

Internal Audit Progress Report 2023-24

Mid Devon District Council Audit Committee

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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 2023-24 based on work undertaken to date in the Opinion Statement.

The Internal Audit plan for 2023-24 was presented and approved by the Audit Committee in March 2023. 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 operate effectively.

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Opinion Statement

Based on work performed during 2023/24 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 supports 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 within the audit report.

All 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 and may be reviewed during subsequent audits or specific follow-ups.

Directors and Senior Management are given details of Internal Audit's opinion to assist them with compilation of their year-end Annual Governance assurance statements.

Substantial Assurance	A sound system of governance, risk management and control exist across the organisation, with internal controls operating effectively and being consistently applied to support the achievement of strategic and operational objectives.
Reasonable Assurance	There are generally sound systems of governance, risk management and control in place across the organisation. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of some of the strategic and operational objectives.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified across the organisation. Improvement is required to the system of governance, risk management and control to effectively manage risks and ensure that strategic and operational objectives can be achieved.
No Assurance	Immediate action is required to address fundamental control gaps, weaknesses or issues of non-compliance identified across the organisation. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of strategic and operational objectives.

Summary of Audit Results

In this report, we provide a Reasonable Assurance Opinion for our review on Corporate Health and Safety. We also provide a summary of our report on Information Governance.

We have asked officers to provide an update in this meeting on action to address weaknesses identified in our Cyber Security and Information Governance reports. Our report on Information Governance has been provided to members for this meeting; the Cyber Security report has already been shared. We will be undertaking follow up work on these audits later this year.

Summaries of reports are contained in **Appendix 1**.

Fraud Prevention and Detection

We continue to work with council officers on measures to identify and prevent fraud. We are meeting with the Housing Team in September to go over the Prevention of Social Housing Fraud Act and what makes an effective referral. The council has also signed up to a review of Single Person Discounts paid by the County Council that we have arranged.

Audit Coverage and Performance Against Plan

Our work on the audit plan has started and we are ramping up our work to ensure it is delivered. We do not currently anticipate any problem in substantially delivering this year's plan, to inform our Annual Assurance Opinion.

The Committee will know the Internal Audit Plan is intended to cover the period April 2023 to March 24. We know from experience that our work does not start on the 1 April or finish on the 31 March. Delivery of our work plans leans towards commencing in April with the bulk of the work delivered within each financial year, concluding with our reports being finalised up to and including the following April and May. This timeframe ensures the Annual Head of Internal Audit Assurance Opinion is based on the fullest possible breadth of work in line with each Internal Audit Plan.

Audit Recommendations

Appendix 3 - There are currently 3 High and 26 Medium management actions overdue (See **Appendix 3**). This compares to the 35 High and Medium recommendations reported at the last Audit Committee.

The agreed policy is that only High priority recommendations require 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.

Customer Satisfaction – We ask for feedback on every audit. We have received the following CSQ scores in the last year:

Audit	Satisfaction Score
Lord Meadows Leisure Centre	Very Satisfied
Development Management	Very Satisfied
Service Charges	Very Satisfied
Cyber Security	Very Satisfied
Cemeteries	Very Satisfied
Risk Management	Very Satisfied
Housing Benefits	Very Satisfied / Satisfied
Void Management	Very Satisfied

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.
- 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

Audit and Assurance Opinion	Summary, Risk Exposure and Management Actions
<p>Health and Safety</p> <p>Reasonable Assurance</p>	<p>The Council has a Health and Safety Committee which meets quarterly and is attended by senior managers and other key staff. Pertinent topics on management of H&S issues are discussed, and actions agreed to address areas of concern. A H&S policy is in place which is published on the Intranet and SharePoint. A formal process for induction includes H&S; with a checklist to ensure areas are covered. The Council's Learning Hub is used to provide mandatory H&S training for officers. The training is relevant and sufficient to keep officers abreast of employer and employee responsibilities. Risk assessments exist to identify and manage H&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 also carried out in other service areas. The council requires officers working mainly from home to complete Display Screen Equipment assessments; a review is underway to assess those who yet to complete it.</p> <p>We agreed recommendations on the following:</p> <ol style="list-style-type: none"> 1. Mandatory H&S training: Ensure officers read the Health and Safety Policy as part of induction, and then periodically re-read it within core update training. 2. Policy requirements related to the management and delegation of H&S responsibilities need consideration following the departure of managers who <u>previously had key</u> responsibilities. 3. Arrangements related to evacuation of mobility impaired individuals. This includes training on the evacuation chair, positioning of an Emergency Voice Communication (EVC) to call for help, and creation of personal emergency evacuation plans. <p>Induction forms. Managers are responsible for completion of induction forms. When complete Human Resources scan them to the HR system. Monitoring the return of induction forms is not carried out, therefore not all induction forms may be returned.</p> <p>We agreed five High and four Medium Management Actions.</p>

