

Internal Audit Annual Report 2022-23

North Devon Council Governance Committee

June 2023

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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 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, a review of work undertaken in 2022-23 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.

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Opinion Statement

This statement of opinion is underpinned by:

Overall, based on work performed during 2022/23 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 5**.*

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 2022-23. Significant weaknesses identified should be considered by the Authority in preparing its AGS to support the 2022-23 Statement of Accounts.

In carrying our reviews, Internal Audit assesses whether controls are operating satisfactorily and provide an overall opinion on the adequacy of controls to management within the audit report. Audit reports include an action plan with responsible officers and target dates to address control issues. While implementation of action plans rests with management, high priority recommendations are reviewed during subsequent audits or as part of specific follow-ups.

Underpinning our overall Reasonable Assurance are the 16 audits which secured a Reasonable Assurance rating (with four Substantial and four Limited Opinions).

Internal Control Framework

The control environment comprises the Council's policies, procedures and operational systems including processes 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 safeguarding of Council assets and interests from losses. Core financial and administrative systems were reviewed by us as part of our audit plan.

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 council operations.

Risk Management

The Council has improved its corporate risk management framework. This includes reducing the number of corporate risks to a more manageable number and improving the related narrative. Work is underway to ensure service managers focus more effectively on managing risks.

Governance Arrangements

The Council continued to embed the changes to governance arrangements made during 2021/22. All the senior management team have now been in place for over a year. In our review of the Programme Management Office, we noted the active support they were providing in helping the Council take forward the significant Council programmes and projects.

Performance Management

The Council uses Pentana to track key performance in service areas. Reports are given to members, such as the quarterly report to Strategy and Resources Committee. Appropriate performance measures need to be embedded in all service areas to support performance monitoring and reporting. Following the elections there is an opportunity to ask members views on measures they would like reported.

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	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.	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 of Assurance Opinions provided by Service Area

We have grouped our audit work for 2022-23 under the responsible Service areas and Assurance opinion. The ratings are relevant at the time of the audit review and the assurance level may have improved since that time as management implement recommendations.

Assurance level	Service Area						
	Governance	Environmental Health & Housing	Organisational Development	Place, Property & Regeneration	Customer Focus	Planning, Housing & Health	Programme Management & Performance
Substantial Assurance	Treasury Management Creditors				Council Tax & NNDR Housing Benefits		
Reasonable Assurance	Contract Management Risk Management Democratic Services - members allowances Main Accounting System	Tarka Leisure Centre Cemeteries Climate Change Waste Management	Recruitment, Selection & Retention	Parking Operations Theatres Estate Management Security	Customer Service Centre	Homelessness*	Programme Management Office
Limited Assurance	Debtors		Equality & Diversity		Information Governance Cyber Security		
No Assurance							

* We are still discussing the Homelessness Audit Report, but consider a Reasonable Assurance opinion is likely.

Grant Certifications provided: Getting Building Fund - Ilfracombe Watersports Centre; Contain Outbreak Management Fund; Test And Trace Grant
 These assurances are also reflected in our **Assurance Map** (see appendix 2).

Audit Coverage and performance against plan

We delivered 88% of audits in the plan for the year to final report stage. The remaining audits have been either cancelled, deferred by the client, or rolled over into 2023/24. The summary of assurance above provides detail on the audits delivered in different service areas.

Audit Assurances provided

The chart opposite shows the breakdown of Substantial, Reasonable, and Limited Assurance opinions provided this year. While 20 of the audits were Substantial or Reasonable, we also provided four Limited opinion audits, related to:

- Debtors – reflecting the value of debt that NDC is attempting to reduce.
- Equality and Diversity – provision of annual equality information, and update to HR policies.
- Cyber Security, and Information Governance – the assurance provided is reflective of the level of risk present in this area but also the need for more effective system controls.

In these areas we identified control weaknesses requiring attention and made recommendations to address them. We will be undertaking follow up work in 2023-24 to confirm that these have been addressed.

We also provided several certifications of grants, consultancy reports, and other support activity.

