Internal Audit

Audit Progress Report 2022-23

Mid Devon District Council
Audit Committee

June 2022

Robert Hutchins
Head of Audit Partnership

devon **audit** partnership

Auditing for achievement

CUSTOMER SERVICE EXCELLENCE

CSE

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 2022-23 based on work undertaken to date in the Opinion Statement.

The Internal Audit plan for 2022-23 was presented and approved by the Audit Committee in March 2022. 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

Opinion Statement

> **Overall, based on work performed during 2022/23 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.

Substantial Assurance	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.
Reasonable Assurance	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.
Limited Assurance	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.
No Assurance	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

The last few weeks we have focused on completion of our remaining 2021-22 audits to support inclusion in our Annual Report. Detail on the audits completed since the last Audit Committee are included in that report.

Fraud Prevention and Detection
We continue to work with council officers on measures to identify and prevent fraud. For this year we are considering additional data analytical initiatives to undertake fraud initiatives across our different client areas.

Audit Coverage and Performance Against Plan
We have started our work to deliver the 2022-23 audit plan agreed at the last Audit Committee meeting. We do not currently anticipate any problem in delivering the plan.

Audit Recommendations

There are currently 4 overdue High and 31 Medium recommendations listed on Spar (See **Appendix 1**). This compares to the 23 overdue recommendations that we reported at the last Audit Committee. We understand that only High priority recommendations need Audit Committee agreement to extend target dates and that management can decided to extent Medium and Low recommendation target dates.

Appendix 2 provides detail of recommendations that have been extended by management more than six months beyond the original agreed implementation date. There are 17 recommendations in this area (2 High, 12 Medium, and 3 Low). The High Recommendation relates to review of regulations related to Procurement Waivers. Six other recommendations also relate to the Procurement audit. We will discuss the need to address all the recommendations with management.

Customer Satisfaction – For each review we ask for feedback on the audit. Since our last report we received the following CSQ scores:

Audit   Percentage Satisfaction

Service Charges   99%

Trade Waste   98%

Emergency Planning 97%

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.
- Undertaking similar audits across different councils to identify and share good practice, such as current audits of Climate Change being undertaken for North Devon, Torridge and Mid Devon.
- Confirming that core controls continue to be effective despite changing work conditions and current pressure of work.

Appendix 1 – Clearance of audit recommendations

Audits with open recommendations	Year	High C	High N	High O	Medium C	Medium N	Medium O	Low C	Low N	Low O	Totals C	Totals N	Totals O	Direction of Travel RAG	MANAGEMENT COMMENTS ON IMPLEMENTATION
Insurance	2017	1			3			1			5	0	0	↗	Insurance checks for external contractors. 75% contracts are souced through Framework agreements or SLoAC; compliance insurance is monitored through these agreements. Managers received training in 2018/19 on monitoring of contracts. Management now working with DCC Procurement to introduce a regular supplier healthcheck.
Job Evaluation	2019				5			3			8	0	0	↗	The organisation has implemented some job families, a decision will need to be discussed to see if the organisation wishes to implement a full job families approach. 5 job description templates have been drafted. The templates will have to be evaluated through the gauge system in order for them to be assigned a grade. **Dates extended to 31 January 2022. DAP will discuss with management.**
Development Management S106	2018	2			2		1				4	0	1	↗	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. **DAP will audit completion in April / May 21.**
Creditors	012&19&2	1			5			6			12	0	0	↗	Review of masterfile - **date has been extended a third time to end June 2022** to fit with workflows.
Debtors	2019&20				4			4	1		8	1	0	↗	Identification of duplicate customers - **deadline extended a secon time to end of June 2022** to fit with workflows.
Ctax and NNDR	2018&20	1			3		3	4			8	0	3	↗	Single Business Rates Relief project progressing - files sent for checking against a national data base for matches - awaiting results. Quality reviews are set up and being carried out.
Asset Management	2019				2				2		2	2	0	↗	**Dates extended to 31 March 2022** due to time diverted to Climate Change support.
Safeguarding	2019	3			3	1					6	1	0	↗	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. Update: Face to face training will be taking place this year and be completed by July 2022
ICT Core Material Systems	2020				2		3	2		3	4	0	6	↗	ICT to provide further update when available.
Procurement	2020	1			3	1	4			1	4	1	5	↗	**Dates extended.** Implementation of recommendations are being considered in conjunction with the transition to support provided by DCC procurement section.
Care Services	2021	1			6		5	1			8	0	5	↗	Business area asked to confirm current position.
Governance	2021				6		1				6	0	1	↗	
Housing Health & Safety	2019	1			14	1		2			17	1	0	G	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.
Housing Benefits	2020						1				0	0	1	G	Delayed due to Covid.
Payroll	2020	1			7					1	8	0	1	G	
Building Control	2020	3			1		1	1			5	0	1	G	**Date extended to 31/12/21** 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
Commercial Rents	2020				3	3		2			5	3	0	G	**Dates extended to 31/3/22**
Safe Staff Operations during Covid	2020				6	1		3			9	1	0	G	
Cyber Security	2020	3		3	2		2				5	0	5	G	
Debt Recovery	2021						3				0	0	3	G	
Stores	2021			1	5	1	2			1	5	1	4	G	
Cyber Security	2021		8		1	2	1							G	
Corporate Plan	2021					3					0	3	0	G	
Income Management	2021					1		1	2		1	3	0	G	
Business Continuity	2021				1		4				1	0	4	G	
Trade Waste	2021	1			5	1		1			7	1	0	G	
Emergency Planning	2021					4					0	4	0	G	
Treasury	2021									1	0	0	1	G	
Safeguarding	2021					4					0	4	0	G	
Service charges	2021					1			2		0	3	0	G	
Leisure Centre	2021		4			11			4		0	19	0	G	
Sickness and other time off	2021								1		0	1	0	G	
		19	12	4	89	35	31	31	12	7	138	49	41		

