

Internal Audit Report - Draft

Follow Up of Recommendations 2020-21

North Devon Council

April 2021

Official



Service Objective

To monitor, track and report on the completion of management actions to implement recommendations raised by internal audit designed to address areas of control weaknesses identified during their reviews. This activity should support reporting of overdue management actions to senior management and governance committee to consider whether additional interventions are required to ensure these weaknesses are resolved.

Audit Opinion

Reasonable Assurance - 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.

Direction of travel



Introduction

Prompt clearance of internal audit recommendations, particularly those agreed as High and Medium Priority, is important for the Council as they constitute agreed areas of risk to be addressed. This report provides an overall assessment through review of the:

- process to manage and report recommendations;
- recommendations agreed in audit reports prior to April 2020 not yet implemented that to confirm that appropriate measures are being taken to implement them;
- progress to implement agreed audit recommendations raised since April 2020.

Executive Summary

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.

Process to manage and report recommendations

As part of the audit report process, internal audit discusses and agrees the recommendations with business areas, including the target completion date and action officer. They are rated High, Medium, or Low according to their importance (priority and impact).

Recommendations arising from Internal Audit work conducted as part of the Annual Internal Audit Plan are recorded on the Pentana system by the Business Information Manager, following approval of each Final Report by the Council. This includes ownership for the implementation of each recommendation.

Each Head of Service is responsible for monitoring relevant recommendations and ensuring that the Pentana system is updated. These are provided with regular progress reports, prompting them to update Pentana with progress and % movement, and request extension of times where necessary. Notes can also be added to Pentana to assist in demonstrating the completion.

Prior to the Covid-19 emergency, monthly reports were run by the Business Support Analyst of all recommendations and management comments in draft. This has been stopped during the C-19 emergency, with reliance on the periodic reports mentioned above.

Implementation date changes are reported to the Governance Committee. The Governance Committee may challenge overdue implementation dates and rather than agreeing to the extension they can request that the respective Head of Service provides a more detailed explanation why an extension is needed.

Overdue recommendations are not currently reported to SMT on a regular basis, but a report on Recommendations is always prepared and presented to the Governance Committee.

Recommendations prior to April 2020

As of May 2021, there were three “High”, six “Medium” and three “Low” overdue recommendations from audits prior to April 2020 related to:

Planning S106 Agreements (2015/16) – Medium Priority - review of the administration of S106 Agreements to assess service delivery. The focus to clear this recommendation is to design a better process, and this work has been going on for almost a year, partly due to Covid-19 work difficulties. The current revised date of 28 Feb 21 has not been met, and a revised target date of end of August 2021 has been requested.

Security review report 2017/18 - Information Sharing (*Medium*) – to ensure that the Customer Record Management System is fit for purpose and accessible by all staff. The current revised target date of 31 Mar 2021 has not been met and a revised date of end Aug 21 has been requested. This is put down to due to competing priorities with ICT development.

GDPR – Data Cleanse (*Low Priority*) - undertake data cleansing exercise of paper and electronic records to ensure personal information is not held longer than necessary (2018/19) (*Low priority*) – original implementation date April 2019. This has a current revised implementation date of end March 2021. Problems in closing this recommendation appear to relate to issues with Civica making it difficult to delete data from some finance software. That said, other areas have updated their retention schedules to support data cleansing on time, which makes the recommendation substantially complete.

GDPR – Refresher training for all staff (*Low Priority*) – original implementation date May 2019. This recommendation related to an e-learning system currently has a revised target date of 31 March 2021. While we note that GDPR awareness is provided through a variety of means, given the risks involved it is important to ensure that there is an effective process to ensure refresher training is regularly received by all staff.

Business Continuity (2018/19). There are four BC recommendations from the previous audit report, and all are listed as not fully implemented. Our assessment (contained in our recent report on Business Continuity) is that:

1. Review / Update of the BCM Policy and BCIM Plan (*High Priority*). We assess this as Partially Implemented. The Business Continuity Policy was updated in February 2020, although it now needs the annual update. The Implementation Management Plan has not been updated with the last update in 2016.
2. Review of Service Resumption Plans (*High Priority*). We assess this as Implemented. The plans were reviewed and updated in March 2020, albeit due now to be reviewed.
3. Test each Service Resumption Plan (*High Priority*). Testing has not been undertaken, due to the Covid-19 emergency. A high-level exercise was undertaken with the SMT in Feb 2020 related to the risk of the pandemic, loss of staff and impact on services. While we assess this as Not Implemented, we recognise that operations and resilience has been tested over the last year of the emergency.
4. Review Resilience Direct Users (*Medium Priority*) – this was undertaken, and access provided where security allowed.

We have recently agreed a new audit report on Business Continuity that includes new recommendations that will replace these recommendations and support more effective reduction in the risk in this area.

