

Internal Audit

Audit Progress Report 2020-21

North Devon District Council  
Governance Committee

March 2021

Robert Hutchins  
Head of Audit Partnership



Auditing for achievement

## Introduction

The Governance Committee, under its Terms of Reference contained in North 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 Internal Audit plan for 2020-21 was presented and approved by the Governance Committee in March 2020. The following report and appendices set out the background to audit service provision and provides a position statement on the overall adequacy and effectiveness of the Authority's internal control environment.

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

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

Governance 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 revised audit plan provided.
- audit coverage and findings provided.
- the overall performance and customer satisfaction on audit delivery.

In review of the above the Governance 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 be maintained.

**Robert Hutchins**  
**Head of Devon Audit Partnership**

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## Opinion Statement

**We are completing work against the agreed internal audit plan to support provision of an opinion on the overall control environment. Assurances opinions assessed indicates that we are likely to provide a Reasonable Assurance opinion on the adequacy and effectiveness of the Authority’s internal control framework.**

*This opinion statement will support 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 as part of each audit report.

All final 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 but may be reviewed during subsequent audits or as part of a follow-up process.

Directors and Senior Management are provided with details of Internal Audit’s opinion for each audit review to assist them with compilation of their individual annual governance assurance statements at year end.

<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.

## Executive Summary of Audit Results

### Core Key Financial Audits

We provided a “Substantial” Assurance for Income Collection, and a ‘Reasonable Assurance’ opinions for all other completed audit work to date. Car Parks, and Housing Benefits are close to completion. Our review on Council Tax will commence shortly and have a request to defer our Payroll audit.

### Risk Based Audit

During the period we completed audits on Covid-19 safe staff operations, and on the new Leisure Centre. We expected to complete our Cyber Security audit this month and have also started work on Climate Change. We will also be following up on actions from the previous Business Continuity audit.

A table showing the audit opinions delivered to date is detailed below.

Audits delivered this year	Assurance Opinion	Recommendations			
		H	M	L	O
Income Collection	Substantial	2	2		
Main Accounting System	Reasonable	1	2		
Risk Management	Reasonable	2	7	0	4
Creditors	Reasonable		3		
Building Control	Reasonable	3	2	1	1
New Leisure Centre	Reasonable		2	3	3
Covid-19 Safe Staff operations	Reasonable – in draft	2	5		1

## Counter Fraud Work

We have recently reviewed the Council Counter Fraud (CF) Strategy and Plan and made suggestions to improve focus on detection and action where fraud is identified. We are also providing access to a CF training package.

## Assurance Mapping

Based on our audit results, we have updated the Assurance Map in early January. We attach a new summary sheet (Appendix 2) to these papers for information.

## 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.
- Adjusting the audit plan to ensure we provide real time assurance, such as on Safe staff operations during this emergency.
- Comparing and contrasting controls across the different Devon Councils that we support.

## Audit Coverage and Performance Against Plan

Work is completing on the audit plan for 2020-21, with some residual work outstanding at the time. Four of the core audits are complete, two are close to completion and the remaining audits will be undertaken before the year end. We are in a good position to substantially complete the revised audit plan.

Appendix 1 to this report provides a summary of the audits in progress / undertaken to date, along with our assurance opinion. Where a "substantial assurance" or "reasonable assurance" of audit opinion has been provided we can confirm that, overall, sound controls are in place to mitigate exposure to risks identified; where an opinion of "limited assurance" has been provided then issues were identified during the audit process that required attention. We have provided a summary of key issues reported

that are being addressed by management. We are content that management are appropriately addressing these issues.

**Key performance indicators** on progress against audit recommendations is monitored and managed by the Authority. We intend to undertake a formal review of recommendations in Quarter Four of recommendations to confirm that they have been effectively implemented.

## Fraud Prevention and Detection

There have been no reported issues in the year to date. Management are aware that they can refer any suspected issues to our counter fraud team.

**Customer Satisfaction** – satisfaction returns specific to NDDC have yet to be received this year though in general for DAP, survey returns score 98% satisfaction year to date.

**Planning for 2021-22 Audit Plan** - We have created a draft audit plan which we have discussed with Senior Management Team. The plan is being discussed as a separate agenda item at this Governance Committee.

