



devon **audit** partnership

Internal Audit

Annual Audit Report  
2020-21

North Devon Council  
Governance Committee

June 2021

Robert Hutchins  
Head of Audit Partnership



Auditing for achievement

## Introduction

The Governance Committee, under its Terms of Reference contained in the 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 to 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 plan was subsequently amended to reflect the Covid-19 impact in November 2020. The following report and appendices set out the background to audit service provision, a review of work undertaken in 2020/21 and provides an opinion 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 provides that opinion.

### Expectations of the Governance from this annual 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 scope and ability of audit to complete the audit work.
- 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 (see appendix 5) and satisfy themselves from this assurance for signing the AGS.

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

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## Opinion Statement

**Overall, based on work performed during 2020/21 and our understanding from 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 will provide Members with an indication of the direction of travel for their consideration for the AGS see **appendix 4**.*

The Authority’s internal audit plan for the year includes specific assurance, risk, governance and value-added reviews which, with prior years audit work, provide a framework and background within which we assess the Authority’s control environment. The Head of Internal Audit’s Opinion is informed by the assurance conclusions obtained in the audits undertaken in 2020/21. Any significant weaknesses identified in specific areas should be considered by the Authority in preparing its AGS to support the Statement of Accounts for 2020/21.

In carrying out systems and other reviews, Internal Audit assesses whether key, and other, controls are operating satisfactorily with an overall opinion provided on the adequacy of controls to management as part of the audit report. All final audit reports include an action plan with responsible officers and target dates to address control issues identified. While implementation of action plans rests with management, these are reviewed during subsequent audits or as part of a specific follow-up.

To support our overall Reasonable Assurance, we provided a Reasonable Assurance rating for 9 of the 14 audits (with 2 Substantial and 3 Limited Opinions). Through the year we have provided summaries of our work to Governance Committee. A copy of our Assurance Map is at **Appendix 2**, which was first discussed by Governance Committee in January 2021.

### This statement of opinion is underpinned by:

#### Internal Control Framework

The control environment comprises the Council’s policies, procedures and operational systems including processes in place to establish and monitor the achievement of the Council’s objectives; facilitate policy and decision making; ensure economical, effective and efficient use of resources, compliance with established policy, procedure, law and regulation; and safeguard the Council’s assets and interests from losses. Core financial and administrative systems were reviewed by Internal Audit.

The Council’s overall internal control framework is considered to have operated effectively during the year. Where we have highlighted instances of poor compliance to key controls, none are considered to have had a material impact on the Authority’s operations.

Our audits have assessed the impact on the control framework from the Covid-19 emergency and resultant changes to working practices and controls, such as increased home working. In some areas this also placed significant additional work burdens, for instance in the placement of Covid-19 government grants. While we have identified instances where key controls have been affected, such as monthly reconciliation, overall, the control environment has coped reasonably well with most core controls continuing to operate effectively.

#### Risk Management

Risk Management process at strategic and operational level remains in place although ongoing review is required to improve the focus of risks to key business objectives and improve mitigation controls. There remains work to be done to embed this at operational level.

#### Governance Arrangements

Governance arrangements have been considered in all our audits but with opportunities to improve consistency or alignment to business need. We will continue to review the improvements to governance and control arrangements in 2021/22, including formation of the Programme Management Office.

#### Performance Management

Performance is subject to monitoring at management and Committee such as in Policy Development, and Strategy and Resources. This is supported by the Pentana performance monitoring system. In several areas we identified key performance reports were needed to support better monitoring of day to day operations.

Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
Reasonable Assurance	<b>There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.</b>	No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

# Summary Assurance Opinion

Service Area Overview of Audit Coverage						Opportunity & Value Added
Finance & Resources	Environmental & Health	Place	Operational Services	Corporate		
Summary of key audit reviews	Covid-19 Grants (incl Income Compensation Scheme, Small Business grants)	Business Continuity Planning	NMD Building Control	Car Parking operations	Covid-19 Safe Staff Operations	Assurance Mapping
	Enforcement Surge Funding sign off	Climate Change *			Counter Fraud Strategy	Fraud Prevention & Investigation
Core Assurance	Key Financial Systems -	Income Collection, Creditors	Council Tax & NNDR,	Housing Benefits	Main Accounting System	Payroll
	Governance & Business Processes -		Partnerships		Risk Management	
	ICT / Digital	Cyber Security				

Note: Assurance opinions are 'RAG' rated to support the overall assurance opinion for the year. The ratings are relevant at the time of the audit review and assurance may have improved since that time. Areas shaded blue denote opportunity or value-added work. \* = anticipated.

