

Internal Audit

# Audit Progress Report 2021-22

Mid Devon District Council  
Audit Committee

November 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 provide a Reasonable Assurance for our Income Management Audit. This follows our related audit on Debtor Recovery earlier in the year in which we also provided a Reasonable Assurance.

### Risk Based Audits

We provide a Reasonable Assurance related to our audit on the Corporate Plan. Management has agreed to undertake a gap analysis in early 2022 to identify progress to achieve the priorities in the plan given the impacts of the last 18 months.

### Covid-19 Grant work

We have reviewed the final claim for the Income Compensation Scheme and confirm that the figures appear to be a true and fair reflection of those within financial systems.

### Fraud Prevention and Detection

In the last few weeks, we have provided training to council staff on the importance of counter fraud activity given the risk of fraud to the public sector. We continue to work with council officers on measures to identify and prevent fraud.

**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.

## 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 Business Continuity, Emergency Planning, and Performance Management, and are continuing to deliver our core audits.

That said, due to insufficient resource we are currently behind schedule in completing our plan. Several new auditors are joining in the next few weeks, but will take time to bed in. We may therefore need to prioritise completion of key audits to support provision of an overall assurance opinion. DAP is also currently discussing smoothing our work activity over the next couple of year within Partnership meetings.

## 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 13 overdue recommendations listed on Spar (See **Appendix 2** - 1 High and 12 Medium). This compares to 33 overdue recommendations that we reported at the last Audit Committee and denotes good clearance although several involved extension of target dates. We understand that only High priority recommendations need Audit Committee agreement to extend target dates. We have agreed with the S151 officer that future reports to Audit Committee will highlight Medium recommendations where target dates have been extended significantly past original target dates.

**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>CORE REVIEWS</b>						
<b>Income Management</b>	Reasonable Assurance  Status: Final Report	<p>There is good user control of those who access the Debtors module within the Finance system; eFinancials. During the audit the Finance system was upgraded to Version 6. The Systems Accountant confirmed that testing was carried out prior to the new software version going live at the end of September 2021. While there had been a few teething issues, these have been resolved and the upgrade has gone well. Based on confirmation of a smooth upgrade, system automation of processes, and last year's audit assurance where we reviewed system processes, we are content with system controls to prevent or detect errors, omissions or inappropriate. We plan to carry out a system review as part of next year's audit.</p> <p>The three Medium recommendations related to:</p> <ul style="list-style-type: none"> <li>Timely sign off of reconciliations of the debtor sub ledgers and suspense accounts to help identify errors.</li> <li>Review of accounts to identify duplicate customers or those no longer in use to reduce risk of incorrect charging.</li> <li>Monitoring of ad-hoc invoices (those raised off the system) to ensure all income is collected.</li> </ul>	0	3	4	
<b>RISK BASED REVIEWS</b>						
<b>Corporate Plan</b>	Reasonable Assurance  Status: Final Report	<p>The Corporate Plan and priorities form the substantial part of the performance monitoring undertaken by the council. These core priorities (Homes, Environment, Economy and Environment) are consistent with the governance structure of Policy Development Groups that report to Cabinet. The Plan is supporting focus on delivery of the core aims of the council, with a systematic process to report progress to council meetings. There is significant emphasis on the environment and Climate Change measures which are important council priorities.</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
		<p>Given the challenges of the last 18 months, it is now timely to undertake a gap analysis of where the council may not achieve original targets in the Plan due to diversion of resources to deal with the emergency.</p> <p>Corporate measures are not included in the plan. Given the changes to the environment, due to Covid-19 and other impacts, there is an opportunity to provide detail on future strategic changes to council operations. As part of those strands, the resource and budgets allocated should be considered to maximise plan delivery.</p>				
<b>Review of the Income Compensation Scheme Claim 4</b>	<p>Certified</p> <p>Status: Final Report</p>	<p>The figures prepared in respect of Claim 4, covering the extended scheme period of 1 April to 30 June 2021, appear to be a true and fair reflection of those within the financial systems. Income types included within the claim could reasonably be considered to fall within the eligibility criteria as outlined in the MHCLG guidance document.</p> <p>For our sample, we confirm that:</p> <ul style="list-style-type: none"> <li>• Profiled budget figures quoted within the claim, were matched to corresponding figures taken from the 2020-21 P1-3 original budget as reported by the general ledger.</li> <li>• Income types included within the claim could reasonably be considered to fall within the eligibility criteria.</li> <li>• Claimed amounts correspond with the correct periods (actuals from 2021-22 P1-3).</li> <li>• Supporting evidence is retained for adjustments arising from general cost savings and grants in respect of furloughed staff.</li> </ul> <p>As previously noted, there have been some income streams, most notably Commercial Waste, where the estimated losses as at the time of the first claim (2020-21 P1-4), were significantly higher than the actual losses across the entire year (2020-21 P1-12), due to an uptick in income in later months. Where this is the case the Council will have 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 part of the final reconciliation process which MHCLG have indicated will take place soon.</p>	-	-	-	NA

