

Internal Audit

## Audit Progress Report 2022-23

Mid Devon District Council  
Audit Committee

August 2022

Tony Rose  
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 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**

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## 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.

<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

We provide a Substantial Assurance for our audit on Housing Rents, and Reasonable Assurance for Housing Benefits, Payroll, and Waste and Recycling. We also certified the Test and Trace Support Payment Scheme grant. Further details are in **Appendix 1**.

### 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. This includes a proposal for Devon Council to fund a review of Council Tax Single Person Discount.

### Audit Coverage and Performance Against Plan

Work has started our 2022-23 audit plan. This includes undertaking the Cyber Security Audit in August. We do not currently anticipate any problem in delivering the plan.

## Audit Recommendations

**Appendix 2** - There are currently 10 overdue recommendations (2 High and 8 Medium) listed on Spar (See **Appendix 1**). This compares to the 35 recommendations that we reported at the last Audit Committee and represents significant progress to implement recommendations and to update SPAR. We understand that only High priority recommendations need Audit Committee agreement to extend target dates and that management can decide to extend Medium and Low recommendation target dates. We provide appropriate challenge if we have any concerns that the weakness has not been addressed.

**Appendix 3** provides detail of recommendations that have been extended by management more than six months beyond the original agreed implementation date. There are five Medium and one Low recommendation in this area. This has also significantly reduced from 17 recommendations reported in our last report

**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
Lord Meadows Leisure Centre	98%
Development Management	100%
Service Charges	99%

## 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 – Summary of audit reports and findings for 2022-23


### 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.

Risk Area / Audit Entity	Audit Report					
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low			Direction of Travel Assurance
CORE BASED REVIEWS						
Housing Rents	Substantial	<p>Access to the housing system (Orchard) and management of applying accurate weekly rental rates and collection of arrears is effective and well controlled. The Finance and Performance Team have confirmed that there have not been any changes to processes in the last year other than reinstating collection of rent arrears processes in place prior to the pandemic.</p> <p>Double checking of the rent increase is carried out before being applied to Orchard. We checked a sample selection of weekly rates on Orchard and found they were all accurate and processed in line with the guidance.</p> <p>Housing regularly monitors and report on arrears and produce weekly rent arrears stats. A comparison between the 2020-21 financial year and 2021-22 shows a debt increase of £85k (in context, the total rent for the year is £12.7m). Testing a small sample showed good monitoring of accounts and regular contact with the tenant to prevent arrears from escalating. There are factors which impact on debt which the team work hard to manage i.e.:</p> <ul style="list-style-type: none"><li>the rising number of tenants moving from housing benefit to universal credit (UC) - housing benefits is paid the week it is due; universal credit is paid in arrears, so this causes a break in payment to the tenant and delay in payment of rent. As at 1/4/20 there were 282 tenants on UC (in rent arrears) this has increased to 420 (in rent arrears) on 29/3/22.</li><li>Increase of cost-of-living.</li></ul> <p>The factors above have a significant effect on the increase in rent arrears. The rise in tenants moving over to UC and the cost-of-living will likely exacerbate this situation. This poses a big risk to the service, and it should continue to be regularly monitored and reported.</p>	-	2	-	