These assurances are underpinned by our Assurance Map (see appendix 2).

## Audit Coverage and performance against plan

We delivered 92% of audits in the revised plan for the year (to draft /final report stage). The remaining audits have been either cancelled, deferred by the client, or rolled over into 2021/22. More detail on our performance is included in **Appendix 6**.

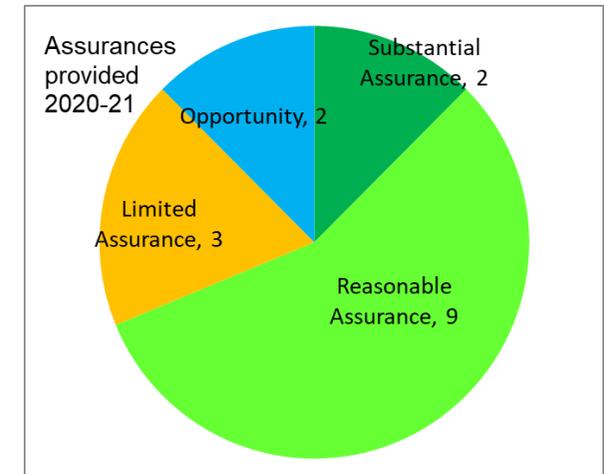
## Audit Assurance Opinions

The chart opposite shows the breakdown of Substantial, Reasonable, and Limited Assurance opinions we provided this year.

At **Appendix 1** we include a progress summary of those audits delivered since the Governance Committee of March 2021. Summaries of the other audits delivered before that meeting have already been provided to the Committee. Where a “Substantial” or “Reasonable” assurance opinion has been provided we can confirm that, overall, sound controls are in place to mitigate exposure to risks identified.

We provided Limited opinions for our audits of Cyber Security (Ransomware and Malware), Business Continuity, and Parking Operations. In these areas we identified weaknesses in controls requiring attention, and have worked with management to help them formulate an approach to address them as follows:

- Cyber Security (Ransomware and Malware) – Based on responses to our High & Medium recommendations, we are confident that action is underway to implement the required system control improvements.
- Business Continuity: Follow up report – management has agreed a specific action plan to implement our recommendations that has been endorsed by Senior Management Team of 17 May.
- Parking Operations – we worked with the Parking Manager to obtain management information related to Parking Charge Notices that they need to support more effective management.



## Value Added

We know that it is important that the internal audit service seeks to "add value" whenever it can and 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.

This current year, we have sought to add value by confirming that key controls continue to operate despite the significant changes to business operations and ways of working arising from the Covid-19 emergency. We have also actively worked with management to agree actions to reduce their risk in several areas such as Business Continuity. Specific feedback included:

- “good discussion with the Auditor around the draft report and the system changes which we implemented straight away following these finds”,
- on creditors – “helped improve system access security”,
- “clear and explicit audit reports”.

## Fraud Prevention and Detection

Overall, the risk of fraud at the Council is considered low. We contributed to a review of the Council’s Counter Fraud Strategy so that there is a more proactive approach to identifying and preventing fraud that may occur, with a focus on high risk areas. This is being discussed at the June 2021 Governance Committee. We are also discussing provision of computer-based counter fraud training. All our internal audit assignments include considering the potential for fraud and how the council prevents such fraud occurring. In particular, work on the key financial systems (Payroll, Creditors, Council Tax etc) considered the suitability and robustness of the control framework to prevent, detect and address fraud. The national data matching exercise (National Fraud Initiative - NFI) is supported by the Council. There were no significant investigations that were required during the year.

