

# Internal Audit

## Progress Report 2022-23

### North Devon Council Governance Committee

November 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.

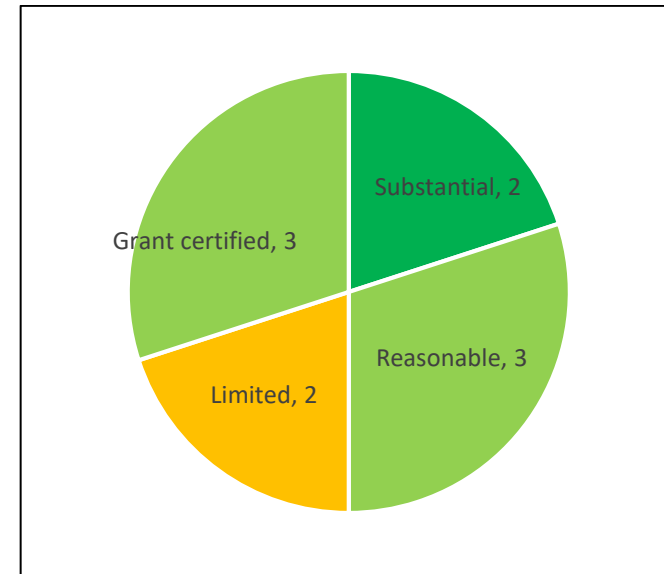
Implementation of action plans is the responsibility of management but may be reviewed during subsequent audits or as part of a follow-up process.

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.

|                              |  |
|------------------------------|--|
| <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

In support of our current assessment of Reasonable Assurance, this chart represents the opinions provided to date in our audits:



### Core Financial Audits

We provide a Substantial Assurance on Housing Benefits and Council Tax. However, we provide a Limited Assurance on Debt Management given the significant amount of older debt held by the council, as well as weaknesses in the debt management process identified in our sample.

### Risk Based Audits

We provided a Reasonable Assurance on Waste and Recycling, although we note the pressure the service is under due to staff shortages and equipment issues. We provide a Limited Assurance on Equality and Diversity given the council has not met the requirements of the Equality Act to provide annual equality

information. More should also be done to ensure staff periodically undertake Equality and Diversity training.

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**

Recent assessments state that there is an epidemic of fraud cases. Fraud now account for 40% of all crimes; it is anticipated that this will further increase by 25% in the coming years ([see Fraud and the Justice System](#)). The government has responded with formation of the Public Sector Fraud Authority. Given this landscape, it is important for councils to have effective measures to reduce the risk and impact of fraud.

We continue to support the good work being undertaken by management to produce Service specific fraud risk registers to enable consideration of controls to mitigate fraud and error risks. We also intend to undertake a Fraud Risk Assessment in the next few months which we will present to Governance Committee.

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

### **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, with only 36% of the plan yet to be started. Currently, we expect to complete most of the audit plan by the year end.

#### **Key performance indicators**

We report delivery against our performance indicators in our annual report.

Progress to implement our audit recommendations are monitored and managed by the Authority.


## Customer Satisfaction

We have received the following satisfaction returns this year:

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

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

| Audit and Assurance Opinion                                 | Summary, risk exposure and management actions  | Summary of Actions<br>High / Med / Low |   |   | Direction of Travel Assurance*  |
|---|--|--|---|---|---|
| <b>Housing Benefits</b><br><br><b>Substantial Assurance</b> | <p>We found a strong control framework with effective controls to mitigate against the risks identified to enable us to provide a Substantial Assurance. Sample testing undertaken confirmed the effective operation of the controls in place.</p> <p>The amount of quality assurance checks has increased since our last review and is now at a good level thereby providing additional assurance for management. The percentage of claims subject to quality assurance checks has been increased to 7 to 9% of claims, from the level found in our last audit review of 2% to 4.5%, when the Covid-19 pandemic severely impacted upon the resources available and the requirement for staff to undertake other priority tasks.</p> <p>Controls around system access continue to be appropriate with a new user requiring the necessary authorisation to be set up in the first instance. Periodic password changes are enforced along with a set number of invalid log on attempts being allowed before system access is revoked.</p> <p>In our sample testing of a selection of benefit claims all the necessary requirements were found to have been met; claim forms date were stamped on receipt and documentary evidence (tenancy agreement, pension details, income / wages details) was available supporting the claims made.</p> <p>Analysis of time to process Housing Benefit claims show a result of 25.9 days for the 2021/22 financial year. This compares against the council target of 28 days and compares well to other councils.</p> <p>We tested a sample of overpayments and found no issues regarding calculation of the applicable start and end dates for the period of overpayment or with the correct calculation of the overpayment.</p> | 0                                      | 1 | 0 |  |

## Council Tax

### Substantial Assurance

The audit found a strong control framework with effective controls to mitigate against the risks.