**Internal Audit Charter and Strategy** –. At this meeting we have also provided an updated Audit Charter and Strategy for agreement by the Governance Committee as a separate agenda item.



## Appendix 1 – Summary of audit reports and findings for 2020-21

### Risk Assessment Key

Spar – Local Authority Risk Register score Impact x Likelihood = Total & Level  
 ANA - Audit Needs Assessment risk level as agreed with Client Senior Management  
 Client Request – additional audit at request of Client Senior Management; no risk assessment information available

### Direction of Travel Assurance Key

Green – action plan agreed with client for delivery over an appropriate timescale.  
 Amber – agreement of action plan delayed, or we are aware progress is hindered.  
 Red – action plan not agreed, or we are aware progress on key risks is not being made.  
 \* report recently issued; assurance progress is of managers feedback at debrief meeting.

Risk Area / Audit Entity	Audit Report					
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low			Direction of Travel Assurance
<b>Risk Based Reviews</b>						
<b>Tarka Leisure Centre</b> Risk / ANA: – Low, Client request – high spend area	Reasonable Assurance	We consider there are effective controls to monitor delivery of the build of the leisure centre, and the risks associated with it. There are a range of experts involved in monitoring delivery, including the Councils Parks and Leisure Team, the project manager (Currie and Brown), and UK Sport representatives. The comprehensive Design, Build, Operate and Maintain arrangements detailed in the contract are designed to reduce the level of risk to the Council.  Improvement opportunities in the control environment include: <ul style="list-style-type: none"> <li>Enhancing the Projects risk register to detail out the mitigating actions more clearly for each risk, and to include “Opportunities”.</li> <li>More systematic stakeholder engagement supported by creation of a communications plan.</li> <li>Obtaining additional assurance from the contractors that there will not be shortages of materials that delay the build programme (3<sup>rd</sup> party resilience).</li> </ul>	-	2	3	
<b>Safe staff operations during the C-19 emergency</b> Risk / ANA: High Risk Pandemic Influenza	Report in draft - Reasonable Assurance	We are currently discussing this report with management:  We consider the Council quickly introduced measures at the start of the emergency to ensure their high-risk operational staff had appropriate protection and measures to reduce the C-19 risk. This included undertaking comprehensive risk assessments for all staff and introducing measures to create work crew bubbles and cleaning regimes. Latterly they have ensured that key staff obtain C-19 injections and introduced lateral flow testing.	2	5	-	

Risk Area / Audit Entity	Audit Report					
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low			Direction of Travel Assurance
		<p>Our survey delivered as part of the audit identified that staff felt that they had good support from colleagues and managers but less well supported by the organisation as a whole or by senior management. As some staff indicated they felt isolated or lonely, we will be suggesting that the Council re-instate their workstream on mental health and wellbeing, which was paused due to the emergency, Management is also considering introducing personalised risk assessments to help identify instances where there are wellbeing issues to enable support to be provided. In that respect, management should consider regular temperature checks of their staff to ensure they have a good picture of how they are feeling, and their concerns, and take effective action to address them.</p>				
<b>Counter Fraud Strategy and Plan</b>		<p>We have reviewed the Council's current Counter Fraud Strategy and Policy and made suggestions to make them more effective in providing a more robust Counter Fraud defence. We are discussing these with the Head of Resources and are looking to seek endorsement from the Governance Committee in June 2021. The next step will be to undertake specific targeted activity on the high-risk areas to identify any fraud or error.</p>				
<b>Completing the Audit Plan for 20/21</b>	<p>The following are in fieldwork, and are close to completion:</p> <ul style="list-style-type: none"> <li>• Housing Benefits</li> <li>• Car Parks</li> <li>• Cyber Security</li> </ul> <p>We have produced a Terms of Reference for a Climate Change – Strategy audit to be undertaken in the next few weeks. This is a precursor to a more tactical review on Climate Change actions within Service areas. We await management agreement to start the audit.</p> <p>We have the following audits to complete in the next few weeks:</p> <ul style="list-style-type: none"> <li>• Council Tax / NNDR.</li> <li>• Follow up on Business Continuity.</li> <li>• Governance Arrangements.</li> <li>• Information Governance.</li> </ul>					

## Appendix 2 – Assurance Map

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

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

Since the last Governance Committee, we have continued to work on the assessment. This has been populated using previous audit reports, the Council’s risk register, and cumulative audit knowledge of the respective authority. The completion of the summary and individual maps provides us with a base from which we can concentrate our audit fieldwork on key risks and areas marked as ‘Improvements required’ (Amber) or Fundamental Weaknesses (Red) rather than ‘High / Good’ (Green). Further work is needed to map out the 3<sup>rd</sup> line assurances that the Council may be obtaining in each of these areas.

