

# Internal Audit Annual Report 2022-23

## Mid Devon District Council Audit Committee

June 2023

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## Introduction

The Audit Committee, under its Terms of Reference contained in the 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 to incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

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, a review of work undertaken during the year and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual report providing an opinion that can be used by the organisation to inform its governance statement. This report provides that opinion.

### Expectations of the Audit Committee from this annual 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.

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 (see appendix 5) and satisfy themselves from this assurance to support signing the Annual Governance Statement.

<b>Contents</b>	<b>Page</b>
Introduction	1
Opinion Statement	2
Summary Assurance Opinions	3
Audit Coverage and Performance Against the Plan	4
<b>Appendices</b>	
1 Summary of Audit Reports & Findings	6
2 Assurance Map	14
3 Professional Standards and Customer Service	17
4 Audit Authority	18
5 AGS Annual Governance Assurance Framework	19
6 Customer Service Excellence	20
7 Basis for Opinion	22

## Opinion Statement

Overall, based on work performed during 2022-23 and our experience from 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.

*opinion statement will provide Members with an indication of the direction of travel for their consideration for the Annual Governance Statement see appendix 5.*

The Authority's internal audit plan for the year includes specific assurance, risk, governance, and value-added reviews which, with prior years audit work, provide a framework and background within which we assess the Authority's control environment. The Head of Internal Audit's Opinion is informed by the assurance conclusions obtained in the audits undertaken in 2022-23. Significant weaknesses identified should be considered by the Authority in preparing its Annual Governance Statement for 2022-23.

In carrying out reviews, Internal Audit assesses whether controls are operating satisfactorily and provide an overall opinion on the adequacy of controls to management within the audit report. Audit reports include an action plan with responsible officers and target dates to address control issues. While implementation of action plans rests with management, high priority recommendations are reviewed during subsequent audits or as part of specific follow-up.

Underpinning our overall Reasonable Assurance are the five Substantial and 19 Reasonable Assurance opinion audits (with five Limited opinions).

This statement of opinion is underpinned by:  
*This*

### Internal Control Framework

The control environment comprises the Council's policies, procedures and operational systems including processes in place to establish and monitor the achievement of the Council's objectives; facilitate policy and decision making; ensure economical, effective and efficient use of resources, compliance with established policy, procedure, law and regulation; and safeguard the Council's assets and interests from losses of all kinds. Core financial and administrative systems were reviewed by us, and controls were found to be effective with some exceptions resulting in agreed management actions.

The Council's overall internal control framework is considered to have operated effectively during the year. Where we have highlighted weaknesses in compliance to key controls, none are considered to have had a material impact on operations.

### Risk Management

Risk Management processes at strategic and operational level are in place. There has been progress to support focus on Corporate Risks. Further work is required to improve focus on Service risks and key business objectives and improve mitigation control.

### Governance Arrangements

Through our audits we noted the Council has an appropriate Governance framework including senior management and member review and approval of Council budgets and charges. Several audits identified the need for more attention to quality control and oversight of specific areas.

### Performance Management

Performance is monitored at management and Council Committees. This is supported by the SPAR system. Further attention is needed to ensure appropriate performance measures are held by all Service areas for effective delivery and performance monitoring.

<b>Substantial Assurance</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	<b>Limited Assurance</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>Reasonable Assurance</b>	<b>There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.</b>	<b>No Assurance</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

## Summary Assurance Opinion

The diagram below shows our assurance opinions broken down by service area. The ratings are relevant at the time of the audit review and assurance may have improved with implementation of agreed management actions since that time.

Assurance Opinion	Service Area - Audit Coverage		
	Deputy Chief Executive	Corporate Affairs	Planning
Substantial Assurance	Treasury Management	Car Park Operations Housing Rents	Development Control Local Land Charges
Reasonable Assurance	Housing Benefits Cemeteries Climate Change Capital Asset Management Income Management Main Accounting Creditors Procurement Risk Management	Electoral Registrations and Elections Customer Care and Complaints Recruitment, Selection & Retention Equality and Diversity Grounds Maintenance Care Services Follow Up Off Payroll Working (IR35) Corporate Health and Safety Payroll	Culm Garden Village Project
Limited Assurance	Culm Valley Leisure Centre Repairs & Maintenance	Cyber Security and IT Corporate Management Information Environmental Health	

## Audit Coverage and performance against plan

We delivered 89% of audits in the agreed plan for 2022/23 (to draft /final report stage). The remaining audits have been either cancelled, deferred by the client, or rolled over into 2023/24.

### Audit Assurances provided

The chart opposite shows the breakdown of Substantial, Reasonable, and Limited Assurance opinions provided this year. While 24 of the audits were Substantial or Reasonable, we also provided five Limited opinion audits, related to:

- Cyber Security: The need for more effective cyber governance commensurate with risk present in this area.
- Information Governance: Related to the above work we note the progress made but further work is needed to implement and embed improvements.
- Environmental Health (Water): Problems with staff resourcing have impacted on the team output and resultant income derived.
- Repairs and Maintenance: A reactive rather than proactive maintenance approach and the system to manage repairs is not effective.
- Culm Valley Sports Centre: Concerns including costs vs income, and Health and Safety responsibilities and monitoring.

Follow ups will be undertaken in 2023-24 to confirm that management actions agreed in these audits have been addressed.

