

Internal Audit Progress Report 2024-25

Mid Devon District Council Audit Committee

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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 2024-25 based on work undertaken to date in the Opinion Statement.

The Internal Audit plan for 2024-25 was presented and approved by the Audit Committee in March 2024. 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 2024-25 to date and our experience from the 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 Substantial Assurance Opinion for insurance where there is a good control framework. We also provide Reasonable Assurance opinion for Housing Health and Safety Management Arrangements. Our Void (Business Property) audit included review of property management and opportunity to improve how the Council reviews and manages their stock to become more pro-active, we provide a Limited Assurance Opinion for this.

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. Recent work in the Council Tax area is to be commended. Further initiatives are being considered and recommendations will follow later this year in an attempt to increase collectible revenue and prevent fraud and error.

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 2024 to March 25. 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 1 High and 20 Medium management actions overdue (See **Appendix 3**). This compares to the 1 High and 20 Medium recommendations reported at the last Audit Committee.

Although the figures are the same, there has been movement in the areas where there are outstanding recommendations.

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 are currently reviewing these and will report fully at the next Audit Committee.

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>Housing Health and Safety Management Arrangements</p> <p>Reasonable Assurance</p>	<p>We provide a reasonable assurance for this area as there is a good control framework to manage housing health and safety risks. Mid Devon Housing (MDH) are aware of their responsibilities and the governing legislation. New legislation has been embraced and MDH show commitment to comply with the changes. Monthly performance meetings are held for services across MDH to discuss performance, compliance and areas of concern. A service risk register has been set up which holds risks pertaining to the service. This will link in with the monthly performance discussions. There have been some performance concerns related to the gas safety contractor which are being effectively managed. There are also some properties which haven't had an asbestos survey; instead, they have applied an old process of 'cloning' surveys i.e. one house in a row has an asbestos survey; instead of surveying each property the assessment is applied to all other houses in the row. Inspections should then be carried out every 5 years on each house.</p> <p>MDH are working towards making sure that the Housing stock has up to date electrical safety checks in place. This is in anticipation that the proposed measure for 'electrical safety checks' is implemented in the future. MDH appear to be pro-active in addressing legislative requirements and are forward thinking in where they can make improvements for tenants and future compliance.</p> <p>We agreed three Medium, one Low Priority and one Opportunity management actions.</p>
<p>Voids (Business Property)</p> <p>Limited Assurance</p>	<p>There has only been one void property during 2023/24 which is an indication that the properties are consistently occupied and providing income. This is a very low void rate, and we consider that tenants are happy with the provision that the Council provides in order to maintain the high occupancy levels. We therefore changed the scope to look at other areas of the service.</p> <p>The Council has owned some of the properties for a long time with varying reasons for purchase, including economic development, local economy stability or to support longer term projects. An assessment of the costs, benefits and risk of holding these properties has not been undertaken recently or provided to members for their comment and agreement. Condition surveys and/or inspection of properties have not been consistently carried out with the risk that they are not maintained to a good standard or will result in higher long term maintenance costs.</p>

We understand that there are various types of leases for the rented properties. This creates disparity between leases and additional complexity in monitoring and managing the leases. There has been reduced support provided from Legal as they have not had an internal property solicitor for a year albeit they have provided the support of a trainee legal executive, with the use of external legal advice. The Council now has an internal property Solicitor and trainee legal executive who have been working through a priority list agreed with Property Services.

The service provides a re-active approach to repairs, rather than a proactive one. Whilst this approach addresses any urgent repairs, a planned maintenance programme would enable the service to reduce the number of repairs required. We understand that property services have been trying to recruit a surveyor to facilitate this work. However, recruitment has been unsuccessful. The service is now considering going out to tender for a contractor to cover this work. As a longer-term approach, regular inspections i.e. three or five yearly would help ensure that lessors are maintaining properties and reducing the risk that properties are handed back to the council in a poor state of disrepair, providing the council with costly repairs to bring the property to standard. There does not appear to be a detailed maintenance programme.

Property Services do not have a designated management system. Several spreadsheets are used to monitor properties/lessors. It is understood that the service has procured a management system and is in the process of populating it ahead of bringing it into use.

We agreed one High, three Medium and one Low priority management actions.

The High priority management action related to producing a planned maintenance programme for business properties to replace the current re-active responsive repairs.

Insurance

The Council obtains appropriate insurance in respect of its operations. The types of insurance cover obtained by MDDC are comparable with those taken out by other local authorities, with the Council obtaining professional advice through use of an insurance broker. The insurance cover is obtained through a competitive procurement exercise. The insurance cover held is changed as required to reflect changes to council assets and operations. Most of the insurance claims paid relate to motor vehicles, which was also found to be the case at a different Devon district council where an insurance review has recently taken place.