As this provides a historical view of assessments, we are not able to place complete reliance on these assessments without undertaking further walkthrough or sample testing of the area. However, based on the current assessment we highlight the following:

- Authorisation, Segregation and Supervision: As a small organisation, the Council will need to balance effective progression of work with effective supervision. Our work has identified instances where good practice in terms of supervising, checks, or sign offs may not be in place due to the need to progress work more efficiently. In these instances, management should be aware of the competing risks, and make decisions on those controls having weighed up the different factors.
- Financial Monitoring, Reconciliation reporting, Statutory Returns. Our work has identified several instances where performance information is not being reported effectively to allow management to monitor and take effective decisions, such as the monitoring of debt figures and resultant action, Car Park penalty charge collection.
- Business Continuity and Supplier Resilience. The Amber and Red in this area is from previous audits which are some time ago. We are looking to review these areas in the next month. That said, we are aware that many organisations do not regularly test their business continuity plans, and do not check that their key suppliers are themselves resilient and have effective plans to cope with emergencies.
- Cyber Security and IT Resilience. This continues to be a high-risk area, with Cyber Security including attacks using Ransomware being especially highlighted as a concern by central government. We are now undertaking a review of this area which will provide further detail on current residual risk.
- Risk Management. It is important that risks, issues and opportunities can be quickly escalated for management attention. We identified some areas where risk and issue escalation need to be included as part of the management process.
- Fraud and Error. We have recently fed in suggestions to improve the Counter Fraud Strategy and Plan. Like most organisations, the Council could do more to consider how to identify and prevent fraud and error from occurring and will make suggestions on how to do this as we progress future work.

In review of the above, members and management should consider the assurance provided alongside that of the risk management and other assurance arrangements and satisfy themselves that the internal control framework operates at an adequate level to mitigate risks.