## Appendix 1 – Summary of remaining 2020/21 audit reports and findings delivered since March 2021

### Risk Assessment Key

Pentana – 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>Core Audit – Key Financial Systems</b>						
<b>Housing Benefits</b> Risk: ANA - Medium	Substantial Assurance  Status: Final	The audit review found a strong control framework with effective controls to mitigate against the risks identified to enable us to provide a Substantial Assurance. Sample testing was undertaken which confirmed the effective operation of the controls in place, despite the additional demands placed on the Team due to the Covid-19 emergency. This has resulted in slight increases to the time taken to process claims, albeit they remain within acceptable timescales. We are content that monthly quality assurance checks have continued at an average of 3.1% of claims (Apr - Sept 2020 incl), albeit not at the Council target of 4-6% of monthly claims. Finally, we suggest that Housing Benefit Overpayment debt be included in the quarterly Housing Benefit write off report to the Accountancy Services manager / Head of Service as it is a significant figure.	-	2	2	
<b>Car Parks</b> Risk: ANA - Low	<b>Limited Assurance</b>  Status: Final	The Council uses an effective system to collect car park income with Pay and Display / RingGo managed by a Team of experienced officers. There is a good process to consider staff and public safety through a suite of risk assessments for the different staff roles who are involved. Due to the Covid-19 emergency, income will be much reduced in 2020/21. While car park fees have been managed during the emergency, when it subsides there should be consideration of how the current parking strategy needs to be amended to support meeting climate change targets. We provide a Limited opinion, as management information is not received in several areas such as Car Park Permits and Penalty Charge Notices, to allow basic monitoring and review to support effective management of operations and show significant unrecovered funds. Given that penalty charge notice income is more than £200k in typical years this is a serious control weakness.	2	-	-	
<b>Council Tax and NNDR</b> Risk: ANA - Medium	Substantial Assurance	The audit found a strong control framework with effective controls to mitigate against the risks identified to enable us to provide a Substantial Assurance. Sample testing was undertaken which confirmed the effective operation of the controls in place,	-	2	1	

**Risk Assessment Key**
**Direction of Travel Assurance Key**

	Status: draft	<p>despite the additional demands placed on the Team due to the Covid-19 emergency. Over the last year, staff have had to work remotely from home adapting to changes in working practices and the way they have had to work whilst also undertaking the task of processing applications to pay £m's in business grants to eligible companies upon the NDR register. Despite those challenges, we consider key controls continue to operate effectively.</p> <p>Collection rates for Council Tax and NDR achieved in the 2020/21 financial year are only slightly below those achieved in the 2019/20 financial year. These collection rates are highly commendable based upon gloomy predictions for local authority income collection in early 2020 due to Covid-19. Precept payments requested by precepting authorities were found to be promptly and accurately paid in accordance with the payment schedules received.</p>				
<b>Payroll</b> Risk: ANA - High	Reasonable Assurance  Status: draft	<p>We confirm that the control framework of system and business processes and procedures include the basic controls needed to manage the risks of running the payroll service. In addition, the transfer of core payroll responsibilities to MHR Bureau (providing i-Trent and support services) should reduce risks that would be present in running an in-house system, although monitoring the quality and performance of that service will be important for the Council.</p> <p>We have highlighted areas where we feel there are opportunities to further improve the service, or make control more robust, efficient, and secure. Our reported findings do not, for the most part, represent previously unknown issues and do not come as a surprise to management, who already have plans to address the key points raised. These include the need to progress the implementation and roll out of iTrent modules, which will help support a workforce working at home more often. We also suggest improvements to separation of duties regarding day to day processes, as resources allow. In addition, we suggest some basic checks of payroll data input to reduce the risk of fraud and error.</p>	-	11	5	
<b>Risk Based Audits</b>						
<b>Cyber Security – Malware and Ransomware</b>  Pentana – High CRR01	<b>Limited Assurance</b>  Status: Final	<p>The Council ICT Services recognises cybersecurity as a priority for development during 2021-22. Our report lists the current strengths and weaknesses in addressing a malware and ransomware attack. A successful attack could exploit the weaknesses could bypass or negate the control strengths and allow malware to spread through the ICT infrastructure. Action is required to address these weaknesses and reduce the risk in this area, and we can give only a Limited Assurance opinion. We urge the Senior Management Team to support ICT in delivering the cybersecurity development plan. Our evaluation follows the control</p>	9	9	3	