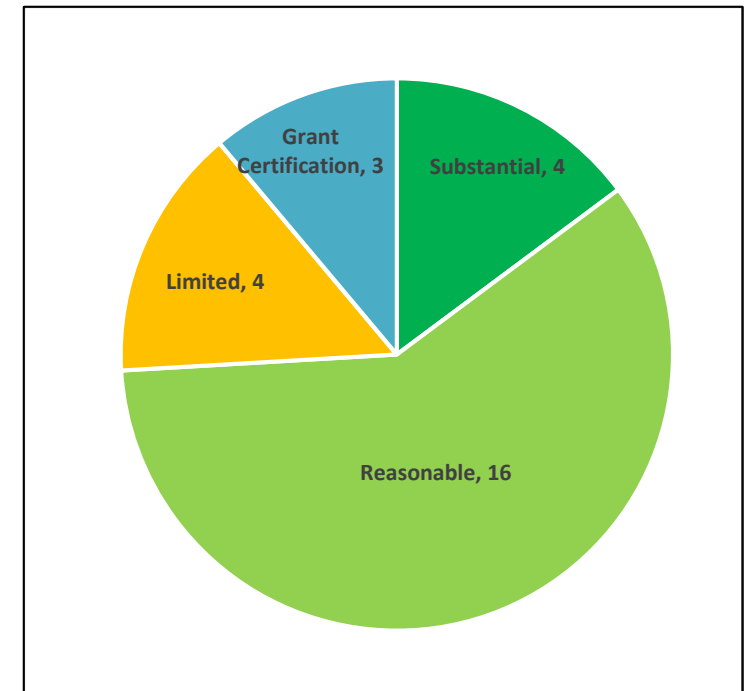
This year's mix of opinions compare to the 2 Substantial, 14 Reasonable and 2 Limited Assurance audit opinions provided for 2021/22.

At **Appendix 1** we include a summary of the audits delivered since the Governance Committee of March 2023. Summaries of the other audits delivered prior to that meeting were included in reports to the Committee during the 2022-23 year.

Value Added

We know that it is important that the internal audit service seeks to "add value" whenever it can. 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 year, we have focused on adding value by comparing and contrasting controls and good practice when undertaking similar audits in the different Councils we support. We also actively worked with management to progress actions to reduce their risk in areas such as Debt Management, and Contract Management, and focused on high-risk areas such as Cyber Security.

We also issued relevant information bulletins on:

- Good practice and reflections on District Councils progress to meet Climate Change objectives.
- Comparison of agenda items presented to Devon District Audit and Governance Committee.

Finally, we have provided advice and guidance on good practice related to Governance, Risk Management and Fraud. Appendix 7 provides details of the specific customer satisfaction feedback from North Devon, and all our clients.

Fraud Prevention and Detection

Overall, the risk of fraud at the Council is considered low. We continue work with managers to discuss their fraud risks and assess whether controls are sufficient / effective.

All our internal audit assignments include considering the potential for fraud and how the Council prevents such fraud occurring. 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. We were not asked to undertake any significant investigations during the year.

For 2023-24, we will continue our support to a review by a contractor funded by the County Council of Single Person Discounts.

Appendix 1 – Summary of remaining 2022/23 reports and findings delivered since March 2023

Audit and Assurance Opinion	Summary, risk exposure and management actions
Treasury Management Substantial Assurance	<p>Treasury management strategy and policies clearly set out the Council's approach and were appropriately agreed with members. Appropriate controls existed to review and authorise investments, informed by the Council's low risk investment stance. The Treasury Management report for 2021/22 reported a balance of £18.260m in treasury investments and an overall return of 0.05% denoting the low interest rates available. Recent investments are achieving interest of more than 3%.</p> <p>The Treasury Management strategy includes the Investment Strategy which details a significant increase in future years on the level of borrowing to finance capital investments such as the Leisure Centre, and Green Lanes Shopping Centre. External audit in its Annual Report for 2021/22 has noted the Council holds a relatively low level of reserves compared to many other Councils, and suggested it consider the adequacy of the level and to stress test them against the risks of further budgetary shocks or ongoing and known risks. The Investment policy risk appetite is stated as a low-risk approach, with priorities being security first, portfolio liquidity second and then yield (return). This is being complied with in investments being made, through emphasis on investments to low-risk UK based banks with a grading scale to show which investments are within the policy and safe.</p> <p>The Deputy Head of NDC / S151 has delegated responsibility to manage the treasury functions. The Head of Governance manages the process directly and maintains detailed investment and account information on spreadsheets, supported by an extensive audit trail of approvals and records of the transactions. There is a two-step approval with the S151 officer approving the investments as they are proposed via an e-mail trail. The CHAPs process also requires the approval of two discrete officers. Investment funds are made and returned only to agreed Council accounts as per the relevant bank mandate. Over the year, investments have only been made to instant access, Notice Accounts and Fixed Term deposits of up to six months, again in UK banks. There is good attention on ensuring cash flow is appropriate to meet Council day to day needs. Since our last audit, the Council has agreed an arrangement with Link Group to receive and facilitate the payment of cash to the deposit Bank. The LINK group provides information on interest rates, report templates and other good practice to the Council. Other information is received, such as King and Saxon Information Sheets. Council officers involved in the process are experienced and knowledgeable.</p> <p>We provided 2 Medium and one Low Management Actions.</p>