All the necessary processes, procedures, precept information, reporting and approvals required to set the council tax rate by the given date in early 2022 were undertaken within the relevant timescales. The production and subsequent issue of the Council Tax and Non-Domestic Rating annual bills for 2022/23 financial year took place by the scheduled dates which allowed timely collection of the first Direct Debit instalment in accordance with the collection timetable.

Collection rates for Council Tax and NDR reported to Strategy & Resources Committee on 4 July 2022 showed the percentage achieved for the 2021/22 financial year slightly higher than those attained in the 2020/21 financial year (96.87% versus 95.98%), against a target of 97.5%.

Sample testing a selection of changes made by the Valuation Office Agency to the Valuation Lists showed prompt and accurate update of relevant databases; with evidence retained to show ongoing reconciliation between the two sets of records.

Diversion of resources to deal with government initiatives over the last couple of years has meant unavailability of adequate resource to action National Fraud Initiative reports upon 'Single Person Discounts' and 'Rising 18s'. We make a recommendation for increased focus on dealing with the NFI matches that occur. That said, Revenues do undertake their own testing of 'Rising 18s' through access to the North Devon electoral register.

Annual system parameter data changes are necessary due to new agreed updated amounts entered upon the system. The expected check and authorisation controls relating to this exercise were in place. Sample testing a selection of changes found no issues.

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## Waste and Recycling

### Reasonable Assurance

The Devon and Torbay Waste Management Strategy of February 2021 details local council targets including an increase by households recycling to more than 60% by 2030 (c.50% currently), then 65% by 2035. A reduction in food waste by 20% by 2025 (from 2015 baseline figures) and to reduce the waste collected (per head) to 400Kg per annum by 2030. The council is part-way through several initiatives to ensure that NDC meets these targets. Assuming that effective action is taken on baler capacity, reorganisation of the process hall and driver numbers, we consider the 2025 target is achievable, although there is a need for an Action Plan to meet it.

The service is extremely busy. Challenges include impacts from the pandemic and other issues, vehicle maintenance contract change, supply chain issues and a nationwide skilled driver shortage. Staff resources continue to be stretched in some roles, with a resultant impact on customer service and cancelled collection rounds. Collection routes need to be more efficient, and the process hall needs modernisation to cope with the current and future demands. The fleet should also become more reliable as older vehicles are replaced, and issues with the maintenance contract with SFS resolved.

It has recently been decided to end a long-standing trial of 3-weekly interval black bin/bag collections and weekly unlimited recycling collections for 3,500 customers. This may cause some criticism or reduced recycling rates but is seen as necessary to cope with the current driver shortage.

The recycling baler is operating at capacity. When breakdowns occur (an ongoing issue due to age of the baler), storage space is quickly used up with collected waste, with impact on operations. Waste may also be diverted to other commercial providers. Additional resources are then required to process the backlog when the baler is fixed. This has been a council risk first identified in February 2019. We understand three quotes are being obtained to hire a baler replacement through the standard tender process as a short-term trial.

Complaint handling is consistently good across the sample we examined, although mechanical breakdowns and staff shortages through sickness and Covid 19 featured significantly, lowering efficiency, and delivery standards. However, there was no systematic process to assess the public's view on the service provided.