Substantial Assurance

Where a MDDC employee is found to be at fault for a motor incident their manager is now required to complete a supervisor's report form detailing any training needs or actions required to be undertaken to try and reduce the occurrence of such an incident happening again. Both the Street Scene Fleet Manager and Operational Manager have access to the Motor Claims Log and can review any claim held therein along with incident summaries.

In year changes to policies and premiums paid occur mainly in the areas of property and motor vehicles. Buildings are subject to revaluation and an Excel spreadsheet held showing all properties and additions / removals made throughout the year. Replacement of fleet vehicles as and when required highlight instances where operational managers must



promptly notify and advise the Accountant / Insurance Officer of possible new risks, changes required to policies and any other alterations which may affect the policies held; the insurer has constant access to the motor insurance database.

There were no recommendations for this audit.

Appendix 2 – Clearance of audit recommendations

The table below shows all recommendations by audit subject. There is 1 High, 20 Medium and 9 Low recommendations that are overdue.

Audit references	High Not Due	High Overdue	Medium Not Due	Medium Overdue	Low Not Due	Low Overdue	Total (Due and Overdue)
Building Control	0	0	0	1	0	0	1
Capital Asset Management	0	0	1	0	2	1	4
Care Services	0	0	1	0	0	0	1
Cemeteries and Bereavement Services	0	0	1	0	0	0	1
Contact Management	0	0	6	0	0	0	6
Corporate Health and Safety	0	0	0	1	0	0	1
Corporate Repairs and Maintenance	0	0	2	0	1	0	3
Culm Valley Leisure	0	0	2	3	0	0	5
Cyber Security	0	1	4	0	3	1	9
Equality and Diversity	0	0	1	1	0	0	2
Homelessness - Housing Options	0	0	0	1	0	0	1
Housing Benefit	0	0	0	0	0	1	1
Housing Health & Safety	0	0	1	0	0	0	1
Housing rents	0	0	0	1	0	0	1
Income Management	0	0	1	0	0	0	1
Information Governance	0	0	0	7	0	0	7
Leisure Centre	0	0	0	2	0	1	3

Main Accounting System	0	0	1	0	0	1	2
Performance Management	0	0	3	0	0	1	4
Procurement	0	0	0	2	1	1	4
Recruitment, Selection & Succession Planning	0	0	0	1	0	0	1
Risk Management	0	0	1	0	0	0	1
Service charges	0	0	0	0	1	0	1
Street Cleaning	0	0	0	0	0	1	1
Travel and Subsistence	0	0	0	0	0	1	1
Total	0	1	25	20	8	9	63

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

Audit references	Priority	Title	Objective	Target Date	Arising - managers comment
Culm Valley Leisure	M	Emergency plan review frequency	An annual review of the Plan should be considered.	31/07/2024	The prev Ops Manager has left MDDC this work will be picked up by the business managers and the new Ops Manager when in post. Deadline extended to July 2024
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	31/07/2024	The Leisure service is currently under review branded as a 'reset' this will see many things change in the coming months. This type of statement can be worked on as part of the 'reset' the new Operations Manager will own this. Deadline extended to July 2024
Building Control	M	Additional resource to 'recover' service standards	Additional resources should be engaged to 'recover' service standards.	30/06/2024	

Homelessness - Housing Options	M	Service Level Agreement (SLA) or contractual document should be in place with Mid Devon Housing	<p>This recommendation appears straight-forward but does not necessarily reflect the complexity of the situation. The current absence of a structured SLA is largely due to the competing demands and flexibility required to balance temporary accommodation requirements with an under-pressure choice-based letting system where there is an ever-escalating need for secure, move-on general needs (and other) social-rent accommodation that the Housing Revenue Account (HRA) provides. Alongside this are fast-moving case issues for vulnerable or priority persons (across general homelessness presentations and HRA tenants/Devon Home Choice (DHC) applicants) and housing stock management considerations including stock modernisation /decarbonisation, voids, compliance with wider adopted HRA policies and housing management performance targets. Added to this decision matrix is an ambitious HRA housing development programme and specific demands including short-term decants of existing tenants and direct lettings. As such, an SLA will need careful drafting with adequate flexibility embedded to meet these sometimes competing or parallel demands. There are further issues for consideration around the move to secure allocation of HRA properties for general fund use as TA; compliance with Regulator of Social Housing (RSH) requirements and housing legislation as an registered provider and costs arising from void periods including general fund liability for council tax and utility costs that will require consideration (for costs see 4.) Current flexibilities and informal approaches have consistently secured a</p>	30/06/2024	
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			<p>significant use of HRA stock as TA as the Opinion Statement notes. Nonetheless, a draft SLA or agreement will be put together to ensure that there is adequate clarity and reassurance for both sides on the use of housing stock as TA for wider member consideration and adoption via Homes PDG and Cabinet/Council. As an SLA approach underpinned by policy considerations that impact on the use of HRA stock, there will need to be a consultation with Mid Devon Housing tenants as par</p>		
Information Governance	M	Information formats/tags such as information classification	<p>GW – in Information asset register (IAR) work. GW has provided classification training to two departments and Councillors. Assessment as to whether this can be made compulsory training in progress. In Tune is used and being developed to auto tag as and when tags have been defined. Further work on policies required. Some Cyber Audit aspects that will cover this side of things.</p>	31/05/2024	Insufficient resource in ICT to progress.
Information Governance	M	Periodic service-by-service review framework	<p>Would need to put in place a procedure to ensure data evaluation mechanism. GW – retention schedule. Planning to roll out in conjunction with new CRM (Customer Relationship Management system). Cleanse all data as it comes into the CRM. All data into new CRM will have been reviewed and cleansed. Need policy going forward to ensure data remains clean, accurate, complete etc. Data quality – issues linked to systems and/or processes. Quality reviews in place – GW noticed drop off in minor data breaches. GW – intending to run yearly audits across MDDC. GW going to DISP – to liaise with Torbay Council's Data</p>	31/05/2024	Need to review in line with IAR work and annualised (or on change basis) programme of review will be implemented.