Information Governance

Limited Assurance

When we started review of this area in August 2022, MDDC 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 in the council he has led significant work to strengthen and improve the framework within which corporate information is effectively collected, managed, and secured. This has prompted us to consider whether a Reasonable Assurance is now appropriate, 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.

We understand that the Record of Processing Activity 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.

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 that the DPO considers IG 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.

This report should also be considered in conjunction with our audit report on Cyber Security. In that report it was agreed that an IT Security Board will be convened to discuss cyber and related information and data risks.

We agreed 14 Medium and one Low Management Action.

Appendix 2 – Clearance of audit recommendations

The table below shows all recommendations by audit subject. There are 3 High, 26 Medium and 7 Low recommendations that are overdue.

Audit references	H Not Due	H Overdue	M Not Due	M Overdue	L Not Due	L Overdue	Total Due and Overdue
Business Continuity	0	0	0	3	0	0	3
Capital Asset Management	0	0	4	0	2	1	7
Care Services	0	0	1	0	0	0	1
Cemeteries and Bereavement Services	0	0	1	0	2	0	3
Corporate Repairs and Maintenance	0	0	0	7	0	1	8
Creditors	0	0	3	0	0	0	3
Culm Garden Village Project	0	0	2	2	0	0	4
Culm Valley Leisure	0	0	6	4	2	2	14
Customer Care & Complaints	0	0	1	0	0	0	1
Cyber Security	2	2	11	0	9	1	25
Emergency Planning	0	0	0	4	0	0	4
Environmental Health	0	0	0	0	1	0	1
Equality and Diversity	0	0	3	0	0	0	3
Housing Health & Safety	0	0	1	0	0	0	1
Information Governance	0	0	11	0	1	0	12
IR35	0	0	1	2	0	1	4
Leisure Centre	0	1	1	1	0	1	4
Main Accounting System	0	0	1	0	1	0	2
Payroll	0	0	0	2	0	0	2
Procurement	0	0	1	1	2	0	4
Recruitment, Selection & Succession Planning	0	0	1	0	1	0	2
Risk Management	0	0	1	0	0	0	1
Service charges	0	0	0	0	1	0	1
Total	2	3	50	26	22	7	110

The table below provides more detail on the overdue High and Medium Recommendations.

Audit references	Priority	Title	Objective	Target Date	Management Update
Cyber Security	H	Exercise the Incident Response Plan	Schedule an incident response exercise with an external specialist, who can offer independent review and provide impartial advice. Learn from the experience to improve incident response plans and playbooks.	30/11/2022	Still awaiting output from Stage 1 - technical and Stage 2 - response recovery exercise to be schedule for November 23
		NCSC guidance and liaise	Will review NCSC guidance and liaise with Devon County and internal procurement to define best practice.	31/05/2023	Supplier questionnaire now in place. Requesting ext of time from Audit committee at meeting of 22 Aug 2023 for additional work
Leisure Centre		Ordering system	The MDDC procurement system (ordering system) should be reviewed to identify changes to make stock control fit for purpose.	30/06/2023	
IR35	M	Approval of 'a Guide to Engaging with Workers, Service Providers & Individuals (IR35)'	Confirmation will be sought from CMT / LT if they wish to pay PS Tax for a review of the guidance to allow it to be issued.	31/07/2023	
		Document review of individual SDS's	We will tie in this addition to the evidencing of the review with the issue of the draft guidance.	31/07/2023	
Procurement	M	Contract detail within the contracts register	Ensure that the links to detail of the contract register are operational at the earliest opportunity.	31/07/2023	