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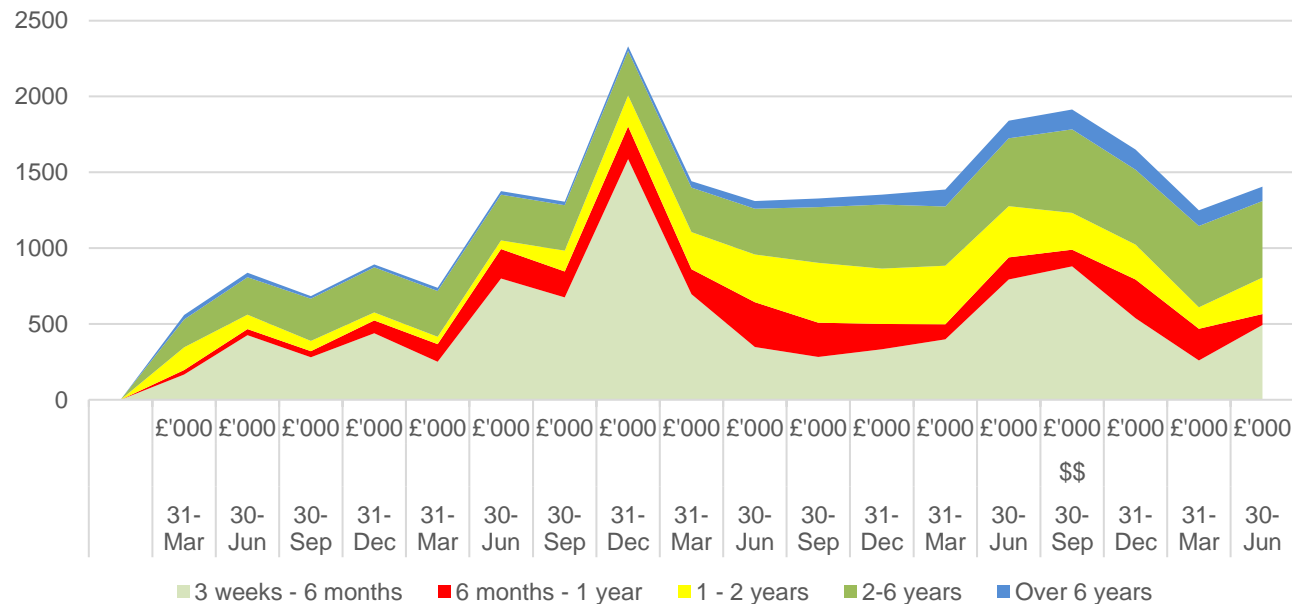
# Debtors

## Limited Assurance

Our audit of August 2021 identified total debt of £1.386m (31 March 2021). Our review has found that debt levels remain high (£1.249m on 31 March 2022), including a significant proportion of debt aged from 2 to 6 years (see the table below). Efforts over the last year to reduce the level of debt appear successful when comparing the last two quarters reported against the same quarter the previous year with reductions of £137k (Q4) and £436k (Q1) achieved. However, more aged outstanding debt remains high especially debt related to Housing client deposits, and Housing Deposit cases, where further attention is needed.

We also reviewed specific cases of debt management and identified instances where debt had not been chased systematically. Given the remaining high level of debt we provide an overall Limited Assurance Opinion.

Table 1 - Stratification of Outstanding Sundry Debtors by Age



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## Equality and Diversity

### Limited Assurance

The council has a clear commitment to Equality and Diversity (E&D) in the Equality and Diversity Strategy 2019-23, and the current Chief Executive has emphasised its importance since arriving in post. While recognising the significant work being undertaken to provide E&D training and awareness, we provide a Limited Assurance as the council is not meeting the requirement in the Equality Act to provide annual equality information. While this has been recognised in the Annual Governance Statement, this still needs to be addressed. Work is also needed on internal E&D related to HR policies, and the monitoring of training provided to each officer.

E&D training has been provided to some managers, staff, and members. When officers join the council, they have induction training including on E&D. HR also provides specific training in topical areas such as financial management and basic budgeting. However, the council has no policy detailing the specific E&D training that all need to undertake and how often. There is also limited monitoring that E&D training is undertaken regularly by all staff. The council only has a list of the training attended for courses provided up to March 2021. It is the standard in public organisations that officers undertake E&D training every few years, and this applies particularly to managers and those involved in recruitment.

Equality Impact Assessments are undertaken on key council policies / strategies to assess the impact on specific groups and actions required. There is good focus on ensuring the council website and documents are “accessible”. However, annual equality information relating to the council workforce and local area is not being published, which is a requirement of the Public Sector Equality Duty. The council also does not have full information on the current makeup of its workforce, other than detail on the gender pay gap and age bands by service area. This makes it difficult for it to move towards a more diverse workforce, which is an aim detailed in the Strategy.

A range of strategies / policies are held related to Equality and Diversity and related subjects. These appear to us to be fit for purpose; but many have not been reviewed for some years. A structured process to review and update these documents is needed. This will include review of the Strategy which is due to complete in 2023.

There is only limited understanding / analysis of the reason for staff leaving the council. More needs to be done to ensure Exit interviews are held and the reasons for departure captured. “

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#### \* 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.