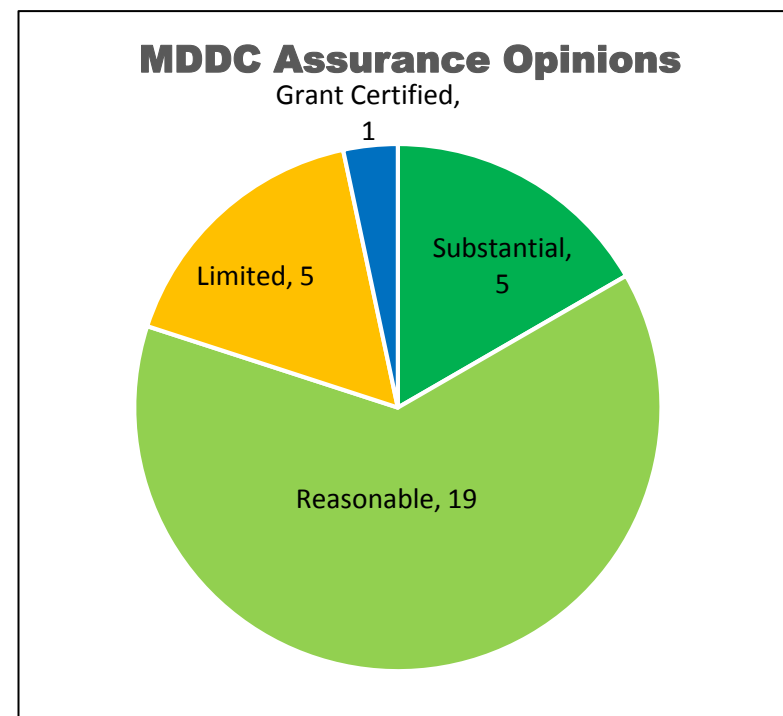
We also provided certifications of grants, consultancy reports, and other support activity.

This year's mix of opinions compare to the 3 Substantial, 17 Reasonable and 2 Limited Assurance audit opinions provided for 2021/22.

In terms of audit days, we have delivered more than the agreed number of audit days, although some audits have required a richer mix of staff resource than planned in the initial audit plan due to the complexity / sensitivity of the area under review e.g., the Cyber Security reviews, and reviews of Governance, and the Corporate Plan.

The Summary Assurance Opinion on the proceeding page shows that we have undertaken audits across different areas of the Council to support an assurance opinion, along with all the Core audits.

At **Appendix 1** we include a summary of the audits delivered since the Audit Committee of March 2023. Summaries of the audits delivered prior to that meeting were included in reports to the Committee during the year.



## Value Added

We know that it is important that the internal audit service seeks to "add value" whenever it can and 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.

This current year, we have sought to add value by increasing the number of similar audits undertaken in different partners to support compare and contrast activity, and to identify and communicate best practice. We also actively worked with management to progress actions to reduce their risk in areas such as on Housing Voids and Cyber Security.

We also issued relevant information bulletins on:

- Good practice and reflections on District Councils progress to meet Climate Change objectives.
- Comparison of agenda items presented to Devon District Audit and Governance Committee.

Finally, we have provided advice and guidance on good practice related to Governance, Risk Management and Fraud. Appendix 7 provides details of the specific feedback for Mid Devon and all our clients.

## Fraud Prevention and Detection

Overall, the risk of fraud at the Council is considered low. All our internal audit assignments include considering the potential for fraud and how the Council prevents such fraud occurring. Work on the key financial systems (payroll, creditors, debtors etc) considered the suitability and robustness of the control framework to prevent, detect and address fraud. The national data matching exercise (National Fraud Initiative - NFI) is supported by the Council every two years. We were not involved in any significant investigations required during the year.

During the year we supported the Council by providing a specific Counter Fraud Resilience and Assessment report in December 2022 which assessed arrangements against CIPFA / CIFAS best practice. We are now undertaking this as an annual exercise. The assessment concluded that the Council complies in almost all areas of best practice. We considered arrangements compared to best practice was encouraging and supports the opinion that it is committed to reducing fraud losses to the minimum level possible.

In February 2023 we helped to update its Anti-Fraud Bribery and Corruption Policy, and Strategy to align them with good practice.

For 2023-24, we are supporting a review of Council Tax Single Person Discounts which is being undertaken by a specialist contractor funded by the County Council.

## Appendix 1 – Summary of audit reports and findings since the March 2022 Audit Committee

Audit and Assurance Opinion	Summary, risk exposure and management actions
<b>Housing Rents</b>  <b>Substantial Assurance</b>	<p>There is a good level of control for the approval of rent increases and application to rent accounts. User access to the Orchard system is monitored and user access looks appropriate in line with job roles and with restrictions on those able to make parameter changes. Rent collection is well monitored and current tenant arrears is managed in line with policy. Former tenant arrears is being managed alongside the current tenants but there are occasional gaps in chasing up this debt. Review of rent arrears shows that arrears have increased for several years. Management is aware of this and plan to allocate resource to monitor and recover former tenant arrears.</p> <p>The rent increase was calculated in accordance with the policy and appropriately approved by members. There is double checking of the rent increase before this is 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 2022-22 financial year and 2022-23 shows a debt increase of £91k (in context, the total rent for the year is £13.1m). Testing a small sample showed good monitoring of accounts and regular contact with the tenant to prevent arrears from escalating. There are factors impacting 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.</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> <p><b>We agreed two Medium Management Actions.</b></p>
<b>Corporate Health &amp; Safety</b>	<p>The Council's Health and Safety Committee meets quarterly and is attended by senior managers and other key staff. Pertinent topics on management of H&amp;S issues are discussed, and actions agreed to address areas of concern. There is a current H&amp;S policy published on the Intranet/Sharepoint. There is a formal process for induction that includes H&amp;S; with a checklist for manager and officer to ensure all areas are covered. The Councils Learning Hub is used to roll out mandatory H&amp;S training for officers. This training is relevant and</p>



