Internal Audit Annual Report 2023-24

Report submitted to: North Devon Governance Committee

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devon **audit** partnership

Support, Assurance and Innovation

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 2023-24 was presented and approved by the Governance Committee in March 2023. The following report and appendices set out the background to audit service provision, a review of work undertaken in 2023-24 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 Committee related to 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.

Contents

Opinion Statement

Overall, based on work performed during 2023-24 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 2023-24. Significant weaknesses identified should be considered by the Authority in preparing its Annual Governance Statement for 2023-24.

In undertaking our reviews, we assess whether controls are operating satisfactorily and provide an overall opinion on the adequacy of controls to management in the audit report. Audit reports include an action plan with responsible officers and target dates to address control issues. Implementation of actions rests with management; High priority and other recommendations are also reviewed during subsequent audits or in specific follow-ups.

Underpinning our overall Reasonable Assurance are the 16 audits which secured a Reasonable Assurance rating (with 8 Substantial and 1 Limited Opinion).

This statement of opinion is underpinned by:

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 the 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	Governance	Performance Management
The Corporate Risk Register holds a manageable number and type of corporate risks for review by members including Governance Committee. There is a process to manage operational and service risks, and to escalate them to the Corporate Risk Register if deemed important. There is good focus on Business Continuity management.	Appropriate governance arrangements are in place for members and officers. A new Corporate Plan for 2023-27 has been agreed by members. The Council has an established management team. This year the council created a Partnership Register to better understand who it is working with. The Programme Management Office continues to support progressing the key programmes and projects.	Basic elements of Performance Management are in place. A quarterly delivery report is reviewed by Strategy and Resources Committee. This includes performance on the five corporate priorities. Pentana tracks performance in service areas. Project delivery is supported by a Programme Management team. There is also a new appraisal system for officers.

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 2023-24 under their Service areas and Assurance opinions. Opinion ratings are relevant at the time of the audit and may have improved since that time. These assurances are also reflected in our Assurance Map (see appendix 2).

Assurance level	Service Area						Non Service Organisations
	Governance	Environmental Enhancement	Organisational Development	Place, Property & Regneration	Customer Focus	Programme Management & Performance	
Substantial Assurance	Creditors Capital Programme	Street Care	NA	Town Centre Management	Council Tax & National Non Domestic Rates Housing Benefits	Community Safety Partnership Environmental Protection	
Reasonable Assurance	Payroll Main Accounting System Debtors Insurance Partnerships	Climate Change Homelessness Leisure Services Vehicle Maintenance	Learning and Development Performance Management Equality and Diversity	Harbour Authority	Information Management Follow Up Cyber Security Follow Up and CAF		North Devon Plus (with Torridge)
Limited Assurance	NA	NA	NA	NA	NA	NA	Building Control (with Mid Devon)
No Assurance	NA	NA	NA	NA	NA	NA	

Audit Coverage and performance against plan

We delivered 97% of audits in the plan to draft or final report stage. Remaining audits have been either cancelled, deferred by the client, or rolled over into 2024/25. 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.

Along with the 8 Substantial and 16 Reasonable assurance audits, we also provided one Limited opinion, related to the Building Control Partnership which is shared with Mid Devon Council. We will be undertaking follow up work in 2024-25 to confirm weaknesses have been addressed.

We also undertook follow up audits on previous Limited Assurance opinions related to Cyber Security, Information Governance, Equality and Diversity, and Debtors. We confirm weaknesses have been addressed and these areas can be reassessed at a Reasonable Assurance.

We were asked to defer our audits on Procurement and Food Safety to 2024-25 due to limited staff resource in the business areas to support the review.

We also provided grant certifications, consultancy reports, and other support activity.

This year's mix of opinions compares to the 4 Substantial, 16 Reasonable and 4 Limited Assurance audit opinions provided for 2022/23.

Appendix 1 includes a summary of the audits delivered since the Governance Committee of March 2024. Summaries of other audits delivered prior to that meeting were included in reports to the Committee during 2023-24.

