

# Internal Audit - Progress Report 2024-25

## Mid Devon District Council Audit Committee

December 2024



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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 Internal Audit plan for 2024-25 was presented and approved by the Audit Committee in March 2024.

This report provides a summary of the performance against the Internal Audit plan for the 2024/25 financial year to date, highlighting the key areas of work undertaken and summarising our main findings and recommendations aimed at improving controls.

The Accounts and Audit (Amendment) (England) Regulations 2015 introduced the requirement that all Authorities need to carry out an annual review of the effectiveness of their internal control system and need to incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

### Expectations of the Audit Committee from this progress report

Audit Committee members are requested to consider:

- the assurance statements within this report for any work finalised in this period.
- the completion of audit work against the plan.
- the scope and ability of audit to complete the audit work.
- 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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## Summary of Audit Results

We are currently undertaking audits in the following areas:

- Private Sector Housing.
- Lettings.
- Housing Rents
- Environmental Health and Licensing

These audits and any others completed will be detailed in the next report.

## 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 is well underway and we are focusing on the plan for delivery over the second half of the financial year. We do not currently anticipate any problem in substantially delivering this year's plan and in turn delivery of the Annual Assurance Opinion.

MDDC staff availability and leave during the summer period has impacted on the finalisation of audit reports since the last update. We do not anticipate at this time that this will adversely affect the ability to deliver the plan.

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 2

There are currently 10 Medium and 5 Low management actions overdue (See **Appendix 2**). This compares to the 1 High and 20 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 are currently reviewing these and will report fully at the next Audit Committee, with the headline numbers reported later in this report.

## 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
Grant Declaration Sign Off	<p>We reviewed spend for the Cullompton Heritage Action Zone grant to enable sign off to Historic England. This was a complex grant spanning over 4 years.</p> <p>Spend was verified.</p> <p>We will communicate with the Authority and provide advice and feedback about how this can be strengthened and streamlined for future projects, including annual engagement on multi-year schemes.</p>

## Appendix 2 – Clearance of Audit Recommendations

The table below shows all recommendations by Audit subject. There are 10 Medium and 5 Low recommendation that are Overdue

Audit references	H Not Due	H Overdue	M Not Due	M Overdue	L Not Due	L Overdue	Total Due and Overdue
Capital Asset Management	0	0	1	0	3	0	4
Care Services	0	0	1	0	0	0	1
Cemeteries and Bereavement Services	0	0	0	1	0	0	1
Contract Management	0	0	5	1	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	4	0	0	0	4
Cyber Security	1	0	2	0	1	2	6
Equality and Diversity	0	0	0	1	0	0	1
Housing Health & Safety	0	0	1	0	0	0	1
Income Management	0	0	0	1	0	0	1
Information Governance	0	0	5	0	0	0	5
Leisure Centre	0	0	2	0	1	0	3

Main Accounting System	0	0	0	1	0	0	1
Performance Management	0	0	3	0	0	0	3
Procurement	0	0	1	1	1	1	4
Recruitment, Selection & Succession Planning	0	0	0	1	0	0	1
Risk Management	0	0	1	0	0	0	1
Safeguarding	0	0	0	2	0	0	2
Service charges	0	0	0	0	1	0	1
Tiverton Pannier Market	0	0	0	0	1	2	3
<b>Total</b>	<b>1</b>	<b>0</b>	<b>28</b>	<b>10</b>	<b>9</b>	<b>5</b>	<b>53</b>

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

<b>Audit Reference</b>	<b>Priority</b>	<b>Title</b>	<b>Objective</b>	<b>Target Date</b>	<b>Managers comment</b>
<b>Cemeteries and Bereavement Services</b>	M	Database - Review processes and budget to upgrade system	Undertake an independent lean process review to eradicate any duplication of work and to investigate the possibility of having a full digitised Cemeteries System.	31/10/2024	A number of software packages some of which are cloud based and could make use of an app. Quotes are being sought for the various products before a system is purchased.
<b>Income Management</b>	M	Duplicate Customers	<p>The 2022/23 audit review re-reported a finding brought forward from the 2019/20 and 2020/21 reviews where it had been reported:</p> <p>“There is currently no regular review carried out to identify duplicate customers or those who are no longer used. The integrated debtor’s module within e-Financials does not allow customers to be deleted or made inactive, therefore, a note is placed on some (but not all) customer records when a customer is no longer in use. The risk is non-compliance with GDPR, as well as incorrect billing of an organisation. The understanding gained from the Finance Officer was that the</p>	31/10/2024	<p>The resource requirement to remove duplicate customers has previously been considered and deemed excessive for the level of risk this issue poses.</p> <p>The mitigations in place, marking as duplicate, are considered sufficient until such time as either the software is updated with this functionality, or the software is changed to a different offering.</p>