Risk Management Reasonable Assurance

Overall, the risk management culture was good. The Council has looked at its documents and the systems to manage risk and looked to re-shape them to make them work better. Since our last review, the Council has improved the Corporate Risk Register, including reducing the corporate risks from twenty-nine to twelve. This should support more effective and focused discussion on corporate risks. It has updated its core documents and is considering how to embed effective risk management through the service and programme areas to ensure regular review and update.

The new documents supporting the risk management process (Risk Management Framework and the Risk Management Model) were of good quality and explained the Council's approach and appetite to risk. It also detailed how scoring is determined with regards to likelihood and impact. Roles, responsibilities, and actions were outlined as well as clear escalation lines for monitoring, reporting, and managing risks to the Council. It also provides citation where resources have been used to create the document, this was evident when referencing the HMG Orange Book. The documents are at a draft stage (at the time of this audit) and we cannot confirm if they have been approved by senior leaders or members which represents a medium risk. As these documents are not approved, this may explain why some service areas were not aware of them, nor any previous versions.

When we discussed risk with the service areas, it was clear that the managers and leaders knew the risks impacting their respective areas and the impact that they could have; they were also clear on how each of the risks were being managed and the controls in place to mitigate them.

Observing the CORGI group discussing and reviewing risk it was clear that senior leaders had good understanding of the risks impacting the authority and how they were being managed. The group provided commentary on the scoring and challenged where appropriate, this provided assurance that senior leaders are clear on the key risks to the Council, it also demonstrated the culture of the organisation.

The Council would benefit from offering a formal Risk Management training package to relevant officers and members, this is a medium risk as currently no training is available.

We agreed two Medium and one Low Management Actions.

Contracts Reasonable Assurance

Contract Management Framework

The Council has identified its top five significant contracts, but further work is needed to consider how to ensure senior managers are suitably focused on managing the priority contracts. Five contracts is a relatively low number of contracts considered to be a priority; in comparison another local district Council has identified 40 contracts of importance. The Council may wish to consider the benefits of adopting a more systematic approach to categorising their contracts. For instance, Teignbridge has a formal assessment approach classifying contracts as Gold, Silver, or Bronze. Those officers managing Gold contracts are directed to meet regularly with the contractors to discuss

performance and delivery. Conversely those identified as Silver, and Bronze are given less priority. This system has the benefit of helping to ensure sufficient focus is placed on the Councils more important contracts.

Awareness training has also recently been provided during a managers forum. The training content will form part of the contract management guidance provided for staff, along with other information to be held on Insite, the Council intranet site. We have briefly reviewed the draft of the guidance and suggest that it could be more directive in nature, to ensure there is clarity for staff on what they most do. Introduction of the Gold, Silver, Bronze, suggested above, or a similar system would help officers understand the level of effort to put in managing the contracts they have responsibility for. We have raised a recommendation to support management in looking at this.

Theatre Operating Contract

Responsibility for the Theatre Operating Contract has been effectively taken up by the Head of Place, Property and Regeneration. In due course, Contract Management responsibility will be transferred to the Head of Estates in her team. Contract amendments are being made to reflect the change of contract owner (Selladoor Venues), as well as to amend other important details. The Council is involved with supporting the contractor in securing other funding sources, including an agreement of the Arts Councils to fund the organisation and its four theatres (two being outside Devon), as an NPO.

