

Internal Audit

Progress Report 2022-23

**North Devon Council
Governance Committee**

March 2023

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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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 council's internal control framework

Opinion Statement

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.

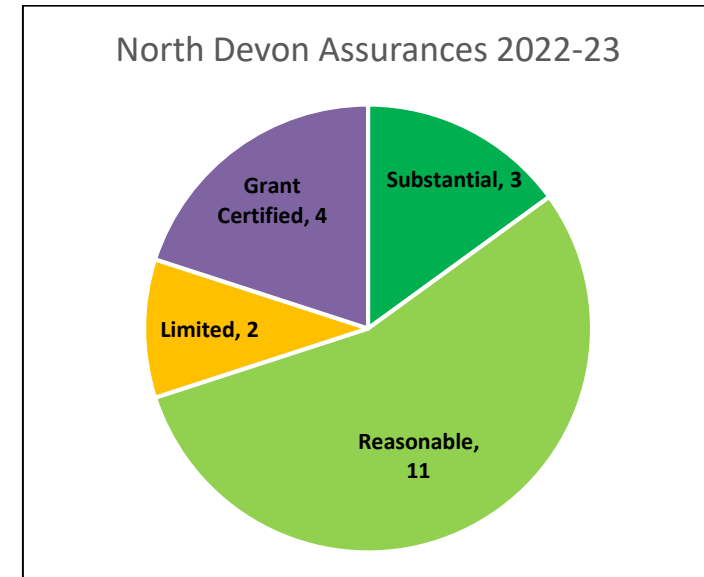
Implementation of action plans is the responsibility of management but may be reviewed during subsequent audits or as part of a follow-up process.

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

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



Core Financial Audits

We provide a Reasonable Assurance for Main Accounting and note that the council has managed the transition to the new financial system effectively which has greater functionality.

Risk Based Audits

We provide summaries for Estate Management, and Cemeteries. While we provide a Reasonable Assurance for Estate Management, significant work is required to develop an effective strategy and plan to manage council assets. In both areas we noted that performance measures needed review.

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.

Assurance Mapping

We continue to maintain our Assurance Map and have discussed this recently with Senior Management Team. We attach the current summary sheet (Appendix 2) to these papers for Committee review.

Counter Fraud Work

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 this with DCC procurement.

Risk Management

We are now undertaking our review of the council’s risk management arrangements and will report to the next Governance Committee meeting. We will also support a risk management workshop to new

members in May 2023, and to council 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 the cost-of-living crisis.
- 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 14% of the plan yet to be started at mid-February. Currently, we expect to meet our performance target of 90% of audits completed by the year end.

We are starting to plan our work for 2023/24. A draft audit plan is submitted for comment to this committee.

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 received the following satisfaction returns relating to our audits this year:

Audit	Marking
Cemeteries	Very Satisfied
Equality and Diversity	Very Satisfied
Customer Service Centre	Satisfied
Parking Operations	Very Satisfied
Programme Management Office	Very Satisfied
Tarka Leisure Centre	Very Satisfied
Debtors	Very Satisfied
Safeguarding	Very Satisfied
Health and Safety	Satisfied
Security	Very Satisfied
Climate Change	Satisfied

Planning for 2023-24 Audit Plan - We have created a draft audit plan which we have discussed with Senior Management Team. The plan will be discussed as a separate agenda item at this Governance Committee.

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

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



**Audit and
Assurance
Opinion**

Summary, risk exposure and management actions

**Summary of
Actions**
High / Med / Low

Cemeteries

Reasonable Assurance

Bereavement Services is run by experienced and engaged officers and the Grounds Maintenance of the Barnstaple site we visited is well maintained. Our findings are relatively positive resulting in an overall 'Reasonable Assurance' opinion. The opinion is provided as the service has good links with finance to discuss budget monitoring, suitable site plans, secure and organised paper records, a good online database, and cemeteries are being suitably maintained.

The service has good links with finance and budget monitoring processes are good, although the service is an overall cost to the council, estimated as £32,998 for 2022/23. Fees and charges are reviewed annually with the latest fees being agreed at Full Council on 23 Feb 2022.