CORE
SYSTEM

C = Completed 61%
N= Not yet due 21%
O = Overdue 18%

Not progressing ⇨
Progressing some overdue ↗
On Target, report just issued G

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Appendix 2 - Recommendations more than six months beyond original agreed implementation date

Audit	Recommendation	Management Action	Priority	Original Action Date	Current Planned Date	Latest management update
Climate Change	A Climate Change budget be identified to underpin the Action Plan and include identification of benefits (financial and other types).	Agreed and the requirement to produce a Costed Action Plan is in progress and linked to the above.	Medium	31/12/21	31/03/23	Costs have been calculated for each key element of our carbon footprint and those figures have been provided to the Environment PDG as part of the regular update report. Gap analysis work is now taking place.
Climate Change	The current action plan is mainly focused on the next four years of activity, to reduce emissions to roughly under 15,000 tCO2e. To help meet the 2030 target of Zero emissions, it is important to populate the action plan for the remaining six years of the period, including the need for Offset arrangements.	This is agreed and intended to be the case and populate the action plan up to 2030, which will then be tracked via the action plan template. This will need to be split via work streams as reported to Scrutiny Committee.	Medium	31/12/21	31/12/22	As above – we have now provided estimated costs for each work streams that has been provided to the Environment PDG and can be sent to the Scrutiny Committee Officers suggest is done when the gap analysis is complete.
Climate Change	Suitable Climate Change awareness training for members and officers should be provided when available	It is agreed and is captured within the action plan that training for Members and Officers is key.	Medium	31/12/21	31/10/22	Officers have attended training to be able to expand that to other Officers and Members. Dates for the training will be shared shortly.
Asset Management Strategy incl. leasing	The property/land ownership database in Uniform (CAPS) is currently not fully populated, but there is an on-going project to bring the database up to date with the latest information. An exercise is being carried out by the Gazetteer Management Service, to bring the database up to date, with a target date for completion being the end of 2019. After this we understand that it will be the responsibility of Estates to maintain all ownership records relating to	Measures are in place to ensure that adequate monitoring of the project and training of Business Support staff is sufficient, to ensure accurate maintenance of Council asset information.	Low	31/12/19	31/5/23	Dates extended to 31 May 2023. A review with the supplier of the Uniform (CAPS) ownership layer as taken place and training is being arranged for summer 2022 for the business support staff as well as the temporary post of systems administrator to assit us with the backlog. Property Services has had 3 business support roles leave the Council that has resulted