Officers have recently taken action to introduce an effective framework for long term contract management:

- Instigating a formal meeting regime with the contractor, entailing annual, quarterly, and monthly meetings. The annual meeting in April 2023 includes review of the annual report from the contractor as required by the contract.
- Refinement of performance measures to monitor success of the contract to provide a baseline to discuss contractor performance during the periodic meetings (and subsequent reports).
- Considering the theatre maintenance requirements, in conjunction with wider Council assets and the theatre capital works already approved. Two major maintenance elements are in the approved capital programme related to the Landmark Fire Alarm system (£150k) and Queens Theatre Flat roof replacement, and redecoration of SE and NE elevations (£313k). Discussions are focused on the maintenance funding gap in the contract and how much the Council or Selladoor should put in to fund the backlog of maintenance and other work arising from underspending by the previous operator.
- Seeking assurance from the contractor that it has appropriate measures over specific high-risk areas, many of which are contained in the contract.

We have discussed some of the areas where assurance should be sought such as:

- Periodic review of the contractor's financial accounts to assess financial stability.
- Confirmation that all appropriate staff (termed those involved in "Regulated Activity" in the contract) have had Disclosure Barring Service Checks
- Confirmation that the contractor holds appropriate insurance for the activity.

	<ul style="list-style-type: none"> • Considering the benefits (financial or otherwise) from operating the theatres, including in the context of regenerating the high street. • Confirmation that personal data such as ticket payment information is held securely and safely. • Confirmation that Health and Safety checks, fire inspections etc are undertaken as required. • Recognising the support of the Council on the Landmark Theatre website and other media. <p>We agreed one Medium Management Action.</p>
<p>Cyber Security Limited Assurance</p>	<p>The Council has improved its cyber security posture in the last two years by updating out-of-date technologies, whilst being aware of the areas needing further attention. The Councils IT team should be further supported in attempts to bring the security to a level that reflects the current risk landscape.</p> <p>Given the sensitive nature of the area we do not provide further detail in this annual report. It will be discussed in the June 2023 Governance Committee.</p> <p>We agreed two High, nine Medium and 18 Low Management Actions.</p>
<p>Information Governance Limited Assurance</p>	<p>The Council has a good IG framework that helps provide good IG Compliance and help maintain a healthy ‘top down’ message that is necessary to the creation of good staff practice and awareness. This is supported by heightened staff awareness created by robust induction, training, and awareness processes. This is the baseline of which the necessary for the successful modernisation of the way in which the Council’s data assets are administered.</p> <p>The Council operates similar information management related approaches and processes to other Local Authorities. This is certainly true of the computerised administering of data assets. Work is needed to update its policies and practices to enable successful transition to embrace technological advances fully and securely. The MS SharePoint Project provides the perfect opportunity to do this and so it is imperative that the project is appropriately recognised and resourced.</p> <p>There is, however, a clear and urgent need for organisations to create better corporate awareness of the real and growing Cyber threat. The Limited opinion is based on the work conducted as part of this review, but also considering the recent Cyber Security review findings. Without securing the Council’s computerised information assets appropriately from the current cyber threats, the overall audit opinion must be Limited Assurance. Effective completion of the agreed management actions for this and the Cyber Security report, should likely result in an opinion of Reasonable Assurance in the follow-up review being undertaken in 2023/24.</p> <p>We agreed four High, three Medium and three Low Management Actions.</p>

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 updated the assurance map 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. However, we now intend to discuss the assurance map with senior management every six months to obtain validation. The assurance map has also been used to support creation of the audit plan for 2023/24.

We highlight the following based on review of the assurance map:

- 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 have reviewed 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.
- **Cyber Security and Information Governance.** This continues to be a high-risk area for everyone. Ransomware attacks are especially highlighted as a concern by central government. We have undertaken further work this year and identify opportunities for the Council to improve system and governance controls in these two related areas.