Payroll	M	Reconcile back to the 'back pay'	Await the response from the payroll supplier as to how the back pay is actually calculated.	31/07/2023	Waiting on response from provider, however further issues with the system are being looked at by our ICT team at the same time.
		BACS process/payments	The HR Operations Manager can now authorise and sign off the BACS payments. The request regarding the ability of the Payroll Coordinator to raise BACS payments is still outstanding and will be followed up with IT Services.	30/06/2023	Software available on the Coordinators system however still waiting on a card to generate payment. Item with the Finance team.
Corporate Repairs and Maintenance	M	Saving work in a central location	Will speak to data protection officer to discuss good practice and how files should be maintained. Will then roll out agreed process and ensure staff undertake consistent approach.	31/07/2023	
		Adopt a system that records planned vs reactive maintenance	Adopt a system that records planned vs reactive maintenance. Noted	30/06/2023	A Property Services workflow exercise is underway, with the aim of refining the system requirements and solutions available, with the aim of a PID and report presented to Leadership Team in the Autumn followed by tendered works.
		Increase planned versus reactive work	An official maintenance schedule for key assets is required before a new system is in place.	30/06/2023	A Property Service workflow exercise is underway, with the aim of refining the system requirements and solutions available, with

					the aim of a PID and report presented to Leadership Team in the Autumn followed by tendered works.
		KPIs to support monitoring of work undertaken	Looking to implement several KPIs within the next four months. More to be considered when a new system has been implemented.	30/06/2023	A Property Service workflow exercise is underway, with the aim of refining the system requirements and solutions available, with the aim of a PID and report presented to Leadership Team in the Autumn followed by tendered works.
		Monitoring of tenants statutory checks	This is ongoing, but the process needs to be more streamlined.	30/06/2023	The Landlord checks workflow is under review as part of the workflow exercise/PS system exercise, the future process will be encompassed within the new system, and its supporting processes.
		Planned maintenance schedule	An official maintenance schedule for key assets is required before a new system is in place.	30/06/2023	A Property Service workflow exercise is underway, with the aim of refining the system requirements and solutions available, with the aim of a PID and report presented to Leadership Team in the Autumn followed by tendered works.
		Statistics on time taken to react and repair faults	Recording statistics on the time taken to react and	30/06/2023	A Property Services workflow exercise is underway, with the aim of

			repair faults should be tracked. Noted		refining the system requirements and solutions available, with the aim of a PID and report presented to Leadership Team in the Autumn followed by tendered works.
Culm Garden Village Project	M	Review of Governance Arrangements related to council committees	Officers have considered these recommendations very carefully and consider that Cabinet is still best place to continue to fulfil the District Council decision making body regarding this project given its scale and significance. Other Council committees are engaged as appropriate, including PPAG (which all district council members are invited to attend), when considering matters that fall within their remit.	30/06/2023	
		Creation of a financial strategy	This is a government programme, and we will be dependent on national funding to take this project forward and it would not be reasonable for the District Council to fund this programme. The Risk Register will inevitably flag insufficient resources as a risk going forward. Substantial work is underway seeking funding for the project and mitigate risks. It is proposed that a	30/06/2023	

			summary of the funding position is presented on a quarterly basis to the Board, alongside the risks. This will identify funding pressures and opportunities.		
Leisure Centre	M	Mission statement	A mission statement should be implemented at its next opportunity to enhance the development of the Centre to maximise income and reduce costs, whilst continuing to provide a broad-based leisure programme of activities	30/06/2023	Examples of mission statements to be proposed to the next available Community Policy Development Group Meeting 22/11/2022 Plan to take the above comment to CPDG in the first quarter of 2023/24.
Culm Valley Leisure	M	Emergency plan review frequency	An annual review of the Plan should be considered.	31/05/2023	
		Daily income sheets - sign off	Standard procedures, such as the countersigning of daily income sheets, should be undertaken.	30/04/2023	
		Reconciliation to the general ledger	A robust process for reconciling income received to the general ledger should be in place.	30/04/2023	
		H&S responsibilities/training/knowledge	The Leisure Service should ensure that there are clear delegated responsibilities for Health and Safety at each site, that these delegations are communicated to all staff and that sufficient training and experience building opportunities are provided to develop the skills of existing staff.	31/01/2023	