<p><b>Reasonable Assurance</b></p> <p><b>Draft Report; still to be finalised.</b></p>	<p>sufficient to keep officers abreast of employer and employee responsibilities. Risk assessments are in place to identify and manage H&amp;S risks to officers and the public. We reviewed Street Scene risk assessments and the Health and Safety Officer advised that he is content that these are being carried out across other service areas. The Council requires officers working mainly from home to complete Display Screen Equipment assessments; this has not been completed by all relevant officers, but a review is assessing those who have yet to complete it.</p> <p>There are areas where attention is required:</p> <ol style="list-style-type: none"> <li>1. Mandatory H&amp;S training: Officers are not required to read the Health and Safety policy as part of core training. In addition, there are employees who have not completed the mandatory training. While managers are required to ensure that their staff complete the training this does not appear to be effective.</li> <li>2. Requirements in the policy related to the Chief Executive do not appear to be in place: <ul style="list-style-type: none"> <li><i>“The Chief Executive:</i> <ol style="list-style-type: none"> <li>4.2.1 <i>Has responsibility for the management of health and safety and will sign the policy.</i></li> <li>4.2.2 <i>Will delegate implementation of the policy through the line management structure.</i></li> <li>4.2.3 <i>Will delegate, with the assistance of competent advice, the preparation of a Health and Safety Strategy that will include key safety performance indicators”.</i></li> </ol> </li> </ul> </li> <li>3. Arrangements related to evacuation of mobility impaired individuals. This includes training on the use of the evacuation chair, the location of the chair, positioning of a tannoy system to call for help, and creation of personal emergency evacuation plans.</li> <li>4. Induction forms. Managers are responsible for completion of induction forms. Monitoring return of induction forms is not undertaken by HR, therefore there is no control to ensure that all inductions are complete.</li> </ol> <p><b>We made seven Medium and two Low Management Actions</b></p>
<p><b>Projects – Culm Garden Village</b></p> <p><b>Reasonable Assurance</b></p>	<p>The project is well supported by experienced officers from the Council planning team as well as a Planning Lead provided by Hyas associates. The absence of any request for grants from HE for 2022-23 increases project specific risk that additional future grant funding will not be available. The project is also facing risks related to funding of interdependent projects such as the Cullompton Relief Road, and M5 Junction work. This makes it even more important for the Council to put priority on managing this and the other related projects.</p> <p>Statutory decisions are taken by the Council and other relevant bodies, and key papers have been agreed by Cabinet and Full Council. Specific members are involved; the Leader, and the Cabinet Member for Planning and Economic Regeneration sit on the project Delivery Board. However, the Council does not have a specific committee or group that considers the CGV project, or other relevant projects. We have suggested the Council</p>



	<p>consider if a specific committee or Policy Development Group should have responsibility for this and other related projects which have significant impact on the local area.</p> <p>A Delivery Board is composed of MDDC members and officers, and other individuals with an interest. This is well supported by the project, with update reports, notes of meetings, and an action log. The Board Terms of Reference states that it has “overall responsibility for steering the delivery of the Culm Garden Village project”. However, review of the meeting notes and papers indicates that it is not overtly a decision-making body. This may be a result that many of the statutory decisions are taken by other Council or other bodies. There is a need to review the Delivery Board terms of reference to ensure it is consistent with the actual role of the Board in conjunction with that of other organisations such as the Council.</p> <p>We suggest the project maintain a risk register and highlight the key risks to the Delivery Board and members to help provide clarity of the significant challenges to be overcome relating to funding for this and other key projects.</p> <p>Review of the projects finances shows that the project has been funded by Homes England grant monies, but HE bids for 2022-23 have not been invited. The Council holds unspent grant money which should cover all but £25k of costs for the next few years. It is not known if future grant money will be available, and the project team is seeking alternative funding from other sources. However, there are also other significant funding problems relating to interdependent projects such as the Cullompton Relief Road. We have therefore provided a Limited Assurance opinion related to this risk area.</p> <p>The project has a Communications and Engagement Strategy, but it needs to be reviewed and updated. Work is needed to update the MDDC website related to the project.</p> <p><b>We agreed seven Medium and one Low Management Actions.</b></p>
<p><b>Off Payroll Working – IR35</b></p> <p><b>Reasonable Assurance</b></p>	<p>There was a good awareness of the requirements arising from the IR35 regulations. It has provided training modules to officers, including one on completion of the HMRC online assessment tool, CEST. The training is comprehensive and has been completed by a good number of managers, although further work is needed to encourage all those nominated to attend it. Guidance for officers has also been produced and is detailed but this has been in draft for some time and needs review and approval.</p> <p>There was a process for the Workforce Review Group to review the Service Determination Statements (SDSs) produced from completion of the HMRC online tool. The Council was recently asked by HMRC to confirm details on Employment Status, showing the importance of continued focus on adherence to regulations in this area despite the low numbers of workers applicable to this area.</p> <p><b>We agreed three Medium and two Low Management Actions.</b></p>

## Creditors

### Reasonable Assurance

Payments are made in a timely manner as demonstrated by the percentage of 97% of invoices paid within payment terms for the 2021/22 financial year.

Good controls exist within the system with members of the creditors team not able to set up suppliers upon the system and once a supplier has been set up being unable to amend and change supplier details (payee sort code, bank account).

We found instances where purchase orders did not contain necessary information on cost, hours, timescales. Staff should be instructed to ensure that all purchase orders raised contain sufficient information regarding description of goods and services required, the quantity required, and the purchase price agreed for each item.

Certain issues raised within the previous audit report were found to be still relevant:

- Regarding the process of receipting of goods and services, from a small sample of invoices tested most had a goods receipted date after the actual invoice date for the goods and services supplied. This is contrary to financial regulations.
- No progress on removal of supplier records no longer required from the supplier Masterfile. Management has been asked to confirm whether this is still an acceptable risk to be tolerated going forward.

**We agreed three Medium Management Action.**

## Procurement

### Reasonable Assurance

The Council has a good procurement framework to support the effective and efficient procurement of goods and services. Most purchases use the standard procurement procedures, supported by the e-tendering system Pro-contract to manage the procurement process within the rules. Feedback from service areas was that the procurement team is providing good support and training to those using the procurement process.

The procurement team includes an experienced Contracts Officer (CIPS qualified) and Procurement Officer both of whom have access to specialist support provided by Devon County Council via its Devon Procurement Services (DPS) team. This support arrangement was formalised in a contract to 2027; the cost was £31,440 for 2022-23. Regular meetings are taking place with the DPS team include training, mentoring, telephone support to nominated officers, system administration, portal maintenance and access to electronic procurement templates. Other discrete work includes review of contract standing orders, procurement financial thresholds and the MDDC Procurement Strategy. We suggest more focus on the support provided from this contract to confirm it represents good value for money.

The Financial Regulations Section 5 provides good guidance on procurement and contracts. The new MDDC Procurement Strategy 2023-27 borrows heavily from and is aligned with the DCC Strategy. Audit Committee agreed an action plan would be created to implement the strategy.

