

# Internal Audit Progress Report 2023-24

## Mid Devon District Council Audit Committee

24 October 2023

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## 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.

## Contents

Introduction

Opinion Statement

Executive Summary of Audit Results

Audit Coverage & Progress Against Plan

Audit Recommendations

Value Added

### Appendices

1- Summary of audit reports

2- Overdue Recommendations

## 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.

<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.

## Summary of Audit Results

In this report, we provide a Substantial Assurance Opinion related to the transition to the new Waste and Recycling regime which is realising the expected results. We also provide Reasonable Assurance opinions for Travel and Subsistence, Council Tax and Performance Management. Our Performance Management audit included review of proposals made by the Performance and Improvement Manager to improve how the council manages and reports performance.

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.

DAP is managing a review by a company called Liberata to assess receipt of Single Person Discounts in Devon district councils. It has started this work for Mid Devon and so far, has identified 132 individuals to be removed from receipt of SPD with a subsequent Council Tax uplift.

## 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. We have recently started work on our follow up audit report on Cyber Security, and have several other reports close to completion.

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 two High and 18 Medium management actions overdue (See **Appendix 3**). This compares to the 29 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 undertake. 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

## DAP Member event – 16 Nov 23

DAP is sponsoring a free half day event for Audit Committee members on 16 Nov 23. This will be a morning session at Buckfast Abbey, with a buffet lunch.

## 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><b>Waste and Recycling</b></p> <p><b>Substantial Assurance</b></p>	<p>In October 2022, Mid Devon District Council commenced 'Bin-it 123', a three-weekly collection service for residual waste across the district. This aims to increase recycling rates and to reduce residual waste, both key measures in the Devon and Torbay Waste Management Plan (DTWMP 2021) and Environment Improvement Plan (2023). Fewer collections also contribute to a reduction in the authority's carbon footprint and net zero commitment by 2030.</p> <p>We consider the results have justified the change to three-weekly collection. Waste per household collected has dropped in comparison to last year and should reduce further during 2023/24. All the waste categories have improved collection rates. There has been really good progress on residual waste, at the rate of 330 kilos per household, rather than the Devon Target of 400 kilos which is in the DTWMP by 2030. Not collecting the side waste has supported an increase in food waste collection, from 757 tonnes in 2022 to 841 tonnes estimated for 2023. There is a need to engage and communicate effectively to address household resistance to the changes which is a risk. Multi occupancy buildings are likely to be the problem and householders may need additional support to solve specific problems in the new approach. That said, this is likely a small proportion of the total.</p> <p>The implementation of Bin-it 123 was delayed for some residents because of the external bin supplier not delivering the new bins on time, particularly in rural areas. This resulted in Street Scene operatives having to step-in and deliver the bins themselves to ensure that service disruption was minimised.</p> <p>Side waste has been collected since the new scheme started as a temporary measure to ensure the smooth transition from the previous arrangements. The Environment Policy Development Group met in August 2023 and Officers answered questions from the public on the proposed cessation of collecting side waste from 1st October 2023. This proposal was supported by the Group and will now go to Cabinet to discuss. If implemented, it should enable the full benefits of Bin-it 123 to be accurately measured.</p> <p><b>There were no recommendations.</b></p>
<p><b>Council Tax</b></p> <p><b>Reasonable Assurance</b></p>	<p>The control framework is good and user access to the Council Tax and NNDR system, Northgate is well managed. Discounts, disregards, and exemptions are promptly applied to accounts with documentation saved to DMS. Refunds are processed promptly and there is an authorisation process. Changes to parameters are double checked before being applied to accounts.</p> <p>Quality review checking is undertaken by team members of the various council tax and NNDR task completed through the workflow. However, resources are not sufficient to allow this the service target of 10% to be consistently undertaken. The council may consider a 4% target more appropriate if few errors are made and this</p>

would match the level of checks on Housing Benefit. The Team Leaders told us that checks are also undertaken regularly as part of their day-to-day tasks.

Collection rates for council tax have recovered well since covid and are comparable with those of neighbouring authorities for 2022/23. NNDR rates have not yet recovered to pre covid collection rates; a comparison of 2022/23 collection rates with neighbouring authorities shows Mid Devon rates are lower (96.75% compared with 97.05% and 98.26%). Direct debit rates for Council tax are 78% and NDR is 50%; this high percentage helps collection rates.