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

Audit Reference	Priority	Title	Objective	Target Date	Managers comment
			<p>debtors Masterfile has not been subject to recent review. Speaking with the Systems Accountant the new functionality for the GDPR anonymisation has not yet been tested; however, she did think testing for duplicate customers was taking place as there was no outstanding recommendations on Spar'. Email communication with the Systems Accountant (now working in Housing) found that the anonymisation function in eFin had been tested but it failed. Whilst the routine was available within the eFin menus, it was established extra costs would need to be paid to Advanced (software supplier) for this to be enabled. She emphasised where duplicate customers are identified, they are marked for deletion, meaning they cannot be used for raising invoices, therefore mitigating risk of incorrect billing. Whilst mitigation is in place regarding customers with duplicate accounts the issue regarding old, aged accounts no longer used, remains."</p>		
<b>Safeguarding</b>	M	Central collation of data	<p>A corporate solution is required to collate data centrally. The current preference is to utilise the Firmstep CRM for processing adult social care safeguarding referrals, which is a solution used by East Devon DC and Exeter/Teignbridge.</p> <p>Contact has been made with Strata and the Council's transformation Board. It is not yet known how far this will progress and how quickly. Therefore, we will also explore a</p>	30/09/2024	<p>Good progress has been made, and it is anticipated that a new safeguarding process will be implemented through Firmstep CRM by the end of October. A firmstep process has been uploaded to Firmstep to enable reporting of adult safeguarding, this will be subject to testing in October and should be in place for November.</p>

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

<b>Audit Reference</b>	<b>Priority</b>	<b>Title</b>	<b>Objective</b>	<b>Target Date</b>	<b>Managers comment</b>
			Teams Channel or simple spreadsheet to collate data by requesting information from services periodically.		Also, an interim central record system has been created in a dedicated Teams channel.
<b>Contract Management</b>	M	Monitoring the financial health and resilience of the contractor	New Financial Regulations will come into effect on 1 October 2024. We will include some guidance on contract management and supplier financial resilience within those regulations. These will provide the basic principles on which more detailed contract management guidance will expand upon.	30/09/2024	The Procurement Bill has been delayed until 24 February and therefore further planning is currently underway for the updating or staff and processes, including changes to the financial regulations.
<b>Main Accounting System</b>	M	Reviewing of journals	Staffing issues currently affect the finance team with a reduction in the number of Principal Accountants from three, down to one. Following the departure of the Systems Accountant the role has been filled by a Finance Assistant in the interim. Capacity issues exist and there is no quick answer. The structure of the team is being reviewed, once completed the aim will be to recruit to fill positions. Unfortunately, journals have taken a back seat as the remaining team has had to be realistic in what can be undertaken. Once staffing matters have been addressed the control re review of journals will recommence.	30/09/2024	During 2023/24 the finance team suffered from significant sickness and vacancies in key senior positions, leading to limited resources being available for reviewing / approving journals. The process was undertaken in the first part of the year, while resource was available. The risk was considered and felt to be minimal, so was not completed in the second half of the year. Given the unqualified opinion, the assessment of that level of risk is verified. However, the process will be reapplied during 2024/25.
<b>Safeguarding</b>	M	Modern Slavery and Human Trafficking Statement	The statement will be updated and re-published on the website before the end of June following adoption of the updated corporate Safeguarding Policy.	15/11/2024	Delayed due review of new guidance and wider safeguarding procedures under the newly adopted Safeguarding Policy. Draft being prepared for Dec 2024 publication

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

<b>Audit Reference</b>	<b>Priority</b>	<b>Title</b>	<b>Objective</b>	<b>Target Date</b>	<b>Managers comment</b>
<b>Corporate Health and Safety</b>	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.	30/09/2024	Work taking place with the Communications Team to update documents before this shared with CMT/LT before roll out. It will be noted that any concerns from the Induction need to be raised with the People Services team
<b>Recruitment, Selection &amp; Succession Planning</b>	M	Recruitment Training	Managers should receive some support / training / refresher on recruitment interviewing.	30/09/2024	Training dates set for October/ November
<b>Equality and Diversity</b>	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.	30/09/2024	Training of new staff prioritised. Tech in place and working. Time set aside to design EDI background before communication to all staff.
<b>Procurement</b>	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.



## Appendix 3 - Professional Standards and Customer Service

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

**Conformance** - Devon Assurance 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 2024. This is supported through external assessment of conformance with Public Sector Internal Audit Standards & Local Government Application Note.

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 have been undergoing review and revision. The proposed new standards will take effect in the public sector in April 2025 and provide clarity and raise awareness of the audit committee's governance roles and responsibilities. [2024 Global Internal Audit Standards \(theiia.org\)](https://theiia.org)

**Quality Assessment** - the Head of Devon Assurance 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.

An **external assessment** must be conducted at least once every five years by a suitably qualified, independent assessor. For DAP this is currently being conducted by an IIA qualified ex Assistant Director of an Audit Partnership.