The Table below details our assessments against each area audited

Audited Area	Business Operation - 1st line defence								Financial, Corporate and Governance - 2nd line defence							Independent Assurance - 3rd line defence							Regulators			External audit	Key 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 ?			
KFS - Treasury Management	G	G	G	A	G	G	G	n/a	G	G	G	G	G	G	n/a	n/a	G	n/a	G	n/a	n/a	n/a	Substantial	Apr-23	n/a	n/a	n/a	G	Monthly bank reconciliations, use of sweeper account
Risk Management	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	n/a	Reasonable	Apr-23	n/a	n/a	n/a	G	Formal agreement of Risk Management Policies, Risk Management training.
Cyber Security	A	A	G	G	G	R	G	n/a	G	G	G	A	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Limited	Apr-23	n/a	n/a	n/a		Standard Operating Procedures, IT Change Management, Backups and restoring systems.
Information Governance	A	G	G	G	G	A	A	n/a	G	G	G	A	R	A	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Limited	Apr-23	n/a	n/a	n/a		Reporting and monitoring framework, risk management, resilience in the function
Main Accounting	A	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	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	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	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	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	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	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	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	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	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	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	A	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	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

Appendix 3 - Professional Standards and Customer Service

Conformance with Public Sector Internal Audit Standards (PSIAS)

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 Governance Committee in March 2023. This is supported through DAP self-assessment of conformance with Public Sector Internal Audit Standards & Local Government Application note.

The Institute of Internal Audit (IIA) are the key body involved in setting out the global standards for the profession which form the basis for the Public Sector Internal Audit Standards (PSIAS) and are undergoing review and revision. The proposed new standards which are likely to take effect in 2024 and this document helps clarify and raise awareness of the audit committee's governance roles and responsibilities in respect of this. [IIA Document – Draft Standards](#).

Quality Assessment - the Head of Devon Audit Partnership 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.

External Assessment - The PSIAS states that a quality assurance and improvement programme must be developed; the programme should be informed by both internal and external assessments.

An external assessment must be conducted at least once every five years by a suitably qualified, independent assessor. For DAP this was recently conducted at the end of 2021 by the Head of Southwest London Audit Partnership, and the Chief Internal Auditor of Orbis (a partnership organisation covering Brighton and Hove, East Sussex, and Surrey County Council).

The assessment result was that *“Based on the work carried out, it is our overall opinion that DAP **generally conforms*** with the Standards and the Code of Ethics”*. The report noted that *“As a result of our work, a small number of areas where partial conformance was identified. These were minor observations, none of which were significant enough to affect the overall opinion”*. DAP is actively addressing these improvement areas.

* **Generally Conforms** – This is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards

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 reported to the DAP Management Board.

Customer Service Excellence

DAP was successful in re-accreditation by G4S Assessment Services of the CSE standard during January 2023. This accreditation is a UK-wide quality mark which recognises organisations the prioritise customer service and are committed to continuous improvement.

During the year we have issued client survey forms for some of our reports, and the results of the surveys returned were very good / positive. The overall result is very pleasing, with near 97% 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.