**Risk Assessment Key**
**Direction of Travel Assurance Key**

		framework described in the NCSC 'Cyber Essentials' and '10 Steps' guidance. ICT provided information and supporting evidence in response to a self-assessment questionnaire. The agreed recommendations in the report reflect the range of cybersecurity and operational ICT areas in the audit scope. ICT agreed eight out of nine high priority and all nine medium-priority recommendations. Target implementation dates of March 2022 are to allow implementation as part of ICT's 2021-22 proposed cybersecurity development plan.				
<b>Counter Fraud</b> Pentana – Low CRR52	NA	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 have discussed and agreed these with the Head of Resources with endorsement being sought 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.				
<b>Management of internal audit recommendations</b> ANA – n/a	Reasonable Assurance  Status: Final	The process to record and track internal audit recommendations is reasonably effective. The impact of the Covid-19 emergency does not appear to have had significant impact on progressing most recommendations. We do however note that some recommendations remain open well past their agreed target date which indicates opportunities to improve closure timescales. There are currently 12 overdue recommendations for audits reporting prior to April 2020, with appropriate action listed to close most of them within the revised timeframe. There is also a clear process for Governance Committee to agree extensions to recommendations. That said, reports to Governance Committee could more clearly set out whether recommendations being proposed for target extension are High or Medium risk to aid in challenging revisions to target implementation dates.	-	1	-	
<b>Business Continuity Follow Up</b> Pentana – High CRR09 CRR00	<b>Limited Assurance</b>  Status: Final	While the Council has largely addressed the recommendations from the previous audit report, risk remains related to Council Business Continuity, as reflected in the Red rated Corporate Risk, and our Limited Assurance Opinion. For instance, the Priority 1 services to be recovered quickly, and actions need to recover them are not well understood, and appropriate BC tests are not identified and taking place. Given the length of time being taken to deliver the refresh of the overall BC framework, we have agreed recommendations to help the Council reduce its risk profile in the intervening period. These will also contribute to providing a better view of resilience and BC requirements. The Council has supported these recommendations through creation of an implementation plan to take those	6	3	-	

**Risk Assessment Key**

**Direction of Travel Assurance Key**

		recommendations forward in a systematic way within a reasonable timeframe.				
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## 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.

During the year we developed an Assurance Map for North Devon Council operations. This was 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 future audit fieldwork on the 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. We have recently reported on Business Continuity and agreed recommendations with the Council supported by their own action plan. Effective implementation of that plan should help reduce the overall risk in this area.
- Cyber Security and IT Resilience. This continues to be a high-risk area, with attacks using Ransomware being especially highlighted as a concern by central government. Our Limited Assurance report contains eight high rated recommendations that the council is taking to reduce the risk in this area.
- 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.

The Assurance Map below is intended to provide a high-level graphical picture of the effectiveness of key controls on which the Council relies on to ensure integrity and effectiveness in its operations. It will be further developed in 2021-22 to support business and internal audit focus on areas of weakness.

Risks / key Objectives/ keys 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	Identified weaknesses		
	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 systems, 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 partner assurance reports inc. Peer review	Spare -	Internal audit assignments	Internal Audit Report date	Inspection - Osted, CQC, ICO, HSE	H.MRC Tax and Revenue	Spare - Other?		
KFS - Payroll	G	G	G	A	G	G	G	n/a	G	G	G	G	G	n/a	G	G		G	G	n/a	Reasonable	Apr-21	n/a	G	n/a	G	Separation of duties, Expenses Policy	
KFS - Creditors	A	G	G	A	G	G	A	n/a	G	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Nov-20	n/a	G	n/a	G	IT system permissions, ordering w/o orders
KFS - Debtors	G	G	G	G	G	G	G	n/a	A	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	Monitoring of debt	
KFS - Main Accounts & Budgetary Control	A	G	G	A	G	G	G	n/a	A	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	IT system permissions, user access, system releases, raising and posting of journals	
KFS - Treasury Management	G	G	G	G	G	G	A	n/a	G	G	G	G	G	A	n/a	n/a	n/a	G	n/a	n/a	Substantial	Feb-20	n/a	n/a	n/a	G		
KFS - Council Tax / NNDR	G	G	G	G	G	G	G	n/a	G	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Substantial	Apr-21	n/a	G	n/a	G		
KFS - Housing Benefits	G	A	G	G	G	G	G	n/a	A	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Substantial	Apr-21	n/a	G	n/a	G	Accuracy checks, reporting of housing benefit overpayments	
KFS - Income & Cash Collection	G	G	G	A	G	G	G	n/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	G	n/a	G		
Parking	G	G	G	G	A	G	G	n/a	A	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Limited	Mar-21	n/a	n/a	n/a	G	Parking and Parking Charge Notice MI	
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	Reasonable	Apr-20	n/a	n/a	n/a	G	Scheme of delegation, asset management plan	
Corporate Governance & Risk Management	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	Reasonable	Nov-20	n/a	n/a	n/a	G	No and detail of Corporate Risks, escalation of	
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	n/a	n/a	Limited		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	n/a	n/a	Limited	Apr-21	n/a	n/a	n/a	n/a		IT Disaster Recovery, focus on priority services, risk assessments, contracted services
Cyber Security	R	G	G	G	G	R	G	n/a	G	G	G	R	G	G	n/a	n/a	n/a	n/a	n/a	n/a	Limited	Apr-21	n/a	n/a	n/a	n/a		Privileged users accounts, Malware impact assessment, Exercise Incident Response, Offline backup, backup recovery exercises.
GDPR	G	A	G	G	G	G	G	n/a	G	A	G	G	A	G	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Nov-18	n/a	n/a	n/a	n/a		Information asset register, refresher training, embedding GDPR
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	Limited	Nov-19	n/a	n/a	n/a	n/a		Depth and content of CF Strategy, fraud training and awareness, fraud identification
Health and Safety (C-19 safe operations)	G	G	G	G	A	G	G	n/a	A	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Feb-21	n/a	n/a	n/a	n/a	n/a	Monitoring of staff well being, supporting mental health	
New Leisure Centre	G	G	G	G	G	G	A	n/a	G	G	G	G	G	A	n/a	n/a	n/a	G	n/a	n/a	Reasonable	Dec-20	n/a	n/a	n/a	n/a	n/a	Supplier risk, risk management
Safeguarding	G	G	G	G	G	G	G	n/a	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		
Housing Needs	G	G	G	G	G	G	G	n/a	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		
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	G		n/a	n/a	n/a	G		
Regeneration	G	G	G	G	G	G	G	n/a	G	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Substantial	Nov-19	n/a	n/a	n/a	n/a	G	
NMD Building Control	G	G	G	G	G	G	n/a	G	G	G	G	A	A	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Sep-20	n/a	n/a	n/a	n/a	n/a	Escalation of NMD risk to the council
Creatorium	G	G	G	G	G	G	G	n/a	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		