Risk Area / Audit Entity	Audit Report					
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low			Direction of Travel Assurance
Housing Benefits	Reasonable Assurance	<p>Our overall assessment is that access to the Revenues and Benefits system, NEC (Northgate) is well controlled and overpayments are effectively monitored and are being recovered through the various channels available. Council Tax Reduction (CTR) claims are manually reviewed to ensure that awards are accurate. A walkthrough of the BACs process found that there is good control within the process.</p> <p>The Revenues and Benefits Team Leader monitors the team's performance regularly. The number of claims and days to process claims is reviewed monthly and the results are submitted to the Department of Working Pensions (DWP). Performance can also be monitored through the CRM workflow system i.e. one week behind. The DWP quarterly reports are a good guide on the team's level of performance and a benchmark of how Mid Devon are performing against other local authorities. Quarter 3 for 2021-22 was provided and Mid Devon are above the average processing time for processing changes in circumstances and meet the average number of days for processing time for new claims.</p> <p>We issued a surdvey to establish the team's wellbeing and impact of the restructure which was implemented just before the pandemic in early 2020. Eight of the nine team members responded. The survey indicated that the benefits team don't feel part of the wider Revenue team. Efforts to resolve this issue have been delayed due to Covid 19. Management told us that there are plans to increase engagement and integration by having generic roles to provide resilience, and balance work levels to assist with the reduction of benefits work in the long term.</p> <p>The subsidy audit involves checking of claims to ensure accuracy of assessments. This is a large piece of work and contingency for this work will need to be reviewed now that the Team Leader is leaving; we understand that Management have plans to cover this work. Due to the volume of work the Team Leader has not been able to carry out the service level standards of checking the assessor's work. Checking of work is a pro-active way to identify and correct any errors at an early stage to help reduce the amount of checking as part of the subsidy audit which is a more reactive checking approach.</p> <p>Some of the write offs have not been authorised by the appropriate person according to the Financial Regulations.</p>	-	3	2	

Risk Area / Audit Entity	Audit Report				
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low		
Payroll	Reasonable Assurance	<p>Staff access to the payroll system is appropriately limited and the level of access to individual members of staff is commensurate with their roles and responsibilities. Core controls related to payroll operation are in place and operating, supported by an experienced payroll manager although some concerns are listed below. A new payroll apprentice is now in situ which should help improve resilience in this area.</p> <p>Monthly Payroll Control Account reconciliations to the Main Accounting System had been undertaken to period 8 (November 2021) but have had to be suspended due to concerns as to accuracy. Work is now underway by finance to review those previously submitted and to ensure those remaining have been completed as soon as practicable.</p> <p>DAP calculation of part month salary (first month back pay, final month pro rata to leaving date) could not in all instances be agreed with the amounts calculated by the system. Management is asking the software supplier how the system calculates part month payments.</p>	-	3	-
RISK BASED REVIEWS					
Waste and Recycling	Substantial Assurance	<p>To help meet the recycling and waste targets outlined in the Devon and Torbay Waste Strategy Management Plan, the Service has trialled the effect of 3 weekly interval collections on residual waste. The trial was an overall success, so this will be rolled out across the district to reduce residual waste and increase recycling. Overall, there was a reduction of 34% of residual waste collected during the trial, and recycling increased by 2%. Carbon savings observed during the trial were 1.3 tonnes of CO2eq per week, the equivalent of driving a standard car to Spain and back 3 times each week. More work will be necessary to increase recycling, and the Service will evaluate performance against the KPIs once the 3-weekly collection is fully implemented. Public engagement and education is key to ensuring success, appropriate information is readily available on the Council website and Comms including social media, email and newsletters will be used to promote the changes.</p> <p>The Waste Transfer Station is clean and well organised, with safety at the forefront of operations, safety signage and floor markings were clear, and we observed PPE and safety boots being worn on site. Training for new staff is acceptable and records are stored securely on SharePoint for future reference.</p> <p>Income from chargeable services is largely automated and is reconciled regularly</p>	-	-	1

Risk Area / Audit Entity	Audit Report				
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low		
		<p>while expenditure versus budget is monitored closely by management and finance. Reconciliation of load weights with Devon County Council incorporates some manual adjustment due to the nature of charity waste collection among others. Customer complaints are managed in accordance with the corporate complaint's procedure and within reasonable timescales. However, there is no strategy for ascertaining customer views on the service. We recommend this is developed particularly considering the changes to collections scheduled for this year.</p>			

















## GRANT CERTIFICATION

DAP undertook work to enable it to counter sign the declaration letter to the UK Health Security Agency related to the Test and Trace Support Payment Scheme (TTSP). The scheme ran from September 2020 to April 2022 with MDDC paying out a total of £371,000. This was made up of £203,500 on the Main Scheme and £167,500 on the Discretionary Scheme. Administrative costs relating to the TTSP during this time amounted to £31,275.