The grounds maintenance service has been managed in-house since April 2021 and we have been told there is sufficient resource to manage the cemeteries. Grass cutting is the main task required which is done when needed. There isn't an official schedule in place, however, from our visit of the Barnstaple cemetery it was maintained well. Since moving in-house, the level of complaints have reduced as officers in-house take more time and care when grass cutting.

We identified opportunities to improve process and systems related to:

1. Management should consider what Key Performance Indicators would support decision-making and performance monitoring.
2. Application forms for services offered are usually completed over the phone with the customer which can be time consuming. To improve resource efficiency, application forms that need minimal assistance could be submitted by the public online through the website.
3. Payments for services can only be made on site at North Devon Crematorium by cash. If a BACS/Card payment is required, then this is done through the cashier's department. This means when a customer needs to make a payment multiple steps are required rather than a one call resolution.
4. Two systems are currently in use for storing records. We suggested migration onto one system to store all records, although this will require initial work to migrate all records.
5. Paper records for Ilfracombe pre 2013 are not stored electronically and should be uploaded as soon as possible. This poses a risk that any loss of physical record would be permanent.
6. There should be consideration of how to generate income from the Chapel which are rarely used.
7. The Business Continuity Plan for Bereavement Services is not current and should be reviewed. It should consider what mitigation controls would be in place for severe weather and a sudden increase in death rates.
8. There is an external contractor used since 2008 for grave digging where only a verbal agreement is in place. An official contract should be in place to ensure that performance issues can be dealt with.

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Estate Management

Reasonable Assurance

There are generally good arrangements to manage the Council's estate. The council has a good record of the assets it needs to maintain and support, and funding is available to undertake necessary tasks. For 2022/23 the Property Manager has a net budget of £2,333,880 including income. From discussion sufficient funds are being allocated this year and in future years to maintain the estate although the absence of an Asset Management Plan makes this assessment difficult. Work is undertaken as required to maintain buildings and assets.

That said, the council will likely achieve better value for money through more focus on strategic and tactical management of the estate. The recent creation of an Asset Management Strategy (currently in draft) provides a set of good objectives to help focus the council on what assets it holds and why, and how it should maintain them. Work is also to take place to update the Asset Management Plan to align it with the Strategy. When adopted the Asset Management Strategy will form the over-riding framework for the Asset Management Plan, this will need to fit in with the Corporate Plan Delivery Program, the Service Plan and Business as usual. The Plan will incorporate: Actions, Description, Key Policy, SMART Objectives, Milestones, Accountability and Resource Objectives. This should support a shift in focus from reactive to proactive maintenance which should reduce costs and improve asset resilience.

To provide a clearer picture on performance, management is also reviewing and update the Property Performance indicators which have not changed for years, and to consider periodic benchmarking activity for costs and other indicators.

Other work is taking place to review, update and rationalise the systems used to support estate management and help manage all aspects such as leases and maintenance on one system. The main Asset system is Technology Forge (TF) with asset files being stored in a Property Team drive. The Council is looking to upgrade the system to TF Cloud, which should allow an easier link to migrate all information together into one main system, albeit it will require significant work.

A Corporate Asset Register is available through the NDC website which contains land and property assets as well as some IT related entries. The Asset Register run through TF does not match up with the data against the Corporate Register, so a full reconciliation is required. NDC also identify assets that they believe to be owned but are unregistered for various reasons. This is a common trend across Local Authorities and may be because they may not have deeds relating to the asset.

Asset Maintenance and Statutory Inspections are recorded on Master Spreadsheets created by Building Services, but improvements could be made to ensure completeness and accuracy of the information.

Condition Surveys of assets take place but tend to be done on assets with more financial importance and historic assets that need more care. Smaller assets are therefore at risk of not being effectively checked which could result in unnecessary reactive maintenance. A global list to monitor condition surveys should be created to achieve a planned approach to maintaining assets rather than a reactive one.

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Main Accounting

Reasonable Assurance

The main accounting system is working well. Our annual review has highlighted a few small changes to make it more robust and efficient. The council has managed the transition to Civica Financials Web effectively and the functionality is greater, with less reliance on local system hardware given it is cloud based.