Fraud, Bribery and Ethics (2018/19). Our recent work with the S151 officer to refresh the Fraud Strategy and Plan, and also to share an e-learning platform and liaise with ICT to roll it out will help address these recommendations:

1. Fraud Awareness E-learning (*Medium Priority*) - original implementation date 30 June 2020, extended for staff to complete this training by end March 2021.
2. Documented Procedures for suspected fraudulent occurrences (*Medium Priority*) – originally due June 2020.
3. Reporting Management Information related to fraud occurrences (*Medium Priority*) – originally due June 2020.

Payroll (2019/20) – Expense Policy Review (*Low Priority*) – originally due to be implemented by December 2020, subsequently extended to 30 Apr 21. We have been told this is not likely now to be completed until July / August at the earliest.

Recommendations made after April 2020

As of early April 2021, for those reports that had been raised, 14 recommendations have been cleared, with 7 not due, and 10 overdue. More recommendations are being added as 2020/21 reports are agreed. We will review closure of some of these recommendations where we undertake relevant audits in 2021/22, including on risk management.

Audit and (Recommendations)	Completed	Recommendation not due	Overdue
Creditors (2)	1 completed	1 – due Dec 2021	
Cash Collection (6)	2	3	1
Corporate Governance / Risk Management (13)	6		7
Main Accounting System (2)	1 (risk accepted)	1	
Leisure Centre (8)	4	2	2

The detailed findings and our observations regarding these issues and less important matters are described in Appendix A. Our observations have been categorised to aid prioritisation. Definitions of the priority categories and the assurance opinion ratings are also given in the Appendices to this report.

Written responses should be returned to Paul Middlemass (paul.middlemass@devon.gov.uk). Alternatively, a meeting to discuss the report and agree the action plan should be arranged with the named auditors.

Issues for the Annual Governance Statement

We do not identify any issues in respect of risk management, systems and controls that may be relevant to the Annual Governance Statement.

Acknowledgements

We express our thanks and appreciation to those who provided support and assistance during this audit.

Robert Hutchins
Head of Partnership

Appendix A

Detailed Audit Observations and Action Plan

Risk Area: Sound process not being effectively monitored to ensure all recommendations are completed in a reasonable timeframe.				Level of Assurance
				Reasonable
Opinion Statement: While we provide a Reasonable Assurance opinion, we note the instances where implementation of audit recommendations has encountered delays, sometimes significant. In those instances, there needs to be clarity as to possible risks that the council may be accepting in failing to address a recognised area of weakness.				
No.	Observation and Implications	Impact / Priority	Recommendation	Management Response
2.1	The Governance Committee consider extensions to audit recommendations. The current report provides a high-level figure of completion of all the audit recommendations and lists the specific Head of Service request for a recommendation extension. However, this area does not provide detail on whether it is a High or Medium which is an indicator of the Priority and risk Impact.	Medium	Reports for the Governance Committee should more clearly set out the priority of the recommendation, and the risk that may be tolerated in not progressing the agreed action.	All future reports will set out the priority of those audit recommendations. In addition to that, when Extension of Times are requested the Observation & Implication highlighted by DAP will be provided with that request to ensure the Governance Committee recall and understand the risk being further tolerated.

Scope and Objectives

To provide assurance on the process within North Devon Council to monitor and manage audit recommendations to address areas of control weakness. This will focus on the process to manage internal audit recommendations with a focus on those made during 2019-20, and also any that remain open from previous years.

Inherent Limitations

The opinions and recommendations contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed.

Confidentiality under the National Protective Marking Scheme

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. 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.

Marking

Definitions

Official The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.

Official: Sensitive A limited subset of OFFICIAL information could have more damaging consequences if it were lost, stolen or published in the media. This subset of information should still be managed within the 'OFFICIAL' classification tier but may attract additional measures to reinforce the 'need to know'. In such cases where there is a clear and justifiable requirement to reinforce the 'need to know', assets should be conspicuously marked: 'OFFICIAL–SENSITIVE'. All documents marked OFFICIAL: SENSITIVE must be handled appropriately and with extra care, to ensure the information is not accessed by unauthorised people.

Definitions of Audit Assurance Opinion Levels

Assurance	Definition
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.
Reasonable Assurance	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.
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.
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.




Definition of Recommendation Priority

High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision. Important recommendations made to improve internal control arrangements and manage identified risks.
Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.
Opportunity	A recommendation to drive operational improvement which may enable efficiency savings to be realised, capacity to be created, support opportunity for commercialisation / income generation or improve customer experience. These recommendations do not feed into the assurance control environment.

Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid Devon, South Hams & West Devon, Torridge and North Devon 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

Direction of Travel Indicators

Indicator	Definitions
	No Progress has been made. The action plan is not being progressed at this time, actions remain outstanding.
	Progress has been made but further work is required. The action plan is being progressed though some actions are outside of agreed timescales or have stalled.
	Good Progress has/is being made. Good Progress has continued.