

Internal Audit

Progress Report 2022-23

North Devon District Council Governance Committee

September 2022

Tony Rose
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 2022-23 was presented and approved by the Governance Committee in March 2022. 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.

Tony Rose
Head of Devon Audit Partnership

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Opinion Statement

Overall, based on work performed during 2022/23 and our experience from the current year progress and 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 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.

Substantial Assurance	A sound system of governance, risk management and control exist across the organisation, with internal controls operating effectively and being consistently applied to support the achievement of strategic and operational objectives.
Reasonable Assurance	There are generally sound systems of governance, risk management and control in place across the organisation. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of some of the strategic and operational objectives.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified across the organisation. Improvement is required to the system of governance, risk management and control to effectively manage risks and ensure that strategic and operational objectives can be achieved.
No Assurance	Immediate action is required to address fundamental control gaps, weaknesses or issues of non-compliance identified across the organisation. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of strategic and operational objectives.

Executive Summary of Audit Results

Core Financial Audits

We are close to completion of our audits on Debtors and Housing Benefits and are starting our audit on Council Tax. We will report in the next meeting.

Risk Based Audits

We provide a Reasonable Assurance for our review on Climate Change; this is an improvement on the Limited Assurance we provided last year reflecting the progress in creating an Action Plan. We also provided Reasonable Assurance opinions for Security, and Members Allowances.

We also reviewed and signed off several grants relating to Test and Trace; Contain Outbreak Management Fund; and the Getting Building Fund - Illfracombe Water sports.

Appendix 1 to this report provides more detail on the audits delivered since the last Committee meeting with the overall assurance opinion and recommendations. 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.

Counter Fraud Work

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

We continue to support management in refining their Service specific fraud risk registers to enable consideration of controls to mitigate fraud and error risks.

We have agreed with Devon County Council that they will fund an exercise to review the Single Person Discounts claimed by individuals.

Risk Management

We plan to undertake a review of the council's risk management arrangements in January / February 2023. We will also support a risk management workshop to members and lead officers when convenient to improve understanding in this area.

Value Added

It is important that the internal audit service seeks to "add value" whenever it can. We consider 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 when needed to 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

We have made reasonable progress to deliver the 2022-23 audit plan. Currently, we expect to complete most of the audit plan by the year end.

Key performance indicators on progress against audit recommendations is monitored and managed by the Authority.

Customer Satisfaction

We have had the following satisfaction returns this year:

Audit	Marking
Safeguarding	Very Satisfied
Health and Safety	Satisfied
Security	Very Satisfied
Climate Change	Satisfied

Appendix 1 – Summary of audit reports and findings for 2022-23

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.

Audit and Assurance Opinion	Summary, risk exposure and management actions	Summary of Actions High / Med / Low			Direction of Travel Assurance
<p>Security</p> <p>Reasonable Assurance</p>	<p>The council takes its statutory duty of care responsibilities to its employees seriously.</p> <p>There are strong “out of hours” building security controls, with external 24-hour rapid response provided by a local security company. Risk assessments for lone workers are well-developed and the authority has invested in electronic security devices to help mitigate risks where possible. Some security processes in place before the pandemic such as visitor pass card physical checks have not yet been fully reinstated, which can quickly and easily be addressed as staff return to the office workspace. The Council should use the opportunity of staff returning to work in the office to level-up their perspective of security and thereby resilience in the longer term.</p> <p>Risks to Members are presently considered to be relatively low as no surgeries are taking place. However, with Elections due in May 2023 there is more that can be done to improve the security of its staff, Members, and building assets. Members have been offered Personal Safety Awareness training but less than half have attended them. They face the same risks as lone working Officers, and it is appropriate that they be risk assessed in the same way.</p> <p>Staff and Officers have Reliance Protection ‘Pulse’ devices while they are out working alone and have been given training on their use. However, they need to use them more often (even if simply testing regularly) and managers should follow this up. Staff have limited knowledge of the threat/risks posed by intruders therefore could benefit from generic training on keeping themselves and others safe, particularly during ingress/egress from secure areas.</p> <p>The council is now arranging for Disclosure Barring Service checks to be</p>	0	4	1	

	<p>provided by Devon County Council. A review will be undertaken to assess the staff to be subject to these checks.</p>				
<p>Members Allowances</p> <p>Reasonable Assurance</p>	<p>A Scheme of Members' Allowances is held which is updated annually with an Independent Remuneration Panel undertaking a fundamental review every four years.</p> <p>All members currently receive a Basic Allowance of £4,970.22 / annum a twelfth of which is paid to them monthly. One member has elected to forgo his annual increase in Basic Allowance and receives payment based upon the amount agreed at time of his election. Several members also receive a Special Responsibility Allowance in addition to the Basic Allowance. All payments made to members in May 2022 were found to be in accordance with the scheme in place with each member receiving the correct allowances due.</p> <p>Since Covid-19 the number of members claiming travel allowance has dropped significantly, in line with a reduction in the travel being undertaken. The procedure for payment is still manual with submission of a claim to Member Services which is then subject to relevant checks before being passed for processing and payment. The Council publishes details of allowances paid to all elected members within the financial year as a dataset on their website.</p> <p>Certain members Register of Interest forms published upon the Council website were found to contain inaccurate or outdated information, whilst in certain instances relevant information was not recorded. Personal safety is potentially compromised with the publishing of residential addresses.</p>	0	1	2	
<p>Climate Change</p> <p>Reasonable Assurance</p>	<p>The council has a clear target to deliver Net Zero emissions by 2030. Since our July 2021 review it has made progress in creating a baseline through carbon audits and focused on carbon reduction activity. While issue of the Carbon, Environment and Biodiversity Plan was delayed past the original target date, it has been recently discussed and agreed with Senior Management Team and Strategy and Resources Committee. The Plan includes actions to be implemented, with those with a High and Medium Impact on Carbon emissions identified. In addition, risks have been included in the Plan, and a risk related to meeting the net zero target has been placed on the Corporate Risk Register. This has a current assessment of Red (high likelihood, high impact) which we consider a current fair assessment of the risk to deliver the objective. We provide a Reasonable Assurance opinion on the basis that a Plan and supporting actions have been agreed that will help progress to meet the target. That said, those we spoke to noted it would be very challenging to meet the net zero target by 2030.</p>	0	7	3	

	We agreed management actions related to: <ul style="list-style-type: none"> • Maintaining a Risk and Opportunity register. • Creation of performance measures and KPIs relevant to Climate and Biodiversity to enable progress assessment. • Considering Adaptation requirements. • Greater focus on engagement and communication of officers, members and the public. 				
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Grant Certification

We reviewed the following grants:

Test and Trace Support Payment Scheme. The T&TSPS aimed to support people on low income who had been told to self-isolate, who were unable to work from home and would lose income as a result. Two schemes were in place - a main scheme and a discretionary scheme. Applicants submitting an application and meeting all the relevant eligibility criteria applicable to the scheme received a payment of £500. At the close of the two schemes slightly in excess of £900k had been paid out under the two schemes.

Contain Outbreak Management Fund. We signed off the grant audit for the £138k awarded to North Devon. Monies spent both internally (staff carrying out additional COMF activities ie. surveillance of covid cases, proactive inspection of business premises) and externally (grants to Town / Parish councils, grant to Freedom Centre, Street Marshall Scheme).

Getting Building Fund – Ilfracombe Watersports. We examined the Funding Agreement and claims submitted by the authority for the Project as described. The authority's claims for payment met with the conditions of the Funding Agreement