

# Internal Audit Progress Report 2022-23

## Mid Devon District Council Audit Committee

September 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.

**Tony Rose**

**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 Reasonable Assurance for our Climate Change Audit. In our follow audit on Housing Care Service Alarms, we identify good progress to address weaknesses and have moved it from a Limited to Reasonable Assurance. 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 agreement from Devon Council to fund a review of Council Tax Single Person Discount.

### Audit Coverage and Performance Against Plan

Progress to deliver the plan has been slow in July / August due to officer summer leave etc. However, we started work on the Cyber Security, and Information Management Audits and other audits including Car Parks and Grounds Maintenance. We do not currently anticipate any problem in substantially delivering this year's plan.

### Audit Recommendations

**Appendix 2** - There are currently 12 overdue recommendations (6 High and 6 Medium) listed on Spar (See **Appendix 1**). This compares to the ten recommendations reported at the last Audit Committee and represents continued 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 two Medium recommendation in this area. This has significantly reduced from 7 recommendations reported in our last report.

**Customer Satisfaction** – For each review we ask for feedback on the audit. This year we have 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.

Audit and Assurance Opinion	Summary, Risk Exposure and Management Actions	Summary of Actions High / Med / Low			Direction of Travel Assurance
<p><b>Housing Care Service Alarms Follow Up</b></p> <p><b>Reasonable Assurance</b></p>	<p>Our audit report on Care Services - Alarm Income in August 2021 provided a Limited Assurance. We identified weaknesses related to the maintenance of the audit trail of fault rectification; inconsistencies between Deane Helpline and Mid Devon listing of units in use; the Deane Helpline contract (placed in 2008); and no review of Deane Helpline performance.</p> <p>In this follow up report, we provide a Reasonable level of assurance for Care Services – Alarm Income. We consider risk is significantly reduced due to work undertaken to resolve identified weaknesses. Of the original 19 recommendations, nine have been implemented and three partially implemented. We have assessed the High Recommendation (related to the audit trail of fault rectification) will be completed in September.</p> <p>Since our initial audit, the lifeline service has moved as part of the Housing restructure and is now managed by the Commercial Services Manager. Much work has been put in by the Commercial Service Manager to address the level of issues found in the audit. This has been a significant challenge in addition to taking on a new service with no prior knowledge. We recognise the significant time and effort put in to addressing the points so far, leaving the service in a much better position despite the transition to a new business area, staff training requirements and introduction of new processes. Some weaknesses remain, for instance the Dean Helpline contract has not yet been recompleted, although a waiver has been requested while this work is progressed, and the reconciliation to ensure accuracy of invoicing was last carried out in March 2022.</p> <p>We will revisit this area again in a few months' time to confirm the effectiveness of action to close the remaining recommendations.</p>	1	9	0	

## Climate Change

### Reasonable Assurance

The council is systematically approaching the objective of becoming Net Zero in emissions by 2030. The Environmental Policy Development Group is receiving detailed updates on delivery, and the Cabinet in January 2022 considered a paper on the Budget Options for Climate and Sustainability Investment. The climate change officer and Group Manager are engaging with the council's management team to build on this work to continue to make progress. While we note the positive work underway, it needs to be recognised that achieving the objective will be extremely challenging particularly given limited resources and current technology.

The Action Plan is the most detailed we have seen in detailing out the proposals and initiatives identified to support achievement of the objective, as well as the underlying resources required. Further work is needed to develop and refine it and ensure it is maintained as a "live" document to inform decision making. It also does not currently include the financial savings that some of these proposals may provide, for instance in reduced energy costs and receipts. The detail in the Action Plan should support consideration of those projects that will have the greater carbon saving (based on £ per carbon saving). We have been told that work is underway to incorporate the financial requirements into core financial documents for 2023-24, such as the Mid Term Financial Strategy. We note that Climate objectives are wider than just related to Net Zero and we identify areas for management to consider widening the current focus to include Adaptation (dealing with the impact of the changing climate, on the council as well as the wider area). In that regard, the recent council survey indicating that 90% of those who responded consider it fairly or very important for the council to tackle Climate Change is useful ammunition to support continued council action. We note that this element is also being led by the Devon Climate Emergency, of which the council is a partner.

We have agreed management actions relating to

- Creation of a Risk and Opportunities register.
- Identify and manage key stakeholders through a Climate Communications and Engagement strategy.
- Increasing the range of performance including those related to areas such as engagement, training and communication.

0

7

1



## 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
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	🚧	Dates extended. 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			1	0	🚧	DAP currently undertaking review to assess current position.	
Cyber Security	2020	10				2		0	2	🟢	DAP are currently undertaking a review and will assess position.	
Climate Change	2020	3			2		1	3	0	🟢		
Cyber Security	2021	12	6		2			0	8	🟢	DAP are currently undertaking a review and will assess position.	
Business Continuity	2021	5			3			3	0	🟢		
Emergency Planning	2021	4			4			4	0	🟢		
Service charges	2021	3			1		1	1	1	🟢		
Emergency Planning	2022	1			1			1		🟢		
Leisure Centre	2021	19	1		5	2	3	1	9	3	🟢	
Housing Benefit	2021	5			4		1	5	0	🟢		
Payroll	2021	3			3			3	0	🟢		
Waste and Recycling	2022	1					1	0	1	🟢		
		125	1	6	18	6	5	3	24	15		

CORE
SYSTEM

N= Not yet due [62%](#)  
 O = Overdue [38%](#)

🚧 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
M	Cyber Security	Windows Powershell Constrained language mode should be enabled to provide an additional layer of protection against malicious activity. Agreed to review.	Review using SCCM and replacing PowerShell scripts used to manage the laptop fleet.	Medium	31/1/22	N/A	This is dependent on completion of infrastructure replacement before NCSC logging made easy can be commissioned.
M	Cyber Security	IT should perform a risk assessment to determine whether Windows Firewall should be enabled on: <ul style="list-style-type: none"> <li>Existing servers where feasible, and</li> <li>On all new server builds as an additional layer of security.</li> </ul>	<b>Agreed</b> Review of server build process with added risk assessment to determine the feasibility of enabling Windows Firewall for Tier 0 servers.  The IT Operations Manager, once appointed, will be responsible for the fulfilment of this recommendation.	Medium	31/1/22	N/A	Due to supply chain issues the fortigate firewall was delayed impacting on the rollout of the client to the servers. This will be reviewed once infrastructure replacement is completed.