Monitoring, reviewing, and chasing of arrears appears appropriate and consistent based on our sample check. Despite this and the overall high collection rates, our analysis of arrears showed that there were 184 council tax accounts with arrears of more than £5K. There were 29 NNDR accounts which had arrears of more than £10K. Quicker escalation could avoid large arrears and higher chance of recovery. More meaningful debt reports would be beneficial in helping the team monitor large debts to support continued focus on effective recovery action.

We noted that the highest council tax debt has been with the Council's Legal team for years, yet recovery escalation had not been sought although officers periodically ask Legal to progress. The team now also refer legal cases to an outside legal firm (Wilkin Chapman) who have more experience and capability to progress cases. Deciding to refer a case to this firm needs careful consideration as cost recovery of this service can only be achieved if the action is successful. There was evidence of charging notices on some properties. The legal firm can force bankruptcy and sale of a property where other forms of recovery have been unsuccessful. The team appears pro-active in pursuing alternative sanctions where no other avenue has been successful. There is now a more streamlined process for cases where a summons has been successful; all cases are sent straight to enforcement agents to pursue the debt. Corporate recovery has skills to aid collection and they are chasing NDR debt.

**We agreed two Medium Priority Management Actions.**

## Travel and Subsistence

### Reasonable Assurance

The Zellis system supports the process to input and approve expense claims. This is underpinned by an expenses policy and guidance for raising claims published on the Intranet. All claims must be approved in Zellis by a line manager before payment, and Payroll carry out spot checks of claims. This provides a good control framework.

However, there are weaknesses which require attention. The policy needs to be updated (it was last reviewed in 2017), aligned it to the Financial Regulations, and communicated to staff. As managers play an important role in checking and signing off claims from those reporting to them, there is a need to emphasis this role in the policy.

During our sample check of expense claims we found a breach of the expenses policy and weakness in the authorisation process. This related to approval to pay expenses for ICT equipment which is not allowed in the policy. Another case was an officer submitted reimbursement for professional fees where the invoice was not in the officer's name but of their partner who apparently paid the invoice. While this does not breach the expenses policy an audit trail explaining this should have been present.

	<p>Five out of ten mileage claims did not have an up-to-date car insurance certificate on Zellis, and one of had an expired certificate without business use. This is not compliant with the Expenses policy, and increases risk that officers are driving without appropriate insurance.</p> <p>Some organisations require a formal declaration that they are aware of the rules and requirements on expenses. We have suggested the council consider introducing this to promote awareness of the policy and help prevent fraudulent claims.</p> <p>Officers are required to delete home to workplace mileage from claims. It was not possible to identify whether officers are doing this, and whether managers are checking that this is done.</p> <p>At present system login for the fuels card account is held by Procurement so that they can order new cards/cancel cards. The Transport Manager is responsible for managing transport including the fuel cards. It is therefore appropriate for the Transport Manager to hold the login and to take a more active role in managing the account and card users.</p> <p><b>We agreed three Medium and three Low priority management actions.</b></p>
<p><b>Performance Management</b></p> <p>Reasonable Assurance</p>	<p>The council has the essential elements of a framework for performance and financial management supported by a performance management system (SPAR) that holds and enables reporting on performance. Members are given updates and reports on performance and finance, including in Cabinet meetings, Audit Committee, and Policy Development Groups. Service areas have created detailed business plans for 2023/-24, although some are not managed as live documents to be updated and reported on through the year. There is a process for managers to discuss performance appraisal and objectives with individual officers, albeit there needs to be more emphasis on linkage to the business plan.</p> <p>That said, there are opportunities to improve the framework which is recognised by the council. Comprehensive and wide-ranging improvement proposals are contained in a Performance Management Review paper developed by the Corporate Performance and Improvement Manager. We have commented on these and consider they are beneficial and should be substantially implemented.</p> <p><b>Current work being taken forward includes:</b></p> <ul style="list-style-type: none"> <li>• Consideration of corporate priorities in a new Corporate Plan following the elections and start of the new administration.</li> <li>• Improving the visibility of performance reporting for the public through a new website and holding performance reports on that site.</li> <li>• Creation of Performance Dashboards that include performance, finance, and risk information.</li> <li>• Refinement of the measures to be included on the Performance Dashboards.</li> </ul> <p><b>We identify the following as priority areas as part of the improvement proposals.</b></p>

- Define the proposed Performance Management Framework that details how the council manages its performance. It is important for the council to have a vision on where it wants to get to in taking forward its improvement work.
- Consider how the council reports performance clearly to the public. Improvements are being made to the website, and to availability of performance documents. We highlight the significant benefits from an annual summary report, including increasing awareness for the public, members, and officers.
- Place more emphasis on managers and members considering performance, risk, and finance as related elements. We consider the Performance Dashboards are a very good start in encompassing those three areas and are visual reports useful to encourage discussion and review.
- Ensure there is a golden thread from the Corporate Plan to Service Plans, through to individual officer objectives.
- Include the requirement for annual Service Plans as part of the Performance Management Framework, to be maintained during the year as live documents, linked to individual officer objectives.
- More closely integrate finance management within general performance management. Currently important finance performance i.e., reaching income levels, keeping within budget etc. is not typically included as a performance target. There is a risk that service managers consider that finance officers are mainly responsible for this area.
- Consider options related to the performance management system to support performance management to include use of modern tools for analysis and reporting such as Power BI which is being effectively used by some councils.