	Council owned land and building. Managers should ensure that the project is regularly monitored.					in delay.
Asset Management Strategy incl. leasing	Once the project to get the Corporate Property database up to date has been completed, it will be the responsibility of the Estates team to continue with maintenance of the records when notified by Legal Services. Training will be required for the Business Support Officers who will be responsible for maintaining the database, as will user guides to ensure the integrity of the information in the Corporate asset database.	Training needs will be identified, and user guides produced to ensure consistency and integrity of the asset ownership module in the Uniform (CAPS) system. Appraisal objectives for training have been included for all Business Support Officers.	Low	No date on report. Report date July 2019. Would expect a low completed within 1 year which would make target date: 31/7/20	30/09/22	As above, training has been arranged for the new business support officers and manager.
Procurement	MDDC has created a Responsible Procurement Strategy and a Sustainable Procurement Policy & Procedure which have been introduced into the Dashboard Nov 2019. Neither of these have yet been referred to committee. These documents are signposted for managers to use but ratification is required for official approval and adoption by presentation to Cabinet.	Submit the Responsible Procurement Strategy and Sustainable Procurement Policy & Procedure Recognition so that it gets put onto the framework by legal services and goes to committee asap for approval.	Low	31/3/21	30/9/22	Dates have been extended to 30 September whilst the new operating model with Devon CC is embedded. Documents such as these will be reviewed and updated during that process.
Procurement	While there is a Finance Plan with procurement elements, the Council does not have a discrete Procurement Business Plan or supporting procurement performance framework. This means that there is no document to identify how procurement could be improved, such as further reducing the number of suppliers the Council deals with and mapping out the key contracts that need to be maintained. It also means that the objectives of the service, how these objectives filter into	We will create a Procurement Business Plan outlining the priorities for Procurement to concentrate on for the next couple of years. It will also map out the key performance indicators that will be reported to senior management.	Medium	31/7/21	30/9/22	The 2019 Finance Business plan covers the quadrennium and so is not due for a refresh yet. However, when it is, greater clarity will be given to the inclusion of Procurement elements. The Corporate Manager for Financial Services does not believe a separate Business Plan solely for Procurement is necessary.

	the Corporate Plan and monitoring performance against these objectives are not outlined.					
Procurement	Supplier spend is regularly monitored by the Procurement team however, this is currently a manual task. We understand that there was a business objects report that can be generated monthly, but further development of the report is required before it is fit for purpose. If the report cannot generate the information required, then an alternative approach should be considered, to create a more efficient way of monitoring supplier spend. This would increase assurance that supplier spend that is potentially reaching a threshold where a contract should be in place, has been identified.	Accepted.	Medium	31/7/21	30/9/22	Dates have been extended to 30 September. A review and refresh of contract management guidance will form part of the roll out of the new processes aligned to the new procurement partnership with Devon CC. Staff training on business objects will enable a more automated method of obtaining the aggregate spend. Training in planned in June and July
Procurement	The previous audit report on Procurement made a recommendation for training of Group Managers on contract management, with a completion date of 31 March 2019 (subsequently revised to June 2020). Due to the C-19 emergency this was not progressed. The completion of this training was queried at the January 2021 Audit Committee. We understand that this training has now re-started. In addition, Procurement training to all eProcurement users and authorisers through learning and development is planned from January 2021 to reinforce the correct purchasing sequence of events and checks to ensure orders are raised, in advance of the works, goods or services being received by the Council	Procurement recommended that contract management training should be undertaken by all officers who effect the tender/contract process not just the group managers. Procurement was not then and are not now in a position to offer this as a procurement training function only the recommendation to do so but will help to establish those who would benefit from the training. Officers will need to engage directly with MDDC's learning and development to affect this training – the contract management training is available via L&D with Achilles Manual 121 Procurement	Medium	31/3/21	31/3/22	Training is provided to relevant staff that join the organisation or who request refresher training. Training is also an element of the role out of the new operating model with Devon CC currently being embedded. Therefore this recommendation has now been closed.

	This action is coupled with looking into the option to have multiple users able to GRN the goods/services. These planned actions should be followed with monitored and stricter enforcement of the "Invoices only paid if PO and GRN " rule.	Training to all Eproc and Efin uses has commenced Jan 2021 and will continue until all users are re-trained (estimated at August 2021) when this training will become an electronic and video L&D online training function. This will be separated into learning sections so that only those sections required are presented to users (I.e., Requisitioners will see a slightly different set of instruction to that of an Authoriser). Those users that carry out both functions in a controlled manner will see a combination of both. This electronic training will sit within the MDDC officer annual training requirements so it will be monitored / tracked automatically.					
Procurement	Aggregation in supplier values is not currently being picked up automatically so that when recognised action may be taken to address and ensure rules adhered to. Management comment that when every spend is apportioned to the Contract Register, ideally a 'running total' will be available and reported automatically to the generic Procurement Office email if a supplier is nearing their monetary threshold. Further investigation should be undertaken to align the MDDC Contract Register.	Accepted	Medium	31/7/21	31/07/22	Staff training on business objects will enable a more automated method of obtaining the aggregate spend. Training in planned in June and July
Procurement	The Council should support a Counter Fraud and Anti-Corruption culture to reduce the risk of fraud and corruption.	Procurement has the Fraud, Corruption & Bribery policy within the Responsible	Medium	31/3/21	30/9/22	Dates have been extended to 30 September whilst the new operating model with Devon CC is embedded.