A Request for Waiver (RFW) process is outlined in Council regulations. Waivers are in essence requests to diverge from good procurement practice and should be avoided where possible. There were 11 waivers visible on the contracts register starting this financial year with a combined value of £569k, which is comparable with

	<p>peer councils. We asked for but did not receive a list of all the waivers raised in the last year. These waivers are submitted to Cabinet for review.</p> <p>There is a strong process in place for processing purchase orders, with 3 stages where anomalies can be identified and challenged from requisition, approver, and a final procurement check.</p> <p>The Local Government Transparency Code states that the Councils should publish their Contracts Registers on a quarterly basis and a link to the database was clearly highlighted, along with a real-time list complying with the requirements. Purchasing card spending data was available online and at the time of our enquiry the January 2023 information had been uploaded. In this audit we did not review or examine use of procurement cards.</p> <p>We highlight as good practice the approach of another council to classify their contracts as Gold, Silver, and Bronze to support prioritisation of the contract management required.</p> <p><b>We agreed one Medium and four Low Management Actions.</b></p>
<b>Payroll</b>  <b>Reasonable Assurance</b>	<p>Access to the Payroll system is appropriately limited with the level of access to individual members of staff commensurate with roles and responsibilities. Resilience within the function has been enhanced with the HR Service Desk &amp; Payroll Manager now assisted by a Payroll Coordinator who splits their time 50/50 between the Payroll and HR functions.</p> <p>Previous concerns we raised regarding payroll back up tapes has been satisfactorily resolved.</p> <p>Raised previously and still without response from the payroll software supplier is how the calculation of part month salary (first month back pay, final month pro rata to leaving date) is performed. The belief is that the system uses actual working days rather than calendar days. However, the HR Service Desk &amp; Payroll Manager could not balance back to the system calculation in all instances using this methodology. A response is still awaited from the software supplier as to how the system calculates part month payments. The risk is that officers are not paid the correct amount, albeit this would be for small sums of money.</p> <p>Permitting the Payroll Coordinator, the ability to raise BACS payments, and the HR Operations Manager the ability to authorise / sign off BACS payments will help strengthen and improve resilience within the monthly payroll processes. Currently the former task can only be undertaken by the HR Service Desk &amp; Payroll Manager and the latter task by the Corporate Manager for People, Governance and Waste.</p> <p><b>We agreed two Medium Management Actions.</b></p>
<b>Information Governance</b>	<p>When we started reviewing this area in August 2022, MDCC had recently appointed a Data Protection Officer (DPO) to take responsibility for Corporate Information Governance (IG) aspects. It is pleasing to recognise that since his arrival he has led significant work to strengthen and improve the framework within which corporate information is effectively collected, managed, and secured. This prompted us to consider whether a Reasonable</p>

<p><b>Limited Assurance</b></p> <p><b>Draft Report; still to be finalised.</b></p>	<p>Assurance should be given, rather than the Limited we have provided. We have decided a Limited Assurance is still appropriate given significant risks remain, and some work is not fully completed, such as on the Information Asset Register and roll out of the webpage on Data Protection. Our observations and agreed management actions in this report, and our report on Cyber Security, will support this ongoing development.</p> <p>We understand that the Record of Processing Activity (RoPA) is now 50% established, and once fully established will allow completion of the RACI model, and population of the Council's Information Asset Register. We recognise the significant work that has been and continues to be undertaken, however until all these aspects are fully embedded and operational, associated risks are still present.</p> <p>IG engagement is critical in ensuring all Information Governance / management requirements are considered, not only to maximise security and useability of information to support decision making, but to ensure compliance with the requirements of the Data Protection Act. We are pleased to acknowledge that the DPO considers Information Governance engagement from Council service areas has significantly improved since the initial appointment, with daily requests from officers for advice and guidance, as well as engagement in major projects such as the CRM. In our view, it would be best practice for the DPO to be involved in review and approval of Service arrangements related to information and data management before they are submitted to Members for agreement. This will provide confidence that they meet Information Management best practice.</p> <p>This report should also be considered in conjunction with our audit report on Cyber Security. In that audit report it was agreed that an IT Security Board will be convened to discuss cyber and related information and data risks.</p> <p><b>We agreed 14 Medium and one Low Management Action.</b></p>
<p><b>Culm Valley Leisure Centre</b></p> <p><b>Limited Assurance</b></p>	<p>Our Limited assessment is based largely on weaknesses to Health and Safety measures, including the need for clarity responsibilities for the people working in this area.</p> <p>Returning to pre-covid income and activity levels has taken time. The latest information provided by the Operations Manager indicates that membership is now at 87% of pre-Covid levels for Culm Valley, and 92% for the wider service (source: March 2023 Live Membership Report). The finance outturn report for 2021-22, as reported to Cabinet on 8 June 2022, shows an overspend across the service of 29%, or £264k. The projections for the current year, as reported to Cabinet on 29 November 2022, anticipate an overspend of 54% at year end, or £491k, although the indication is that 41% of this will be offset by external funding. Efforts are made to publicise its various facilities and sessions via multiple routes including social media. There is also a corporate complaints process.</p> <p>A program of activities is in place and available to service users. A Business Plan covers the wider Leisure Service and includes financial information together with several short, medium, and longer-term objectives for the service. Whilst a spreadsheet is used to monitor data such as footfall and class numbers, performance</p>