## Appendix 3 - Professional Standards and Customer Service

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

**Conformance** - Devon Audit 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 2021. This is supported through DAP self-assessment of conformance with Public Sector Internal Audit Standards & Local Government Application note.

**Quality Assessment** – through external assessment December 2016 “DAP is considered to be operating in conformance with the standards”. A further independent review is scheduled for autumn 2021. External Assessment provides independent assurance against the Institute of Internal Auditors (IIA) Quality Assessment & Public Sector Internal Audit Standards (PSIAS). The Head of Devon Audit Partnership also 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.

**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 were included in this development plan and have been completed. This will be further embedded with revision of our internal quality process through peer review. Our development plan is regularly updated and a status report was which is monitored by the Management Board in October 2020 and reported to the Partnership Committee.

### Performance Indicators

Overall, performance against the indicators has been very good with improvements made on the previous year (see Appendix 6). We are aware that some of our draft and final reports were not issued to the customer within the agreed timeframes (15 working days for draft report and 10 working days for final report). We continue to review where performance in this area can be improved in what was a particularly challenging year.

### Customer Service Excellence

In June 2019, DAP was successful in re-accreditation by G4S Assessment Services of the CSE. We continue to issue client survey forms with our final reports and the results of the surveys returned are, although low in number, very good and again are very positive. The overall result is very pleasing, with near 96% being "satisfied" or better across our services, see appendix 7. 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 - Audit Authority



## Appendix 5 - Annual Governance Framework Assurance

***The conclusions of this report provide the internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.***

The Annual Governance Statement provides assurance that

- the Authority's policies have been complied with in practice.
- high quality services are delivered efficiently and effectively.
- ethical standards are met.
- laws and regulations are complied with.
- processes are adhered to.
- performance statements are accurate.

The statement relates to the governance system as it is applied during the year for the accounts that it accompanies. It should:

- be prepared by senior management and signed by the Chief Executive and Chair of the Audit Committee.
- highlight significant events or developments in the year.
- acknowledge the responsibility on management to ensure good governance.
- indicate the level of assurance that systems and processes can provide.
- provide a narrative on the process that has been followed to ensure that the governance arrangements remain effective. This will include comment upon:
  - The Authority.
  - Audit Committee.
  - Risk Management.
  - Internal Audit.
  - Other reviews / assurance.