Applications for the TTSP £500 payments were screened using an NHS Eligibility Checker Tool, benefits checks on Searchlight and evidence proving loss of earnings. Records were maintained of successful and unsuccessful applications; these were cross-checked for multiple applications and/or overlapping self-isolation periods. Post-application checks were also carried out which identified 6 payments which needed to be recovered, however 2 of these were over-turned after further evidence of loss of income was provided. The remaining four have been recovered or are being subject to recovery action.




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## Appendix 2 – Clearance of audit recommendations

Audits with open recommendations	Year	Total Number	High		Medium		Low		Totals		Direction of Travel RAG	MANAGEMENT COMMENTS ON IMPLEMENTATION
			N	O	N	O	N	O	N	O		
Ctax and NNDR	2018	11			1				1	0		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.
Safeguarding	2019	7			1				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	10					1		0	1		Will be reviewed and defined within Ransomware playbook work due for review September 2022. DAP to review in August 2022.
Procurement	2020	10			1		1		2	0		<b>Dates extended.</b> Dates have been extended whilst the new operating model with Devon CC is embedded. Documents such as these will be reviewed and update during that process. The financial regulations have recently been reviewed and refreshed where necessary, however will require a more fundamental review once the new regulations become available (Spring 2023).
Care Services	2021	13			1	2			1	2		DAP currently undertaking review to assess current position.
Cyber Security	2020	10				2			0	2		DAP undertaking review in August and will assess position.
Climate Change	2020	3			2		1		3	0		
Debt Recovery	2021	3				2			0	2		
Stores	2021	10		1	1	2		1	1	4		
Cyber Security	2021	12	5	1	2				7	1		DAP undertaking review in August and will assess position.
Business Continuity	2021	5			3				3	0		
Emergency Planning	2021	4			3				3	0		
Safeguarding	2021	4			1				1	0		
Service charges	2021	3			1		1		1	1		
Emergency Planning	2022	1			1				1			
Leisure Centre	2021	19	1		7		4		12	0		
		125	6	2	25	8	6	3	37	13		

CORE
SYSTEM

N= Not yet due 74%  
O = Overdue 26%

 Not progressing  
 Progressing some overdue  
 On Target, report just issued

## Appendix 3 - Recommendations more than six months beyond original agreed implementation date

Priority	Audit	Recommendation	Management Action	Priority	Original Action Date	Current Planned Date	Latest management update
2	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	DAP – we will review as part of our current audit on Climate Change.
2	Climate Change	The current action plan is mainly focused on the next four years of activity, to reduce emissions to roughly under 15,000 tCO <sub>2</sub> e. 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	DAP – we will review as part of our current audit on Climate Change.
2	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	DAP – we will review as part of our current audit on Climate Change.
3	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	30/09/22	Dates have been extended whilst the new operating model with Devon CC is embedded. Documents such as these will be reviewed and update during that process. The financial regulations have recently been reviewed and refreshed where necessary, however will require a more fundamental review once the new regulations become

							available (Spring 2023).
2	<b>Procurement</b>	The Council should support a Counter Fraud and Anti-Corruption culture to reduce the risk of fraud and corruption. 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 has the Fraud, Corruption & Bribery policy within the Responsible procurement area of the Procurement dashboard and controls for purchase card use etc. but always open to investigating more robust options that mitigate risk.	Medium	31/3/21	30/09/22	Dates have been extended whilst the new operating model with Devon CC is embedded. Documents such as these will be reviewed and update during that process. The financial regulations have recently been reviewed and refreshed where necessary, however will require a more fundamental review once the new regulations become available (Spring 2023).
2	<b>Safeguarding</b>	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 own 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

## 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).