and the Maintenance Supervisor stressed to us the value provided by the Stores through the pandemic. Some materials have been and still are difficult to obtain. Stores has managed to supply all stock required for jobs and kept the repairs staff supplied through the pandemic, minimising the impact on delivery of maintenance work. The Operations Manager for Building Services has implied that cost benefit analysis related to the Store operation has been undertaken in the past, but these were not provided to us. The benefits secured during the pandemic require formal documentation. A cost benefit analysis would help capture the value and cost effectiveness of the service. Finally, an overall summary of the aims and purpose of the Stores area would be useful.</p> <p>We found that the 'flammable store' had not had a recent safety inspection. The Health and Safety Officer has now visited to check that items are being appropriately stored in accordance with safety regulations. We are awaiting further information on whether checks are statutory. We have requested a copy of the latest risk assessment to check that the structure of the flammable store and storage of goods complies with safety regulations.</p>				
<b>Governance</b> SPAR Risk: 4 x 2 = 8	Reasonable Assurance  Status: Final Report	<p>We consider that MDDC conforms to a good level with the CIPFA governance principle related to openness and comprehensive stakeholder engagement.</p> <p>In terms of Openness, the Council has a good understanding of the requirement of the Freedom of Information Act and has a Publication Scheme and relevant FOI and Data Protection procedures. Significant amounts of information are held on the MDDC website. The Governance Working Group, supported by the LGA, has included an open session to seek public views, a survey of members and subsequent discussion by the Council to accept its recommendations. The recommendations included organisational changes but has also highlighted the need for changes related to attitudes, behaviours and working relationships, and increased focus on engagement by members, and engagement with residents and businesses.</p>	0	7	0	

Risk Area / Audit Entity	Audit Report					
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		<p>In support of the FOI publication scheme guidelines, there are two areas, specifically “What are our Priorities”, and “How are we doing” where more accessible information could be provided. While much information is contained in papers submitted to support meetings accessible from the website, these are not easy to find or do not provide information easy to understand. As well as ongoing performance information, more could be done to summarise council performance over the year, how the council has delivered, and issues and problems that it may be facing, such as in an annual report.</p> <p>Council members and officers engage extensively with many organisations, such as those allocated to Outside Bodies. It may be useful for the council to identify and review all organisations it deals with to consider whether the amount of engagement is sufficient.</p> <p>Effective engagement with individuals and service users is important to ensure support for council operations and the choices it makes. A recent good example of seeking customer views was the Public Customer Satisfaction survey focused on those who had directly dealt with the council. This attracted 3,277 responses, with a headline result that 86% said they were very satisfied / satisfied with their contact with the Council. The Council has a Communication and Engagement Strategy along with a Social Media Strategy, endorsed by the Community Policy Group in early 2021. Given the importance of this area, it will be important to periodically review how effective these strategies are in achieving better engagement / communication.</p>				
<b>Care Services – Alarm Management</b>  ANA – Risk Assessment: High	Limited Assurance  Status: Draft Report	This area must be managed effectively as significant impacts (to life, and council reputation) may result from failure of alarms provided to customers. There is no current risk identified with regards to this area on the Councils risk register; Spar.net, and the service does not currently hold performance indicators. Effective performance monitoring is important to confirm to management that a high and reliable level of service is being provided to customers including quick fault rectification. In this regard, the council does not currently have effective processes to check that faults are rectified quickly, and complaints are resolved. While the service currently makes a small surplus, the council should consider if this return is sufficient given the risks involved, and the presence of other suppliers who may be able to invest to provide a better service.	1	11	1	

Audit Report					
Risk Area / Audit Entity	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low		Direction of Travel Assurance
		<p>In terms of risk to the council, we take assurance from support provided by the Deane Helpline who are contracted by the council to provide a 24-hour telephone service for customers who have Piper Lifelines. The Telecare Service confirmed that during their time (3 years) there have been no service failures by the Deane Helpline and that they are happy with the service the Deane Helpline provide which they assess to be very professional.</p> <p>The Operations Manager Housing Services has acknowledged that management of Telecare services has been impacted during the pandemic with conflicting priorities, reduction of staff resource due to vacancies, and working from home impacting on housing officers. Actions have been formulated to address the identified weaknesses to make the service more efficient and effective, such as purchase of an off the shelf sales and stock taking system for more effective monitoring of the equipment.</p>			

## Appendix 2 – Clearance of audit recommendations

Audits with open recommendations	Year	Recommendations									Direction of Travel RAG	BUSINESS AREA 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 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 is 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	2			6	0	2	🔴	Review of masterfile - date has been extended business objects report required. Currently implementing a system upgrade.
Debtors	2019&20				3	1		4	1		7	0	2	🔴	New sales pro-forma has been created to be introduced by end of September 2021 alongside the efin upgrade. Identification of duplicate customers - deadline extended to end of September 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. To go to Housing PDG later in the year.
Sickness and Absence	2020	1			2		2				5	0	2	🔴	
Ctax and NNDR and recovery	2018	1			1	0	3	4			6	0	3	🔴	Outstanding S106 invoice escalated - recovery of S106s has moved to Corporate Debt Recovery - full and final settlement being agreed. Covid delayed completion of the other two.
Asset Management	2019				2			2			2	2	0	🔴	Resource was diverted to Climate Change support. Member of staff has left - training being arranged - dates extended
Housing Health & Safety	2019	1			13	1	1	2			16	1	1	🟢	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 - looking to provide this inhouse in Autumn 2021.
Housing Benefits	2019				1		1				1	0	1	🟢	ICT advised that administration of the system now lies with the the supplier. Internal audit have referred this back to the service to address.
Licensing - Hearings process	2020				1						0	1	0	🟢	We have been waiting for the external trainer to provide potential dates for the training. Training now planned for October 2021. Date extended to end of October 2021.
ICT Core Material Systems	2020				2	3		2	1	2	4	1	5	🟢	
Payroll	2020				5	2		1	1		6	0	3	🟢	Maintenance and related issues between the supplier and the organisation are greatly improved. Work is currently underway on upgrading the system. Due to the improvement internal audit have reduced the risk from high to medium.
Main Accounting	2020				2	1		2			4	0	1	🟢	
Digitalisation	2020				2	3	0		0		2	3	0	🟢	
Building Control	2020	3				2		1			4	0	2	🟢	
Procurement	2020		1		5	3			1		0	5	5	🟢	These recommendations will need to be confirmed given the role of DCC Procurement with the council.
Car Parking	2020				4	1					4	0	1	🟢	
Commercial Rents	2020				3	2	1	2			5	2	1	🟢	Date of two medium recs extended to 31/3/22 - member of staff left - consultancy support to train remaining staff being arranged
Safe Staff Operations during Covid	2020				6	1		5			0	11	1	🟢	
Housing Benefit	2020				2			1			0	3	0	🟢	
Climate change	2020				4			1			0	5	0	🟢	
Debtor Recovery	2021				3						0	3	0	🟢	
Stores	2021	1			8			1			0	10	0	🟢	
		14	1	3	52	16	30	25	3	8	91	15	34		

CORE SYSTEM

C = Completed 65%  
 N = Not yet due 11%  
 O = Overdue 24%

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) .