Provide confirmation that the Authority complies with CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. If not, a statement is required stating how other arrangements provide the same level of assurance



The AGS needs to be presented to, and approved by, the Governance Committee, and then signed by the Chair.

The Committee should satisfy themselves, from the assurances provided by the Corporate Risk Management Group, Executive and Internal Audit that the statement meets statutory requirements and that the management team endorse the content.

## Appendix 6 – Performance Indicators

There are no national Performance Indicators in existence for Internal Audit, however, the Partnership does monitor the following Local Performance Indicators LPI's:

<b>Local Performance Indicator (LPI)</b>	<b>Full Year Target</b>	<b>2020/21</b>
Percentage of Audit plan Commenced	90%	92% (note 1)
Percentage of Audit plan Completed	90%	92% (note 2)
Actual Audit Days as percentage of planned	90%	100% (note 3)
Number of core / material systems reviewed annually	7 (of 9 areas)	7 delivered (note 4)
Percentage of chargeable time	65%	65.8%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	96% (note 5)
Draft Reports produced within target number of days (currently 15 days)	90%	75%
Final reports produced within target number of days (currently 10 days)	90%	75%
Out-turn within budget	Yes	Yes

As the first year that DAP has provided this service to NDC, there are no previous year indicators to compare performance to.

- (1) Audits on Governance Arrangements, and Information Governance for 2020/21 will be looked at as part of the 21/22 audit plan.
- (2) Of our adjusted plan to deliver 17 audits agreed in November 2020, we completed 16 specific assignments, with one in fieldwork (Climate Change). This includes additional work brought into the plan such as the Sign off of C-19 grants. Remaining 2020/21 audits are either deferred at client request or are in the 21/22 audit plan.
- (3) Revised plan to deliver 179 days was agreed with management in November 2020.
- (4) For the 2020/21 plan we agreed to report on seven core areas excluding audits on Debtors and Treasury & Cashflow management. These are included in the 2021/22 audit plan.
- (5) Represents customer feedback from the wider DAP Partnership including those received from North Devon.

Overall, performance against the indicators has been met.

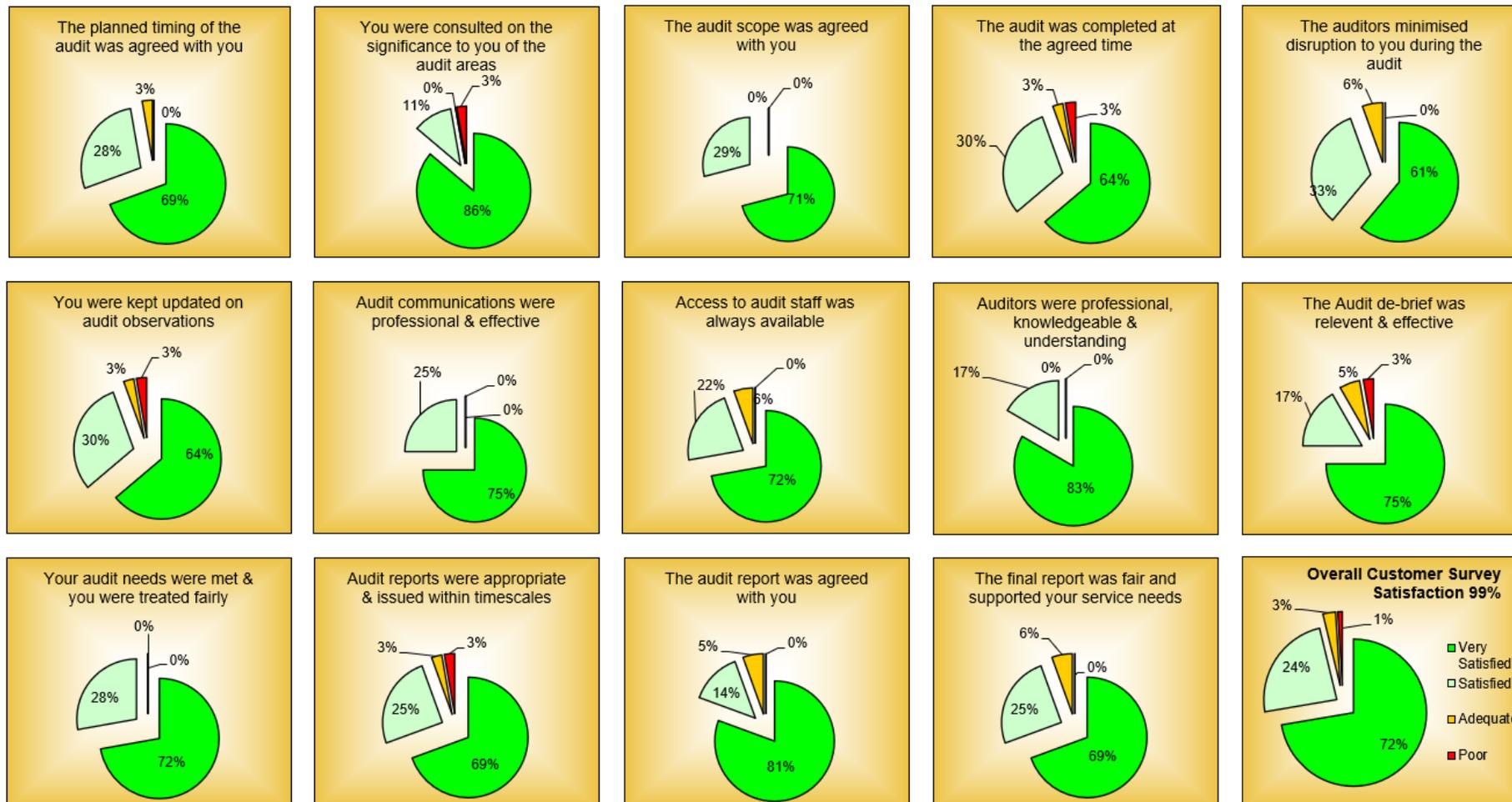
## Appendix 7 - Customer Service Excellence