	<p>measures or targets are not apparent to drive improvements and identify under performance.</p> <p>Health and Safety policies, procedures, and processes are in place. Potential weaknesses were identified, for instance frequency of review of the H&amp;S policy and the Emergency Action Plan. The service has also lost several key staff who were very experienced in Health and Safety.</p> <p>Processes exist for reporting maintenance issues, and these include assigning of priority ratings which determine response times for resolution. There is no Condition Survey for the building, which we have recommended as a tool for more effective budgeting and to shift the balance from reactive maintenance towards planned maintenance.</p> <p>The service was recently restructured. From our discussions with staff at the centre, the new structure is thought to be an improvement in some respects, with a more logical assignment of duties within some roles. The new structure, including changes to roles and responsibilities, will take time to embed fully. Staffing levels at the Centre are generally deemed to be adequate. Most, but not all, e-learning was up to date, however more training in key areas such as Health and Safety and Safeguarding may be required to upskill existing staff, because some experienced staff have left the service.</p> <p>Overtime records are an area of weakness. Claims were sometimes unclear, and errors were found.</p> <p><b>We agreed 24 Medium and 11 Low Management Actions. This high number reflects the size of the test plan and number of areas reviewed.</b></p>
<p><b>3 Rivers Development Ltd</b></p> <p><b>Assurance Opinion: Not Applicable</b></p>	<p>We undertook a review of 3 Rivers at the request of two previous leaders of the Council and agreed the scope with the S151 officer / Deputy Chief Executive. Our assessment is as follows:</p> <p>Financial Approval Process: Since the creation of 3 Rivers, the Council has identified and reflected the agreed company funding requirement into documents for member agreement, such as in Budget books and the Capital programme. 3 River Business Plans map out the loans required from the council which have been subject to approval by Cabinet. Loan agreements are in place for all the different company projects, and loans have not exceeded the envelope provided, with the exception off the St Georges Court development. Loan payment requests from 3 Rivers to the Council are supported by detail of the underlying transactions relevant to each project. There is an appropriate segregation of duties to approve the transfer of funds and make the Bankwire transaction from the Council to 3 Rivers. Review of the 3 River company accounts show these are clearly recorded as loans received related to each project. It also shows the interest paid to the Council. These accounts have been subject to external audit, and the accounts posted onto Companies House.</p> <p>Review of allegations: The review was undertaken to obtain any immediately available and obvious intelligence which points towards or away from any criminality. <b>We did not identify evidence to support the issues or</b></p>

**allegations to justify a fraud investigation.** In our report we addressed each allegation and provided our assessment against them.

**We agreed two Medium Management Actions.**



## Appendix 2 – Assurance Map

The Institute of Internal Auditors provides a summary of the benefits of Assurance Mapping:

- An assurance map brings an organisations risk appetite to life. At the same time as highlighting assurance gaps, it also shows where there is duplication or too much assurance. It is a simple way of aligning assurance resource, risk and internal control.
- It improves awareness of the control environment by looking across the organisation rather than at individual reports which can lead to siloed thinking.
- It drives positive behaviours by enabling robust discussions about risk, educating on the value of assurance and aiding collaboration between functions.
- Collectively, the assurance community of an organisation often has a more powerful voice when it works together; an assurance map is a practical platform benefiting all parties.

Over the last year we have maintained and updated the assurance map to reflect audit work and input from management including the Council's risk register, and cumulative audit knowledge of the Council. The completion of the summary and individual maps provides us with a base from which we can concentrate our audit fieldwork on key risks and areas marked as 'Improvements required' (Amber) or Fundamental Weaknesses (Red) rather than 'High / Good' (Green). Further work is needed to identify the 3<sup>rd</sup> line assurances the Council may be obtaining in these areas.

As this provides a historical view of assessments, we are not able to place complete reliance on these assessments without undertaking further walkthrough or sample testing of the area. We now intend to discuss the assurance map with senior management every six months to obtain validation. The assurance map has also been used to support creation of the audit plan for 2023/24.

Based on the current assessment we highlight the following:

- Performance and Financial Management Reports: As per last year our work identified instances where performance information is not being collected or reported to allow effective monitoring and decision making, such as Repairs and Maintenance, Culm Valley Sport Centre, Housing Voids.
- Cyber Security and IT Resilience. This continues to be a high-risk area, with Cyber Security including attacks using Ransomware being especially highlighted as a concern by central government. Our latest audit provided a Limited Assurance opinion, noting that system controls were generally good, but that governance aspects could be improved.
- Information Governance. This has elements, particularly governance areas related to our review of Cyber Security. Improvements are being made to governance, including update on Information Asset Registers, creation of an Information Management Strategy, regular review of data quality etc.
- We identified issues related to Quality Control Checks in several areas including Income Management, the Main Accounting System, Housing Benefits.
- Linked to Quality Control, we noted instances where Input Processing into key systems could be improved to ensure data being entered is accurate and completed, including for Housing Voids, Care Service Alarm Income.
- Fraud and Error. Like most organisations, the Council could do more to consider how to identify and prevent fraud and error from occurring and we will make suggestions on this when undertaking our audits.

Assurance Map assessments from our reviews are detailed as follows.