**We agreed five Medium and one Low Priority Management Action.**

## Appendix 2 – Clearance of audit recommendations

The table below shows all recommendations by audit subject. There are 2 High and 18 Medium Actions 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	3	0	7
Care Services	0	0	1	0	0	0	1
Cemeteries and Bereavement Services	0	0	1	0	2	0	3
Corporate Health and Safety	0	0	3	2	4	0	9
Corporate Repairs and Maintenance	0	0	7	0	1	0	8
Creditors	0	0	3	0	0	0	3
Culm Valley Leisure	0	0	4	5	2	2	13
Customer Care & Complaints	0	0	1	0	0	0	1
Cyber Security	1	1	8	0	9	0	19
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
Housing rents	0	0	2	0	0	0	2
Information Governance	0	0	11	0	0	0	11
IR35	0	0	1	0	0	0	1
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
<b>Total</b>	<b>1</b>	<b>2</b>	<b>55</b>	<b>18</b>	<b>27</b>	<b>3</b>	<b>106</b>

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

Audit references	Priority	Title	Objective	Target Date	Arising - managers comment
Cyber Security	HIGH	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	
Leisure Centre	HIGH	Ordering system	The MDDC procurement system (ordering system) should be reviewed to identify changes to make stock control fit for purpose.	30/06/2023	
Business Continuity	M	Creation of a Business Continuity Strategy	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.	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.
Business Continuity	M	Roles and responsibilities related to Business Continuity (and Emergency Planning)	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 the Corporate Management Team. The post holder for Governance, Health and Safety and Business Continuity has	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

			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.		agreed once post holder in post and induction is complete.
Business Continuity	M	Update of the Business Continuity Plan	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 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.	30/09/2022	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.
Corporate Health and Safety	M	Fire Evacuation Procedures	Currently all staff are trained in fire safety – via an online training delivered through RoSPA. A review of procedures with respect to zone cards is still required and will be completed once the responsible person for fire is appointed.	11/10/2023	Discussions are on-going with the newly appointed responsible person. A 'test' of a proposed procedure is being undertaken at Carlu Close to understand if it can be rolled out to the wider council
Corporate Health and Safety	M	Completion of DSE training	An online DSE form has been introduced for new starters. This system has an IT prompt to remind staff to complete the form which is followed up by the H&S officer. As part of the move to Hybrid working exciting staff were asked to complete the DSE form, those forms are subject of a review. Areas of	30/09/2023	An extension to the end of December 2023 is requested to capture all Hybrid employees

			concern e.g., discomfort are raised with the respective manager.		
Culm Valley Leisure	M	Closing during normal opening hours	Agreed, however recruitment challenges have been well communicated through the organisation and priority of the greater H&S risks, (pools) and greater income generating facilities will always be prioritised should a staffing shortage occur.	30/09/2023	
Culm Valley Leisure	M	Mandatory e-learning training	Continue as current, chasing up staff who have not completed or have modules due.	30/09/2023	
Culm Valley Leisure	M	Emergency plan review frequency	An annual review of the Plan should be considered.	31/05/2023	
Culm Valley Leisure	M	Daily income sheets - sign off	Standard procedures, such as the countersigning of daily income sheets, should be undertaken.	30/04/2023	
Culm Valley Leisure	M	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	
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.
Emergency Planning	M	Mapping overall EP framework	See 1.2 - Develop an overarching EP and BCP Strategy to confirm and bring together overall MDDC EP and BCP framework, strategic and tactical	31/12/2022	VAF approval for Resilience Officer post granted May 2023. Recruitment is complete and appointment

			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		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.
Emergency Planning	M	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	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.
Emergency Planning	M	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	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.
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	04/09/2023	
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.

Payroll	M	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.
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	Work is continuing within Procurement and Digital Services on preparing the new contracts register for rollout. Testing identified some minor issues which have recently been resolved, with the contracts register now expected to go live in the next few weeks.