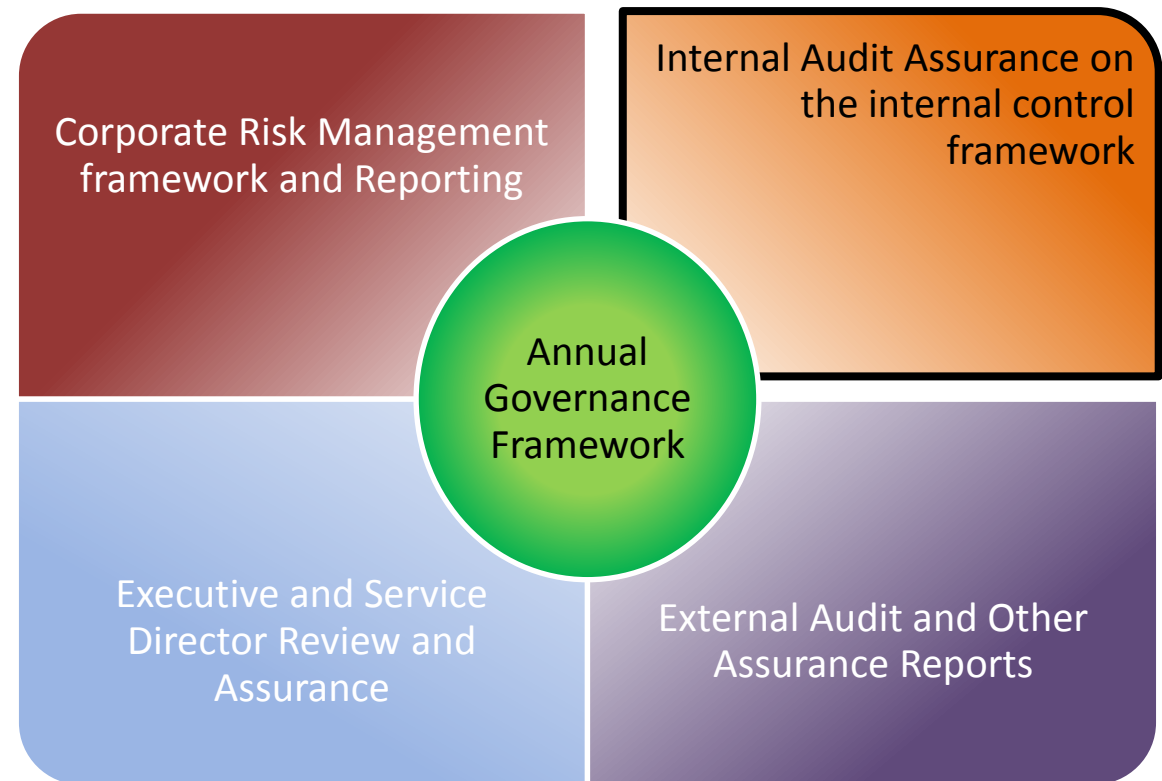
The Annual Governance Statement provides assurance that

- 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 Chief Executive and Leader of the Council.

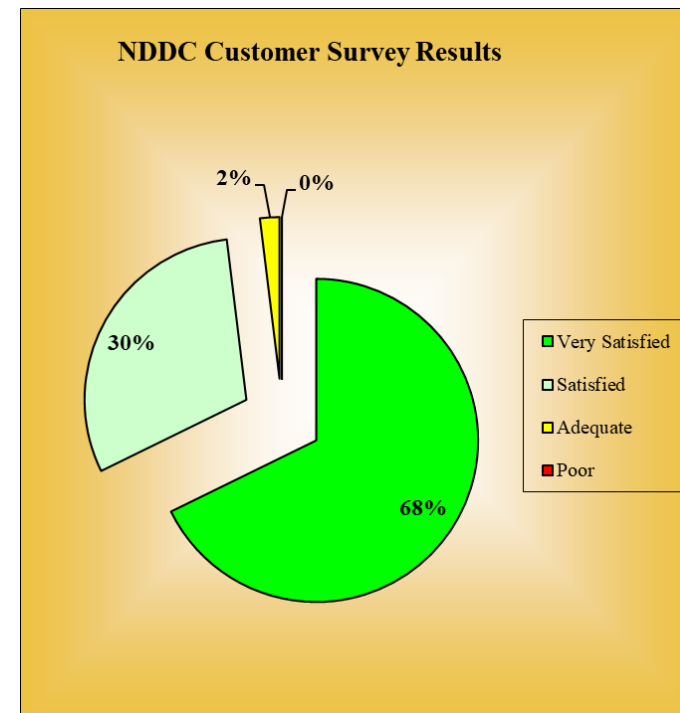
The Committee should satisfy themselves, from the assurances provided by the Corporate Risk Management Group, Executive and Internal Audit that the statement meets statutory requirements and that the management team endorse the content.

Appendix 6 - 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. For our North Devon audits, we received the following overall satisfaction markings from officers during the year:

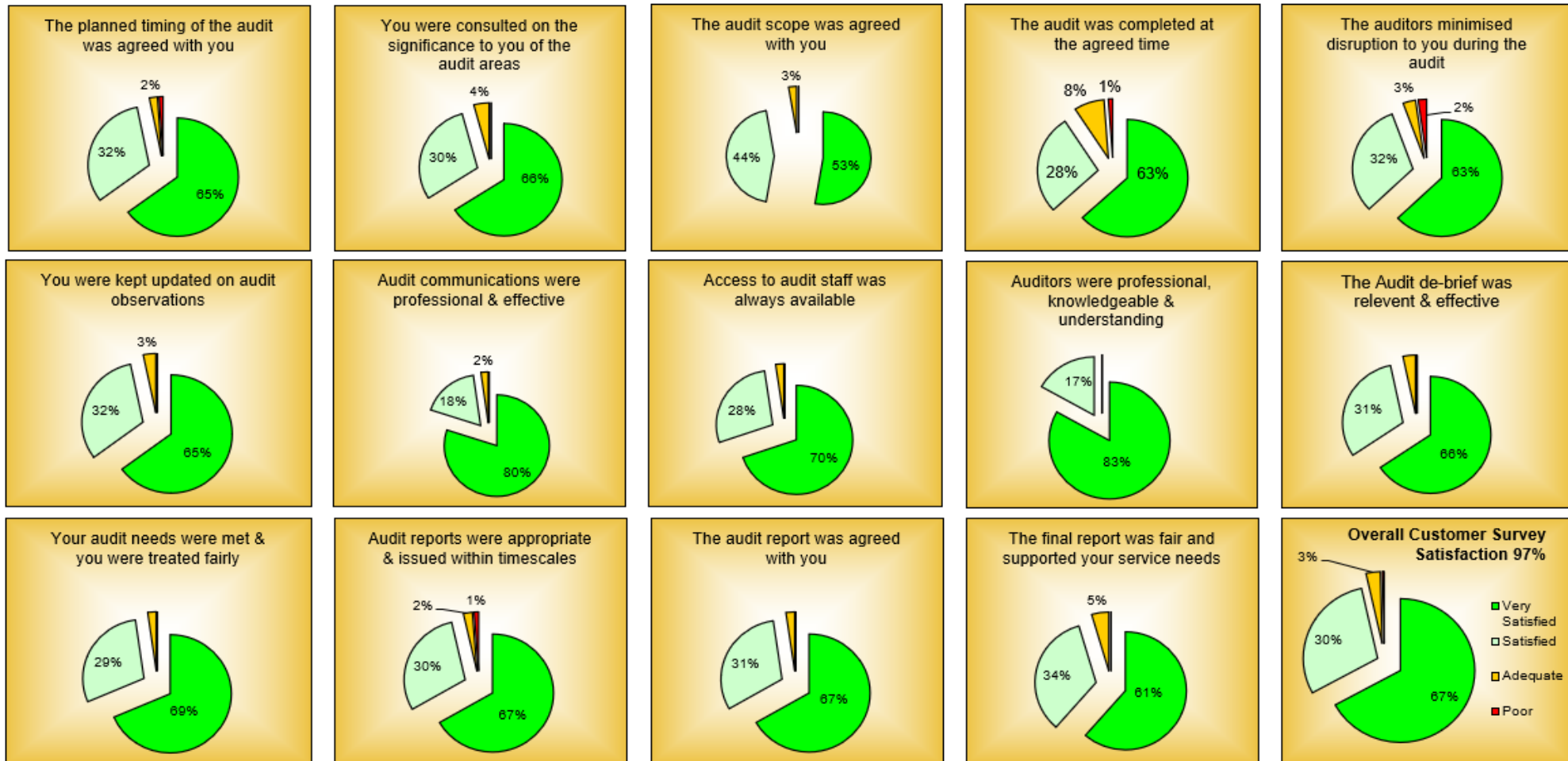
Audit	Marking
Cyber Security	Very Satisfied
Cemeteries	Very Satisfied
Equality and Diversity	Very Satisfied
Customer Service Centre	Satisfied
Parking Operations	Very Satisfied
Programme Management Office	Very Satisfied
Tarka Leisure Centre	Very Satisfied
Debtors	Very Satisfied
Safeguarding	Very Satisfied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

The pie chart below provides a breakdown of specific feedback within the customer forms we received.



The detail below relates to all CSQs received by DAP.

Customer Survey Results April 2022 - March 2023



Appendix 7 - 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 can 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.
- 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 considering this position.

In assessing the level of assurance to be given the following have been considered:

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.

Devon Audit Partnership

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.

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 Tony.D.Rose@devon.gov.uk

Confidentiality and Disclosure Clause

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.