	Trust should not be a substitute for strong internal controls. Many elements of the procurement system have a function in terms of preventing fraud and corruption. As part of the current review of the Councils CF Strategy, management should ensure there is sufficient focus on the procurement risk.	procurement area of the Procurement dashboard and controls for purchase card use etc. but always open to investigating more robust options that mitigate risk.				Documents such as these will be reviewed and update during that process.
Commercial Rents	The property/land ownership database in Uniform (CAPS) is currently not fully populated and the project to bring the database up to date with the latest information had stalled. The exercise to bring the database up to date has now re-commenced with a new appointee. Information required is currently on spreadsheets, but the reporting functions of CAPS is not in use.	The property/land ownership database in Uniform (CAPS) is currently not fully populated. The project to bring the database up to date should be completed as soon as possible to take advantage of the expected ease of management reporting and envisaged time efficiency benefits to be realised. Managers should ensure that the project is regularly monitored until completion	Medium	01/3/21	31/5/23	Dates extended to 31 May 2023. A review with the supplier of the Uniform (CAPS) ownership layer as taken place and training is being arranged for summer 2022 for the business support staff as well as the temporary post of systems administrator to assit us with the backlog. Property Services has had 3 business support roles leave the Council that has resulted in delay.
Commercial Rents	The property/land ownership database in Uniform (CAPS) is currently not fully populated and the project to bring the database up to date with the latest information had stalled. The exercise to bring the database up to date has now re-commenced with a new appointee. Information required is currently on spreadsheets, but the reporting functions of CAPS is not in use.	Once the Corporate Property database is up to date, it will be the responsibility of the Estates team to continue with maintenance of the records when notified by Legal Services. Training will be required for the Business Support Officers who will be responsible for maintaining the database, as will user guides to ensure the integrity of the information in the Corporate asset database.	Medium	01/3/21	31/9/22	As above, training has been arranged for the new business support officers and manager.
Commercial Rents	The Agreement with BBCL should be re-visited to ensure the agreement	The agreement with BBCL will be reviewed and KPI's	Medium	01/3/21	31/7/22	The agreement with BBCL has been terminated and will expiry in June 2022. Property

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	contains clearer lines of communication documented in the event of possible unrecoverable or overdue rental income and agreed processes for actions to be taken in such situations. Consideration should be given to the setting of indicators to measure the agent's performance.	introduced to include/ ensure their credit control team communicate with the Council on a regular basis set out via procedure. Has reviewed at Scrutiny Committee additional Performance Indicators will be introduced for rates of return on direct and indirect cost basis.				Services will take the lead /management role on with the support of specialist as and when required. Our in house Corporate Recovery team are now directly involved in any recovery action. Performonace Inducators will be added to the spar system to capture the rates of return.
Safeguarding	Most officers now complete the Safeguarding awareness training online. New configuration of the LMS will mean that Alerts Group Managers will be sent an email every Monday with a list of officers who have training courses that are outstanding and need to be completed. Leisure services carry out and monitor their training under STA The CSO has carried out awareness training for operatives who do not have online access. Currently there are still 22 operatives who have not completed the training. It is recognised that this can often prove difficult due to the hours worked but should be addressed as soon as possible.	Safeguarding awareness training will be arranged for those operatives who could not attend the original course in January 2019.	Medium	No date on report. Report date June 2019. Would expect a medium completed within 6 months which would make target date: 31/12/19	31/7/22	Face to face training will be taking place this year and should be completed by July 2022
Cyber Security	Implement MNA for users of remote services such as OWA and Microsoft office 360.	Cisco AnyConnect VPN – Currently undertaking an infrastructure review which covers the replacement of Firewall\VPN appliance. New solution spec will include MFA as part of the security controls. The IT Operations Manager, once appointed, will be responsible for the	High	31/10/21	TBC	

		fulfilment of this recommendation.				
Cyber Security	Microsoft's extended support package should be considered for the 10 Windows 2008 R2 servers which are now obsolete and out of support. Alternatively, retire and replace servers with up-to date equivalents	Out-of-support servers to be retired at the end of October 2021. In remediation, new servers are built, and old servers will be retired rather than extended support package.	High	31/10/21	TBC	

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 .