The MAS control environment has changed since our last audit with the introduction of Civica Financials Web. This change has introduced some timing variables which have made it more challenging to reconcile the general ledger and other sub-systems daily, necessitating a review of balancing procedures which are still evolving to improve their reliability. The absence of a Managerial signed-off monthly reconciliation until September 2022 was highlighted to us prior to the audit and we concurred that the systems changes are responsible.

Financial performance reporting and budget monitoring is strong with budget holders receiving monthly reports and conversations to discuss any variations. The S.151 Officer and the MAS team work closely together ensuring that when external inflationary pressures are evident, there is a coordinated effort to plan and ensure that service provision is not affected.

Security arrangements are generally acceptable and access to the MAS is restricted to staff with an appropriate business need. Privileges are allocated according to role and zero authorisation limits given to administrators. We noted that the list of users has not been updated since 2020 and could benefit from a refresh and regular periodic review. There are currently no set procedures for the addition of new users or amendments to existing users which we believe is good practice and should include an ongoing record of amendments to users and privileges.

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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.

Over the last year we have maintained the assurance map and updated it to reflect audit work and input from management including the Council's risk register, and cumulative audit knowledge of the respective authority. The completion of the summary and individual maps provides us with a base from which we can concentrate our audit fieldwork on key risks and areas marked as 'Improvements required' (Amber) or Fundamental Weaknesses (Red) rather than 'High / Good' (Green). Further work is needed to map out the 3rd 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. The assurance map has also been used to support creation of the audit plan for 2023/24.

Based on the current assessment we highlight the following trends:

- Compared to last year, the number of Amber and Red assessments has reduced representing an improving control picture.
- **Performance and Financial Management reports.** Several of our audits note that performance measures and Key Performance Indicators are not held to support effective management and monitoring of delivery. We are aware management is looking to review the measures held in business areas.
- **Strategies and Business Plans and Benchmarking.** We noted that some areas (Car Parking, Estate Management, Waste and Recycling) did not have relevant strategies or good linkage to strategies to inform long term development of the service area.
- **Core system controls including IT system parameters.** Some areas (Estate Management, Cemeteries) did not have appropriate IT systems to support effective management of the area.
- **Governance structures and processes.** There were opportunities to improve governance arrangements and processes for several areas. The Programme Management Office is helping to make improvements.
- **Debtors.** We continue to highlight issues related to the monitoring and recovery of council debts, which have been impacted by diversion of resources to grant support and other activity arising from the Covid-19 emergency. Work continues to improve debt management including full review of debts over £5k and regular meetings with relevant officers. Given the level of debt remains significant we maintain our assurance assessment as Limited.
- **Contract Management.** The absence of an overall contract management framework reduces assurance that individual contracts are being managed effectively. We are aware of recent work to put this in place. We provide a Reasonable as contracts we reviewed appeared to be suitably managed.
- **Risk Management.** It is important that risks, issues, and opportunities can be quickly escalated for management attention. We are aware of recent work by the Head of Governance to improve risk management, including reducing the number of corporate risks to a more manageable number.
- **Fraud and Error.** Following our work last year to improve the Counter Fraud Strategy and Plan, we have been working with the council to help it identify its fraud risks. This includes working to identify the risks and controls of those business areas where fraud risks are highest. This will put the council in a better position 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.