Risk / Key Objective / Key Service	Business Operation - 1st line defence							Financial, Corporate and Governance - 2nd line defence						Independent Assurance - 3rd line defence						Points related to Red / Amber assessments	
	Identifying risks and improvement actions. Implementing controls. Reporting on progress. Management assurance							Assurance oversight, management and financial policies, setting direction, risk management, ensuring compliance.						Independent challenge & audit. Reporting on assurance. Audit of assurance providers. Entity level assurance.							
	Internal Control Measures				Management controls																
	Core systems controls inc. IT system, parameters	Input processing and output controls	Fraud and Error prevention	Authorisation, supervision and segregation	Performance & Financial management reports	3rd Party and Business continuity, Disaster recovery	Strategies and business plans inc. Benchmarking	Financial / Monitoring, reconciliation, reporting, Statutory Returns	Functional & Service compliance reviews	Quality control checks (H&S, Info Governance)	Security inc IT systems & physical	Governance structures and processes (inc. financial & other policy)	Corporate risk management/assurance	External accreditation/Certification (ISO 27001)	External compliance testing - e.g. security, resilience, quality	3rd Party assurance letters	Consultant reviews	Strategic partners assurance reports inc. Peer review	Internal Audit Assignments	Report date	
Culm Garden Village Project	G	G	G	G	G	G	G	G	G	G	G	G	G						Reasonable	Apr-23	Project risk register, council member governance.
Corporate Management Information	G	A	G	G	G	G	G	G	G	A	G	A	G						Limited	Apr-23	Information Asset Register, Information Management Strategy, consideration of IM requirements in new systems.
Procurement and Contract Management	G	G	G	G	G	G	A	G	G	G	G	G	G						Reasonable	Mar-23	Action plan to accompany Strategy, VFM from arrangement with DCC.
Payroll	G	A	G	G	G	G	G	G	G	G	G	G	G						Reasonable	Apr-23	Payroll system processing of leavers / joiners.
Corporate Health & Safety	G	G	G	A	G	G	G	G	G	G	G	A	G						Reasonable	May-23	Mandatory H&S training, Evacuation of mobility impaired individuals, delegation of H&S responsibilities.
IR35 Off Payroll Working	G	G	G	G	G	G	G	G	G	G	G	G	G			PS Tax			Reasonable	Mar-23	
Housing Rents	G	G	G	G	G	G	G	A	G	G	G	G	G						Substantial	Mar-23	Reconciliations, management of debt.
Environmental Health - Water Supplies	G	A	G	G	A	G	G	G	G	G	G	G	G						Limited	Feb-23	Effective use of Uniform system, procedures need formalising, lost revenue
Equality and Diversity	G	G	G	G	G	G	A	G	G	A	G	A	G						Reasonable	Feb-23	Equality Impact Assessments, content on website, ED&I Strategy, Working Group
Local Land Charges	G	G	G	G	G	G	G	G	G	G	G	G	G						Substantial	Feb-23	
Electoral Registration and Elections	G	G	A	G	G	G	G	G	G	G	G	G	G						Reasonable	Feb-23	Training of Presiding officers and Poll Clerks, Photo IDs
KFS - Income Management	G	G	G	G	G	G	G	G	G	A	G	G	G						Reasonable	Feb-23	Identification of duplicate customers or those no longer used
KFS - Main Accounting System	G	G	G	A	G	G	G	G	G	A	G	G	G						Reasonable	Feb-23	Dual journal posting & approvals over £25k, Reconciliation of Bank Accounts
KFS Creditors	G	G	G	A	G	G	G	G	G	A	G	G	G						Reasonable	Feb-23	Raising of GRNs after invoice, Purchase Order detail, supplier deletion from Masterfile
Cyber Security	A	A	G	G	A	A	G	G	G	R	A	A	R		PSNI				Limited	Jan-23	Governance aspects, other weaknesses.
Recruitment, Selection & Retention	G	G	G	G	G	G	G	G	G	A	G	G	G						Reasonable	Jan-23	Recruitment training for managers
Housing Benefits	G	G	G	G	G	G	G	G	G	A	G	G	G						Reasonable	Jan-23	Quality review checks of claims
Risk Management	G	A	A	G	G	G	G	G	G	A	G	G	G						Reasonable	Jan-23	Service area risks, detail on SPAR, review of risk process and council risks.
Repairs and Maintenance	G	A	G	G	A	A	G	G	G	G	G	G	G						Limited	Jan-23	Performance measures and indicators, maintenance schedule, reliance on reactive work, documents not saved in files, system not fit for purpose.

Culm Valley Sports Centre	G	A	G	G	A	G	G	A	G	A	G	G	G					Limited	Jan-23	H&S responsibilities, fire arrangements, financial state, condition surveys, performance measures and monitoring
Housing Voids	G	A	G	G	A	G	A	A	G	G	G	G	G					Not provided	Dec-22	Data accuracy on Orchard, Policy / process needs updating, Monitoring performance
KFS - Treasury Management	G	G	G	G	G	G	G	G	G	G	G	G	G					Substantial	Dec-22	
Cemeteries	G	G	G	G	A	G	G	G	G	G	G	G	G					Reasonable	Dec-22	Performance measures.
Capital Asset Management	A	G	G	G	A	G	G	G	G	A	G	G	G					Reasonable	Jan-23	
Care Services - Alarm Income	G	A	G	G	A	G	G	G	G	G	G	G	G					Reasonable	Jul-22	Contract with main supplier, reconciliation of key assets
Customer Care and Complaints	A	G	G	G	G	G	G	G	G	G	G	G	G					Reasonable	Sep-22	System to record & monitor call resolution incl to Service areas
Grounds Maintenance	G	A	G	G	A	G	G	G	G	G	G	G	G					Reasonable	Sep-22	Record of servicing for assets, review of services to clients
Car Parks	G	G	G	G	G	G	G	G	G	G	G	G	G					Substantial	Dec-22	
Climate Change	G	G	G	G	A	G	G	G	G	G	G	G	A					Reasonable	Aug-22	Risk and Opportunity management, range of performance measures
Waste and Recycling	G	G	G	G	G	G	G	G	G	G	G	G	G					Substantial	Jun-22	
KFS - Creditors	G	G	G	A	G	G	G	G	A	G	G	G	G					Reasonable	Jun-22	Compliance with the procurement process re Pos and GRNs
KFS - Payroll	G	G	G	G	G	A	G	A	G	G	G	G	G					Reasonable	Jun-22	Storing of Back Up Tapes and monthly Reconciliations
KFS - Housing Rents	G	G	G	G	G	G	G	A	G	G	G	G	G					Substantial	Jun-22	Completion of reconciliation checks
KFS - Housing Benefits	G	G	A	G	G	G	G	G	G	G	G	G	G		G			Reasonable	May-22	Quality control checks, Team integration
Planning / Development Control s106	G	G	G	G	G	G	G	G	G	G	G	G	G					Reasonable	Apr-22	
Leisure - Lord Meadows	G	G	G	G	A	G	A	G	G	A	G	G	G					Reasonable	Mar-22	Asset Register, Stock Control and stocktake, Accident
Service Charges	G	G	A	G	G	G	G	G	G	G	G	G	G					Reasonable	Mar-22	Service Charge Recovery
Commercial Rents	G	A	G	G	G	G	G	G	G	G	G	G	G					Reasonable	Feb-22	Property database

## Appendix 3 - Professional Standards and Customer Service

### Conformance with Public Sector Internal Audit Standards (PSIAS)

Devon Audit Partnership conforms to the requirements of the PSIAS for its internal audit activity. The purpose, authority and responsibility of the internal audit activity is defined in our internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. Our internal audit charter was approved by senior management and the Audit Committee in March 2023. This is supported through DAP self-assessment of conformance with Public Sector Internal Audit Standards & Local Government Application note.