			Protection Officer (DPO) to discuss IG 1/4ly reviews.		
Information Governance	M	Programme for delivery of goals for the complex systems and risks	Staff now in place and taking this forward. Now have a programme. Had a review of Key Performance Indicators (KPI's) – established high targets that are achievable.	31/05/2024	Will now need to be rescheduled and reviewed due to resignation and capacity.
Information Governance	M	Quality Assurance process	Linked to 1.9 and 1.7 as above – Managers now engaging proactively with IG and reviewing processes for passing and sharing data. Which is producing fewer data breaches. Data quality reviews being done with services as processes are reviewed. Long term data quality activities in conjunction with CRM project.	31/05/2024	Will now need to be rescheduled and reviewed due to resignation and capacity.
Information Governance	M	Usefulness and usability of key business systems	This will be identified within the Records of Processing Activity (ROPA)/RACI (Responsible, Accountable, Consult, Inform matrix) work as well as ongoing review past target date below via CRM Service and reporting reviews and liaison with Corporate Performance Officer.	31/05/2024	Will now need to be rescheduled and reviewed due to resignation and capacity.
Culm Valley Leisure	M	Business plan	The observations should be considered, and suitable additions/amendments made to future Plans as necessary. Awareness of the Plan amongst staff should be improved.	30/04/2024	The Leisure service needs a revised business plan this is on the high-level work tracker the Head of Service and Operations manager will be moving this forward as soon as time allows.
Corporate Health and Safety	M	Monitoring of induction forms	New induction process to be rolled out. Induction form to request the line manager contacts HR Business Partner should specific aspects require a review.	31/03/2024	Induction process reviewed by the Impact Group. Work taking place with the Communications Team to update documents before this is rolled out. It will be noted that any concerns from the Induction need to be raised with the People Services team

Cyber Security	H	National Cyber Security Centre (NCSC) guidance and liaise	Will review NCSC guidance and liaise with Devon County and internal procurement to define best practice.	31/03/2024	
Information Governance	M	Overarching communications plan	Still intending that the RACI model will address this	31/03/2024	Will need to be reviewed now due to resignation.
Housing rents	M	Reconciliations between Orchard and eFinancials	Reconciliations, ideally, should be signed off within 1 month of the preparation of that reconciliation. However, other demands, such as budget setting and closedown put pressure on the internal deadlines being met. As always, the aim will be to sign all reconciliations off as soon as practicable.	31/03/2024	
Leisure Centre	M	Asset Register	An asset register should be implemented to provide the service area with full knowledge on assets in place.	29/03/2024	Reviewed and in place after the current project (decarbonisation). These projects will result in a number of assets being changed within the building. Register will be provided during May/June 2023. This will also form part of the Property condition survey review.
Culm Valley Leisure	M	Fire safety requirements	The Leisure Service should ensure that fire safety requirements within the Centre are fully addressed, and all outstanding documentation brought up to date.	29/03/2024	The centre is building their documentation, and a new fire alarm system has been installed at the centre in September 2023.
Information Governance	M	Information management strategy	Definition to be agreed via IT/IG board moving forward and work also being done in conjunction with ROPA/RACI.	31/01/2024	
Procurement	M	Procurement Action Plan	Support from the DCC team should be sought (assuming required) as a discreet piece of work in creating the procurement action plan.	31/12/2023	Once the new regulations are brought in (moving away from the EU regulations following Brexit), the Strategy may need to be updated. This will then flow down to an action plan to deliver the strategy.
Recruitment, Selection & Succession Planning	M	Recruitment training	Managers should receive some support / training / refresher on recruitment interviewing.	31/12/2023	New training drafted and shared with the People Services department for review. Training to roll out in October 2024. This will be in house training

Equality and Diversity	M	Workforce planning	Obtain further information about the composition of the internal council workforce and compare it to the local population to inform workforce planning.	31/10/2023	Tech in place and working. Time set aside in early August to design EDI background before communication to all staff.
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.