Assurance Map on 23 February 2023

Risk / Key Objective / Key Service	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																						
	Core systems controls inc. IT system, parameters	Input processing and output controls	Fraud and error prevention	Authorisation, supervision and segregation	Performance & Financial management reports	3rd Party and Business continuity, Disaster recovery	Strategies and business plans inc. Benchmarking	Misc	Financial, Monitoring, Reconciliation, reporting, Statutory Returns	Functional & Service compliance reviews	Quality control checks (H&S, Info Governance)	Security inc IT systems & physical	Governance structures and processes (inc. financial & policy)	Corporate risk management/assurance	Regulatory Notices	External accreditation/Certification (ISO 27001)	External compliance testing - e.g. security, resilience, quality	3rd Party assurance letters	Consultant reviews	Strategic partners assurance reports inc. Peer review	spare -	Internal audit assignments	Internal Audit Report date	Inspection - Ofsted, COC, ICO, HSE	HMRC Tax and Revenue	Spare - Other ?	
Main Accounting	A	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	Reasonable	Jan-23	n/a	n/a	n/a	Recording the process to set up or amend existing users, review of system users.
Cemeteries	A	G	G	G	A	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	Reasonable	Feb-23	n/a	n/a	n/a	Key Performance measures, system to store records
Estate Management	A	G	G	G	A	G	A	n/a	G	G	A	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Dec-22	n/a	n/a	n/a	Maintenance of current system; Asset Management Plan, Performance measures,
Council Tax and NNDR	G	G	A	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	Substantial	Nov-22	n/a	n/a	n/a	Review of National Fraud Initiative data matches
Creditors	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	Substantial	Nov-22	n/a	n/a	n/a	
Car Parks	G	G	G	G	A	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-22	n/a	n/a	n/a	Key Performance Information; Parking Strategy.
Programme Management Office	G	G	G	G	A	G	G	n/a	G	G	G	G	G	A	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Nov-22	n/a	n/a	n/a	Clarity on project progress, resources, risks. Project risk management and basic principles.
Tarka Leisure Services	G	G	G	G	A	A	G	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-22	n/a	n/a	n/a	Completing defect rectification, Contractor losses, monitoring of contractor performance.
Waste and Recycling	G	G	G	G	A	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	Jun-22	n/a	n/a	n/a	Strategy for W&R, W&R labour shortages.

Climate Change	G	G	G	G	A	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	May-22	n/a	n/a	n/a	Performance measures re Climate action, recording of risks, resourcing the Net Zero target.
Customer Service Centre	G	A	G	G	A	G	G	n/a	G	G	G	G	A	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Oct-22	n/a	n/a	n/a	Team in one location, insufficient KPIs, Call traffic reporting
Recruitment, Retention and Selection	G	G	G	G	A	G	G	n/a	G	G	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Oct-22	n/a	n/a	n/a	Exit Interviews, Data analysis on departures, systematic management of E&D training
Security	G	G	G	G	G	G	G	n/a	G	G	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Jun-22	n/a	n/a	n/a	Security awareness training for officers and members
Housing Benefits	G	G	G	G	G	G	G	n/a	G	G	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Substantial	Aug-22	n/a	n/a	n/a	
Members Allowances	G	G	G	G	G	G	G	n/a	G	G	G	G	A	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Jun-22	n/a	n/a	n/a	Register of interests and members information
Debtors	G	G	A	A	G	G	G	n/a	A	G	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Limited	Jun-22	n/a	n/a	n/a	Ongoing activity to reduce debts owed; Action to reduce Housing Scheme debt.
Equality and Diversity	G	G	G	G	G	G	G	n/a	R	G	G	G	A	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Limited	Aug-22	n/a	n/a	n/a	Compliance with Public Sector Equality Duty; Update core HR policies; E&D training
Grounds Maintenance	G	G	A	G	A	G	G	n/a	G	G	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Apr-22	n/a	n/a	n/a	Performance Indicators, Asset Management Plan, cost / benefits of in house management.
Payroll	G	G	G	G	G	G	G	G	G	G	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Feb-22	n/a	n/a	n/a	Staff with system admin roles.
Business Continuity	G	G	G	G	G	G	A	n/a	G	G	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Feb-22	n/a	n/a	n/a	Testing and Exercise of Business Continuity Plans
Emergency Planning	G	G	n/a	G	G	A	G	n/a	G	G	A	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Feb-22	n/a	n/a	n/a	Test & Exercise Strategy, consideration of local risks and a local Plan
Cyber Security - Ransomware	A	G	G	G	A	G	G	n/a	G	G	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Feb-22	n/a	n/a	n/a	Impact Assessment, privileged users
Contract Management	G	G	G	G	A	G	G	n/a	G	G	A	G	A	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Feb-22	n/a	n/a	n/a	Contract Management guidance, training and education, SMT visibility of contractor
Cyber Security - Firewalls	A	G	G	G	G	A	G	n/a	G	G	G	A	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Jan-22	n/a	n/a	n/a	Checking for firewall updates; Business Case for firewall rules; No dedicated threat monitoring.