**Quality Assessment** – The Head of Devon Audit Partnership maintains a quality assessment process which includes review by audit managers of all audit work. The quality assessment process and improvement is supported by a development programme.

**External Assessment** - The PSIAS states that a quality assurance and improvement programme must be developed; the programme should be informed by both internal and external assessments.

The Institute of Internal Audit (IIA) are the key body involved in setting out the global standards for the profession which form the basis for the Public Sector Internal Audit Standards (PSIAS) and are undergoing review and revision. The proposed new standards which are likely to take effect in 2024 and this document helps clarify and raise awareness of the audit committee's governance roles and responsibilities in respect of this. [IIA Document – Draft Standards](#).

An external assessment must be conducted at least once every five years by a suitably qualified, independent assessor. For DAP this was recently conducted at the end of 2021 by the Head of Southwest London Audit Partnership, and the Chief Internal Auditor of Orbis (a partnership organisation covering Brighton and Hove, East Sussex, and Surrey County Council).

The assessment result was that *“Based on the work carried out, it is our overall opinion that DAP **generally conforms**\* with the Standards and the Code of Ethics”*. The report noted that *“As a result of our work, a small number of areas where partial conformance was identified. These were minor observations, none of which were significant enough to affect the overall opinion”*. DAP is actively addressing these improvement areas.

\* **Generally Conforms** – This is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards

**Improvement Programme** – DAP maintains a rolling development plan of improvements to the service and customers. All recommendations of the external assessment of PSIAS and quality assurance were included in this development plan and have been completed. This will be further embedded with revision of our internal quality process through peer review. Our development plan is regularly updated, and a status report reported to the DAP Management Board.

**Customer Service Excellence** - DAP was successful in re-accreditation by G4S Assessment Services of the CSE standard during January 2023. This accreditation is a UK-wide quality mark which recognises organisations the prioritise customer service and are committed to continuous improvement.

During the year we have issued client survey forms for some of our reports, and the results of the surveys returned were very good / positive. The overall result is very pleasing, with near 97% being "satisfied" or better across our services (see Appendix 4). It is very pleasing to report that our clients continue to rate the overall usefulness of the audit and the helpfulness of our auditors highly.

## Appendix 4 - Audit Authority



## Appendix 5 - Annual Governance Framework Assurance

***The conclusions of this report provide the internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.***

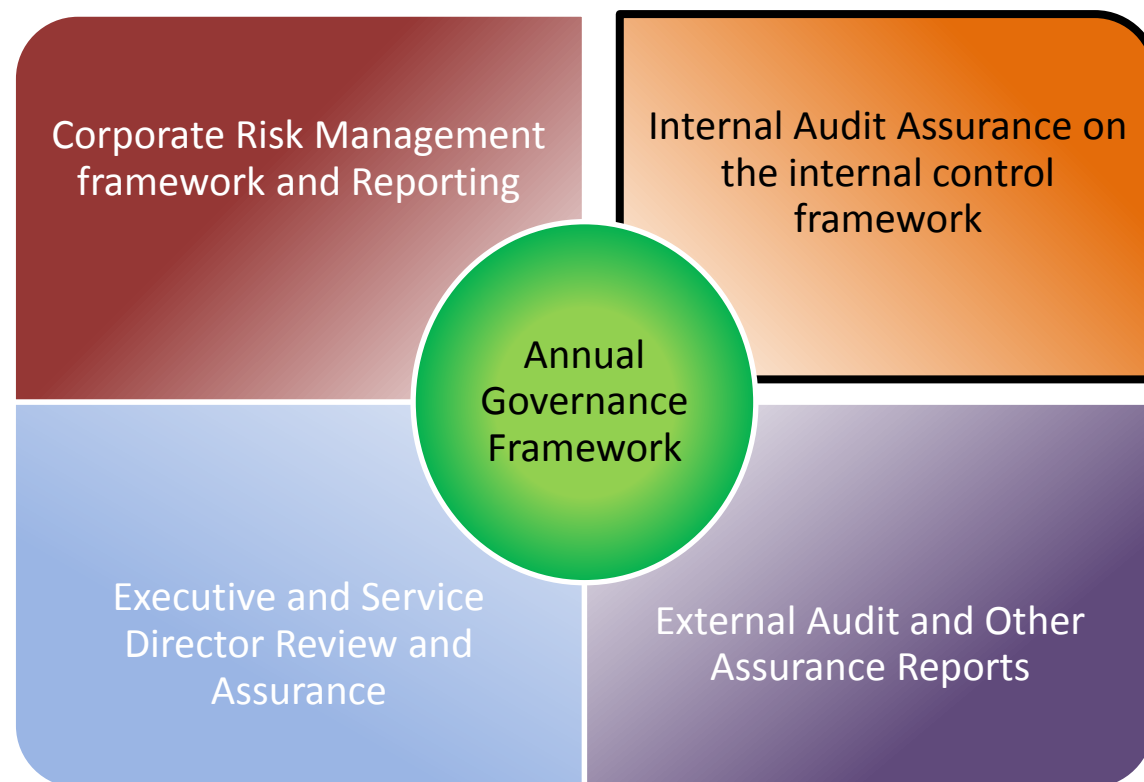
The Annual Governance Statement provides assurance that

- the Authority's policies have been complied with in practice.
- high quality services are delivered efficiently and effectively.
- ethical standards are met.
- laws and regulations are complied with.
- processes are adhered to.
- performance statements are accurate.

The statement relates to the governance system as it is applied during the year for the accounts that it accompanies. It should:

- be prepared by senior management and signed by the Chief Executive and Chair of the Audit Committee.
- highlight significant events or developments in the year.
- acknowledge the responsibility on management to ensure good governance.
- indicate the level of assurance that systems and processes can provide.
- provide a narrative on the process that has been followed to ensure that the governance arrangements remain effective. This will include comment upon;
  - The Authority.
  - Audit Committee.
  - Risk Management.
  - Internal Audit.
  - Other reviews / assurance.