For each audit we issue a customer feedback form. The results we receive help us shape our service; it helps to identify possible training needs for staff and helps us understand the areas of our process that are more challenging for the auditee.

Due to the additional demands placed on staff during the Covid pandemic detailed client feedback forms for 2020/21 were not always issued; however, we show below the results from wider customer feedback across Devon Audit Partnership. Whilst this does not allow detailed analysis across North Devon, it does provide an indication of the areas where the team have performed well, and those areas where we can still improve. We trust that we will be able to obtain a greater level of feedback in 2021/22.

### Customer Survey Results April 2020 - April 2021

The charts below show a summary of 36 responses received.



## Appendix 8 - Basis for Opinion

The Chief Internal Auditor is required to provide the Council with an opinion on the adequacy and effectiveness of its accounting records and its system of internal control in the Council. In giving our opinion, it should be noted that this assurance can never be absolute. The most that the internal audit service can do is to provide reasonable assurance, formed from risk-based reviews and sample testing, of the framework of governance, risk management and control.

This report compares the work carried out with the work that was planned through risk assessment; presents a summary of the audit work undertaken; includes an opinion on the adequacy and effectiveness of the Authority's internal control environment; and summarises the performance of the Internal Audit function against its performance measures and other criteria. The report outlines the level of assurance that we are able to provide, based on the internal audit work completed during the year. It gives:

- a statement on the effectiveness of the system of internal control in meeting the Council's objectives;
- a comparison of internal audit activity during the year with that planned;
- a summary of the results of audit activity and;
- a summary of significant fraud and irregularity investigations carried out during the year and anti-fraud arrangements.

The extent to which our work has been affected by changes to audit plans has been notable this year with the pandemic though we have been able to accommodate the changes required within planned resources and completed the work.

In previous years, other factors impacted audit service provided and though this year is different with our engagement and the Governance Committees agreement, this has not affected the level of assurance provided.

The overall audit assurance will have to be considered in light of this position.

In assessing the level of assurance to be given the following have been taken into account:

all audits completed during 2019/20, including those audits carried forward from 2018/19;

any follow up action taken in respect of audits from previous periods;

any significant recommendations not accepted by management and the consequent risks;

the quality of internal audit's performance;

the proportion of the Council's audit need that has been covered to date;

the extent to which resource constraints may limit this ability to meet the full audit needs of the Council;

any limitations that may have been placed on the scope of internal audit.

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<b>Devon Audit Partnership</b>	<b>Confidentiality and Disclosure Clause</b>
<p>The Devon Audit Partnership has been formed under a joint committee arrangement. 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.</p> <p>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 <a href="mailto:robert.hutchins@devonaudit.gov.uk">robert.hutchins@devonaudit.gov.uk</a> .</p>	<p>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 Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.</p> <p>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.</p>