## 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				
Insurance	2017	1			3				1	4	0	1	🔴	Insurance checks for external contractors. 75% contracts are sourced 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	🔴	The Member of staff with responsibility for this project is on L-T sick leave but this will be prioritised on their return. <b>Dates extended to 31 January 2022.</b>	
Development Management S106	2018	1		1	2		1			3	0	2	🔴	S106 Officer is working on the parish reports for publication. To be completed by the end of 2021/22 financial year. S106 application 'smarter' form is being produced. Word of mouth being used to publicise funds, this is proving effective with money being allocated effectively.	
Creditors	2018&19				5			4	2	0	9	2	0	🔴	Review of masterfile - <b>date has been extended a second time to end December 2021</b> to fit with workflows.
Debtors	2019&20				3		1	4	1	7	0	2	🔴	New sales pro-forma has been created to be introduced - <b>deadline extended by end of November 2021.</b> Identification of duplicate customers - <b>deadline extended to end of December 2021</b> to fit with workflows.	
Ctax and NNDR	2018&20	1			2	1	1	4		7	1	1	🔴	Single Business Rates Relief project progressing - files sent for checking against a national data base for matches - awaiting results. Quality reviews are being set up for completion on line.	
Asset Management	2019				2			2		2	2	0	🔴	<b>Dates extended to 31 March 2022</b> due to time diverted to Climate Change support.	
Housing Health & Safety	2019	1			14	1		2		17	1	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	2020						1			0	0	1	🟢	Delayed due to Covid.	
ICT Core Material Systems	2020				2		3	2	1	2	4	1	5	🟢	
Payroll	2020	1			7			1		8	0	1	🟢		
Digitalisation	2020				3	1	1			3	1	1	🟢		
Building Control	2020	3			1	1		1		5	1	0	🟢	<b>Date extended to 31/12/21</b> delay due to the pandemic - four cases of Covid within the team and very high workloads. Would like to provide face to face training which has not been possible due to the pandemic.	
Procurement	2020	1			3	5		1		3	7	0	🟢	<b>Dates have been extended.</b> These recommendations are on hold while the future delivery mode of Procurement services are considered	
Commercial Rents	2020				3	2	1	2		3	4	1	🟢	<b>Dates extended to 31/3/22</b>	
Safe Staff Operations during Covid	2020				3	3	1	1	1	4	4	2	🟢		
Stores	2021	1			1	7		1		1	9	0	🟢		
Care Services	2021	1				11		1		0	13	0	🟢		
Cyber Security	2021	6			4					0	10	0	🟢		
Governance	2021				7					0	7	0	🟢		
Corporate Plan	2021				3					0	3	0	🟢		
		14	1	1	52	14	12	20	6	5	86	15	18		

CORE  
SYSTEM

C = Completed **72%**  
N = Not yet due **13%**  
O = Overdue **15%**

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).