Business Continuity	M	Creation of a Business Continuity Strategy	<p>The Council does not have a Business Continuity Strategy. The Business Continuity Plan and related Service plans provide some detail, but not in sufficient detail to ensure there is appropriate focus by the Council in managing Business Continuity, including on risk management, resources, review, testing of plans, mitigating action that is desirable etc. Given that Council ways of working and outputs (i.e., delivery of grants, extensive home working, virtual meetings) have been subject to significant change due to the Covid-19 emergency, a review of its approach is timely, including creation of an overall strategy on Business Continuity Management. This strategy should be approved by Cabinet to ensure appropriate member oversight of BCM arrangements.</p>	31/12/2022	<p>VAF approval for Resilience Officer post granted May 2023. Recruitment is complete and appointment confirmed July 2023 with start date of 18 Sept. 2023. New targets for relevant recommendations will be agreed once post holder in post and induction is complete.</p>
		Roles and responsibilities related to Business Continuity (and Emergency Planning)	<p>Roles and responsibilities for Business Continuity Management are not clearly set out in the current BC Plan. In managing the current emergency, responsibility has shifted to</p>	31/12/2022	<p>VAF approval for Resilience Officer post granted May 2023. Recruitment is complete and appointment confirmed July 2023 with start date of 18 Sept.</p>

			<p>the Corporate Management Team. The post holder for Governance, Health and Safety and Business Continuity has advised that she has less involvement or visibility of decision being made as she is not a member of that group. Outside of managing the current C19 emergency there is a need for continued focus on other BC risks that may impact the Council, as well as the mitigating action to reduce the likelihood and impact of those risks.</p>		<p>2023. New targets for relevant recommendations will be agreed once post holder in post and induction is complete.</p>
		<p>Update of the Business Continuity Plan</p>	<p>The Plan is reasonably recent, being only two years old but is currently disconnected from the Service Plans. Although the Corporate Priorities remain largely the same since it was created there is a risk that it does not reflect changes to ways of working, such as the increased use of laptops and the working at home arrangements. In some areas, there is significant additional risk, particularly remote working and the increased dependence on IT and therefore there is value in ensuring that it incorporates the Service</p>	<p>30/09/2022</p>	<p>VAF approval for Resilience Officer post granted May 2023. Recruitment is complete and appointment confirmed July 2023 with start date of 18 Sept. 2023. New targets for relevant recommendations will be agreed once post holder in post and induction is complete.</p>

			Priorities that have been developed over the last two years, as well as the list of systems and business operations to be prioritised in the event of an incident.		
Emergency Planning	M	Develop an overarching EP and BCP Strategy	Develop an overarching EP and BCP Strategy to confirm and bring together overall MDDC EP and BCP framework, strategic and tactical management arrangements and responsibilities, DEPP and Exeter East and Mid Emergency Responder forum engagement, mutual aid arrangements, training and skills competencies and scheduling for all plan reviews (see also 1.1) and test and exercises Draft Strategy for formal adoption by Council	31/12/2022	VAF approval for Resilience Officer post granted May 2023. Recruitment is complete and appointment confirmed July 2023 with start date of 18 Sept. 2023. New targets for relevant recommendations will be agreed once post holder in post and induction is complete.
		Mapping overall EP framework	Develop an overarching EP and BCP Strategy to confirm and bring together overall MDDC EP and BCP framework, strategic and tactical management arrangements and responsibilities, DEPP and Exeter East and Mid Emergency Responder forum engagement, mutual aid arrangements, training and skills competencies and	31/12/2022	VAF approval for Resilience Officer post granted May 2023. Recruitment is complete and appointment confirmed July 2023 with start date of 18 Sept. 2023. New targets for relevant recommendations will be agreed once post holder in post and induction is complete.

			scheduling for all plan reviews (see also 1.1) and test and exercises Draft Strategy for formal adoption by Council		
		Failure to fulfil Category 1 responsibilities leading to failure to respond in an emergency	Review and update the MDDC R&R Plan in line with latest DEPP versions by 31 May 2022. Review the LRF and County level risk registers alongside local risks to identify any new local plan requirements by 30 June 2022. New local plans to be developed by 30 June 2023. Review existing local plans and update as required by 30 September 2022	30/09/2022	<p>VAF approval for Resilience Officer post granted May 2023. Recruitment is complete and appointment confirmed July 2023 with start date of 18 Sept. 2023. New targets for relevant recommendations will be agreed once post holder in post and induction is complete.</p>
		Review and update the MDDC R&R Plan and local plans	Review and update the MDDC R&R Plan in line with latest DEPP versions by 31 May 2022. Review the LRF and County level risk registers alongside local risks to identify any new local plan requirements by 30 June 2022. New local plans to be developed by 30 June 2023. Review existing local plans and update as required by 30 September 2022	30/09/2022	<p>VAF approval for Resilience Officer post granted May 2023. Recruitment is complete and appointment confirmed July 2023 with start date of 18 Sept. 2023. New targets for relevant recommendations will be agreed once post holder in post and induction is complete.</p>