# Corporate Governance / Audit Committee

## Senior Management

Risks / key Objectives/ key services are taken from the Corporate Plan, Risk Register and audit universe with a focus on the higher risks and audit needs assessed feeding through into the audit plan.	Business Operation - 1st line defence								Financial, Corporate and Governance - 2nd line defence							Independent Assurance - 3rd line defence						Regulators			External audit		
	Identifying risks and improvement actions. Implementing controls. Reporting on progress. Management assurance								Assurance oversight, management and financial policies, setting direction, risk management, ensuring compliance.							Independent challenge & audit. Reporting on assurance. Audit of assurance providers. Entity level assurance.						Legal, Government other inspection and compliance review					
	Internal Control Measures				Management controls																						
Risk / Key Objective / Key Service	Core systems controls inc. IT system, parameters	Input processing and output controls	Fraud and error prevention	Authorisation, supervision and segregation	Performance & Financial management reports	3rd Party and Business continuity, Disaster recovery	Strategies and business plans inc. Benchmarking	Misc	Financial, Monitoring, Reconciliation, reporting, Statutory Returns	Functional & Service compliance reviews	Quality control checks (H&S, Info Governance)	Security inc IT systems & physical	Governance structures and processes (inc. financial & policy)	Corporate risk management/assurance	Regulatory Notices	External accreditation/Certification (ISO 27001)	External compliance testing - e.g. security, resilience, quality	3rd Party assurance letters	Consultant reviews	Strategic partners, assurance reports inc. Peer review	spare -	Internal audit assignments	Internal Audit Report date	Inspection - Ofsted, CQC, ICO, HSE	HMRC Tax and Revenue	Spare - Other ?	
KFS - Payroll	G	G	G	G	G	G	G	n/a	G	G	G	G	G	G	n/a	G	G		G	G	n/a	Substantial	Apr-20	n/a	G	n/a	G
KFS - Creditors	A	G	G	A	G	G	A	n/a	G	G	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Nov-20	n/a	G	n/a	G
KFS - Debtors	G	G	G	G	G	G	G	n/a	A	G	G	G	G	G	n/a	n/a	n/a	n/a	A	A	n/a	Reasonable	Feb-20	n/a	G	n/a	G
KFS - Main Accounts & Budgetary Control	A	G	G	A	G	G	G	n/a	A	G	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Oct-20	n/a	n/a	n/a	G
KFS - Treasury Management	G	G	G	G	G	G	A	n/a	G	G	G	G	G	G	A	n/a	G	n/a	G	n/a	n/a	Substantial	Feb-20	n/a	n/a	n/a	G
KFS - Council Tax / NNDR	G	G	G	A	G	G	G	n/a	G	G	G	G	G	G	n/a	n/a			n/a	n/a	n/a	Reasonable	Mar-20	n/a	G	n/a	G
KFS - Housing Benefits	G	G	G	G	G	G	G	n/a	A	G	G	G	G	G	n/a	n/a			n/a	n/a	n/a	Reasonable	Apr-20	n/a	G	n/a	G
KFS - Income & Cash Collection	G	G	G	A	G	G	G	n/a	G	G	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Oct-20	n/a	G	n/a	G
Parking	G	G	G	G	G	G	G	n/a	G	G	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Fieldwork		n/a	n/a	n/a	G
Contracts	G	G	G	A	G	G	A	A	G	G	G	G	A	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Apr-20	n/a	n/a	n/a	G
Corporate Governance & RM	G	A	G	G	A	G	G	n/a	A	G	G	G	G	A	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Nov-20	n/a	n/a	n/a	G
3rd Party resilience / governance	G	A	G	G	A	A	A	n/a	A	G	G	G	A	G	n/a	n/a			n/a		n/a	A		n/a	n/a	n/a	n/a
Business Continuity	G	A	G	G	A	A	R	n/a	G	R	G	G	A	G	n/a	n/a			n/a		n/a	No Assurance	Feb-20	n/a	n/a	n/a	n/a
Cyber Security							A															Fieldwork					
GDPR	G	A	G	G	G	G	G		G	A	G	G	A	G								Reasonable	Nov-18				
Fraud and error	G	G	A	G	A	G	A	n/a	A	G	G	G	G	G	G	G	n/a	n/a	n/a	n/a	n/a	Limited	Nov-19	n/a	n/a	n/a	n/a
Health and Safety (C-19 focus)	G	G	G	G	A	G	G		A	G	G	G	G	G	n/a	n/a		n/a	n/a		n/a	Reasonable		n/a	n/a	n/a	n/a
New Leisure Centre	G	G	G	G	G	G	G	A	G	G	G	G	G	A	n/a	n/a	n/a	G	n/a	n/a	n/a	Reasonable	Dec-20	n/a	n/a	n/a	n/a
Safeguarding	G	G	G	G	G	G	G	n/a	G	G	G	G	G	G	n/a	n/a	n/a		n/a	n/a	n/a	n/a		n/a	n/a	n/a	n/a
Housing Needs	G	G	G	G	G	G	G	n/a	G	G	G	G	G	G	n/a	n/a	n/a		n/a	n/a	n/a	G		n/a	n/a	n/a	G
New Housing Schemes	G	G	G	G	G	G	G	n/a	G	G	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	G		n/a	n/a	n/a	G
Regeneration	G	G	G	G	G	G	G	n/a	G	G	G	G	G	G	n/a	n/a	n/a		n/a		n/a	Substantial	Nov-19	n/a	n/a	n/a	G
Building Control	G	G	G	G	G	G	G	n/a	G	G	G	G	A	A	n/a	n/a	n/a		n/a		n/a	Reasonable	Sep-20	n/a	n/a	n/a	n/a
Crematorium	G	G	G	G	G	G	G	n/a	G	G	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		n/a	n/a	n/a	n/a



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## **Devon Audit Partnership**

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon & Torridge councils. We aim to be recognised as a high-quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at [robert.hutchins@devonaudit.gov.uk](mailto:robert.hutchins@devonaudit.gov.uk) .