Provide confirmation that the Authority complies with CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. If not, a statement is required stating how other arrangements provide the same level of assurance



The AGS needs to be presented to, and approved by, the Audit Committee, and then signed by the Chair.

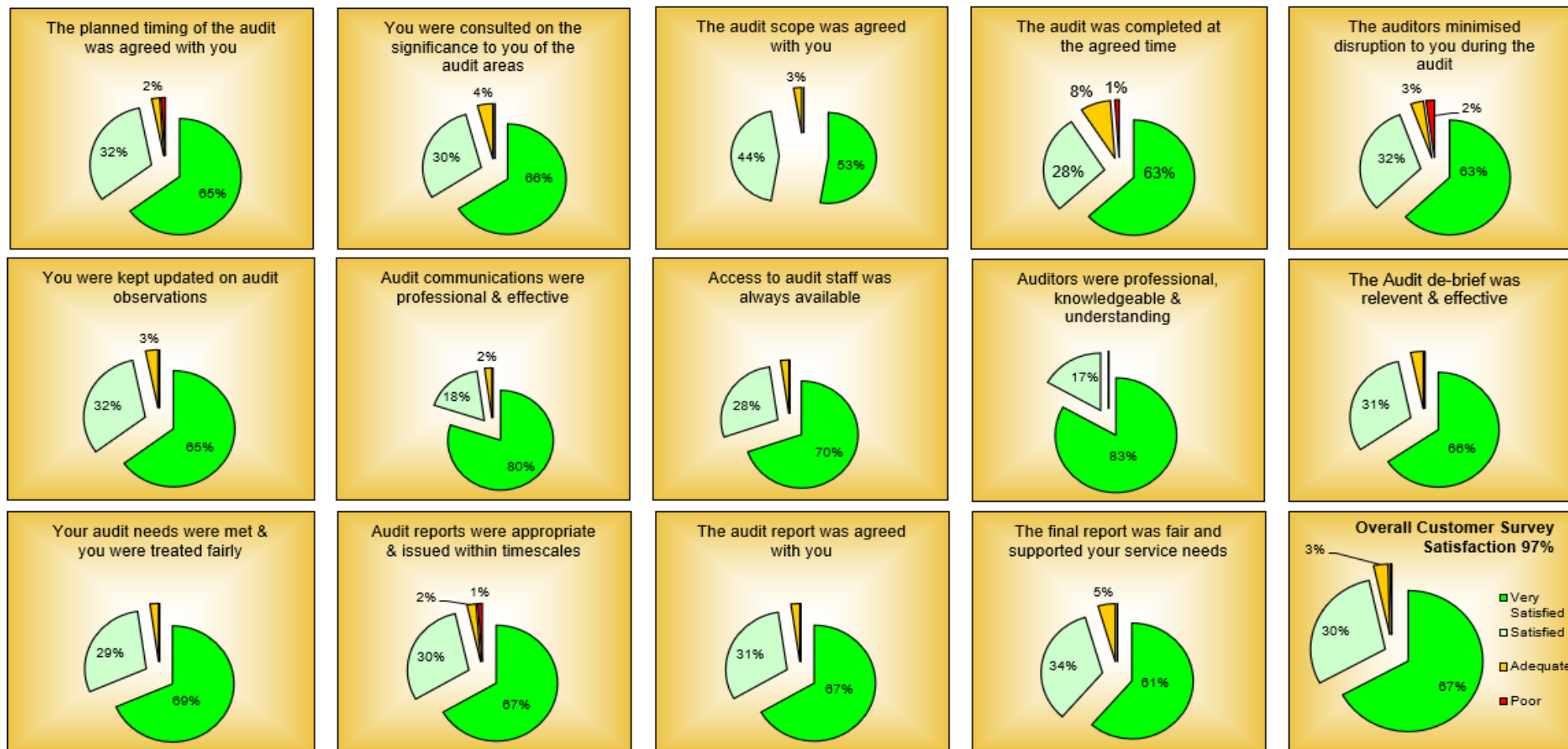
The Committee should satisfy themselves, from the assurances provided by the Corporate Risk Management Group, Executive and Internal Audit that the statement meets statutory requirements and that the management team endorse the content.





The detail below relates to all CSQs received by DAP.

## Customer Survey Results April 2022 - March 2023



## Appendix 7 - Basis for Opinion

The Chief Internal Auditor is required to provide the Council with an opinion on the adequacy and effectiveness of its accounting records and its system of internal control in the Council. In giving our opinion, it should be noted that this assurance can never be absolute. The most that the internal audit service can do is to provide reasonable assurance, formed from risk-based reviews and sample testing, of the framework of governance, risk management and control.

This report compares the work carried out with the work that was planned through risk assessment; presents a summary of the audit work undertaken; includes an opinion on the adequacy and effectiveness of the Authority's internal control environment; and summarises the performance of the Internal Audit function against its performance measures and other criteria. The report outlines the level of assurance that we are able to provide, based on the internal audit work completed during the year. It gives:

- a statement on the effectiveness of the system of internal control in meeting the Council's objectives;
- a comparison of internal audit activity during the year with that planned;
- a summary of the results of audit activity and;
- a summary of significant fraud and irregularity investigations carried out during the year and anti-fraud arrangements.

The extent to which our work has been affected by changes to audit plans has not been notable this year and we have been able to accommodate the changes required within planned resources and completed the work.

In previous years, other service priorities have impacted audit delivery in only a small way and this year is no different. This has not affected the level of assurance provided.

The overall audit assurance will have to be considered considering this position.

In assessing the level of assurance to be given the following have been taken into account:

all audits completed during 2022/23, including those audits carried forward from 2021/22;

any follow up action taken in respect of audits from previous periods;

any significant recommendations not accepted by management and the consequent risks;

the quality of internal audit's performance;

the proportion of the Council's audit need that has been covered to date;

the extent to which resource constraints may limit this ability to meet the full audit needs of the Council;

any limitations that may have been placed on the scope of internal audit.

The Devon Audit Partnership has been formed under a joint committee arrangement. 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 [Tony.D.Rose@Devon.gov.uk](mailto:Tony.D.Rose@Devon.gov.uk)

This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies. This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.