The previous 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 are included in this development plan which is ongoing. Our development plan is regularly updated and links to our overall strategy, both of which are reported to the DAP Management Board and DAP Committee.

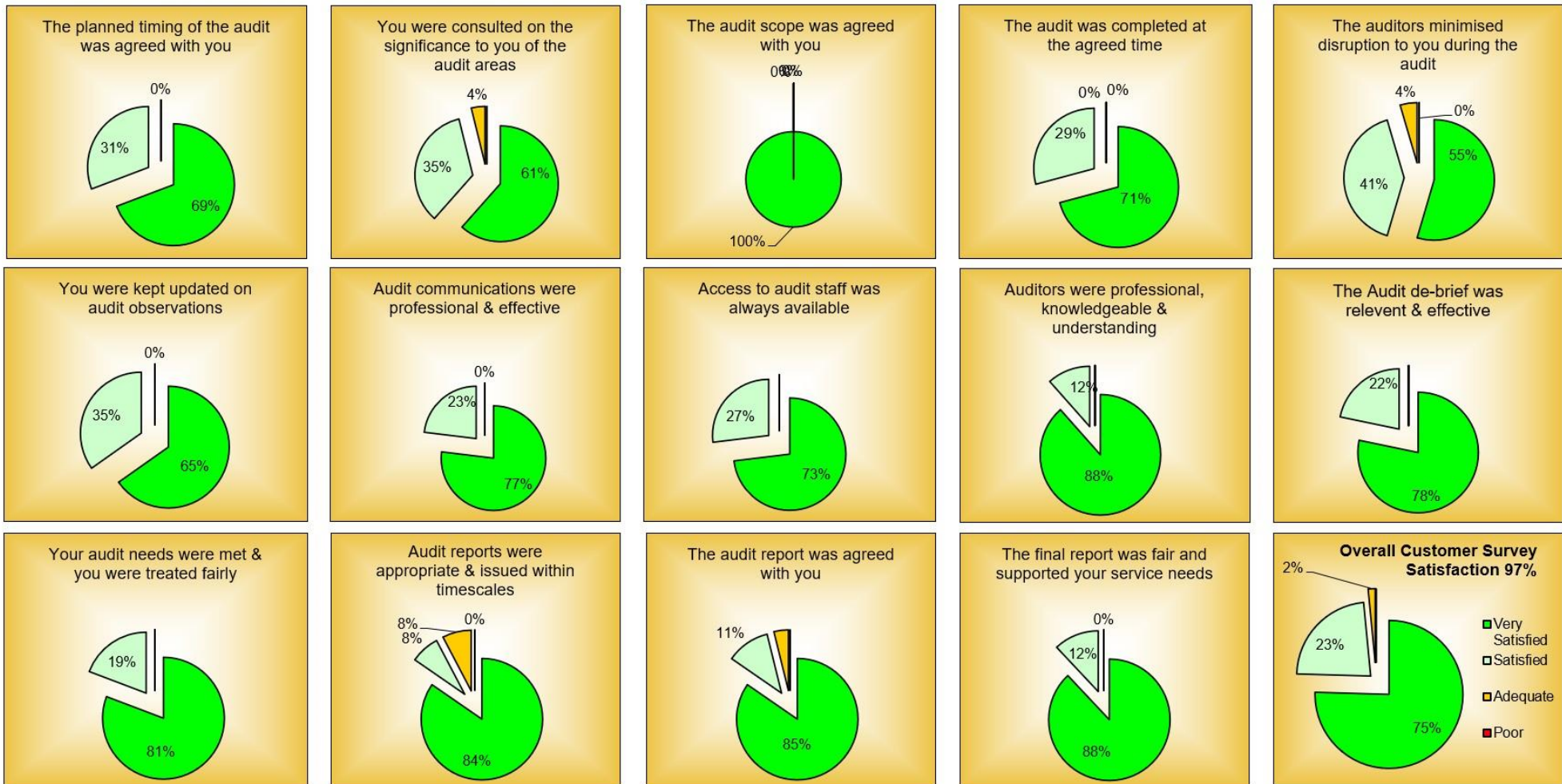
### Customer Service Excellence (CSE)

DAP was successful in re-accreditation by G4S Assessment Services of the CSE standard during 2024. This accreditation is a UK-wide quality mark which recognises organisations that prioritise customer service and are committed to continuous improvement.

During the year to date 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. 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

### Customer Survey Results April 2024 - August 2024



## Appendix 5 – Audit Authority



## Devon Assurance Partnership

The Devon Assurance Partnership has been formed under a joint committee arrangement. We aim to be recognised as a high-quality assurance service provider. We work with our partners by providing a professional assurance services 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)

## Confidentiality and Disclosure Clause

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 Authority, 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.