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, including by giving advice and guidance.
- Comparing and contrasting controls and good practice when undertaking similar audits in the different Councils we support.
- Working with management to confirm management actions have been implemented taken to reduce risk specifically in areas we have provided Limited Assurance opinions.
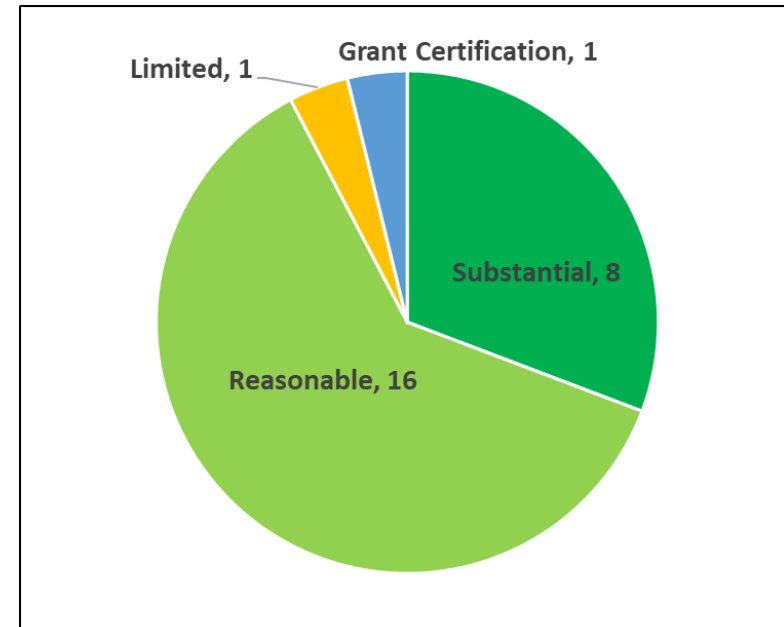
We also supported recruitment of Non-Executive Directors for the Districts, with an individual attending the first committee in March 2024.

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 provided our Annual Counter Fraud Resilience and Assessment Report in February 2024 and assessed that the councils counter fraud resilience continues to improve. 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 risk of fraud and how the Council prevents it from 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 2024-25, we will continue our support to a review by a contractor funded by the County Council of Single Person Discounts which the council will be starting shortly. This has typically resulted in an uplift to council tax returns of 4% to 6% in other districts.

Appendix 1 – Summary of remaining 2023/24 reports delivered since March 2024

Audit and Assurance Opinion	Summary, Risk Exposure and Management Actions
Community Safety Partnership **Substantial Assurance**	North Devon and Torridge councils are active partners of Safer Devon, committing resource and effort to address anti-crime and anti-social behaviour issues in the area. There is a spread of experience and knowledge within the NDC CSP, the newer members of the team still have a good understanding of process and requirements. There is a relationship with the police that really helps in timely intervention, as do early conversations with Torridge. Enthusiasm is apparent. Annually, Safer Devon produces a Strategic Assessment that directs the activities of the CSPs across Devon, in turn the CSPs consult with their communities to direct their approach. A formal Plan detailing the activities for the CSP to support was not held, with the risk priorities are unclear, and actions not mapped out. That said, a spreadsheet "CSP North Devon and Torridge Tracker 2023 –2024" is used to record actions. This has a RAG (Red, Amber, Green) rating to prioritise activity to improve community safety, so it is clear the CSP tracks actions to consult with residents, listens to their needs, and respond. The CSP meets quarterly with a full partner meeting of the CSP held annually to review performance and priorities. For five years the Chair of the CSP has been a Police Superintendent. This is to be handed to North Devon and Torridge District Council officers to chair the partnership on a rotating basis. This accords with the original concept of CPSs, to encourage local community control, with elected members involvement. Review of meeting minutes show that key partners, and elected members from NDC and Torridge attend and discuss progress of activities and objectives The Chair told us members have raised issues outside of CSP responsibility, suggesting understanding of the purpose of the CSP and their role could be improved through bite sized training. There are strong working relationships within the partnership, and importantly between North Devon Council and Torridge Council, and with the Police. Police officers work frequently and regularly from council premises. This promotes good working relationship and open dialogue and has recently enabled an emerging matter to be dealt with promptly. The Chair told us the partnership is excellent but was frustrated that some roles and activities are duplicated (including two CCTV control rooms). There is an opportunity to review the roles and introduce collaborative working to streamline activities. There is good community engagement. A community hub has been created at Green Lanes Shopping Centre. At the Strategy and Resource Committee meeting of 5th February 2024 the Police committed to occupy a premises at the hub with a daily presence to work alongside NDC officers, which will further benefit retailers in Green Lanes and the town centre. There is an opportunity for shopkeepers and community members to take part in patrols to reinforce the public element of the partnership. The good work conducted by the CSP is reflected by activity by the communications / media team's activity on social media. Introduction of a policy would ensure that opportunities are taken up and that work is reflected on the CSP website. Recent years have seen budgets reduced however there is active horizon scanning for grant funding. Innovative ideas can be suggested to the council via business case or partnership interventions, a good example being that Street Marshals are funded by local authority budget. **We agreed two Medium and two Low Priority Management Actions.**

The two Medium relate to: Update the CSP Action Tracker / Plan; Update of links on the website to report Hate Crime.

Environmental Protection

Substantial Assurance

Report in Draft (issued 2 May 24)

Overall the functioning and management of North Devon Council's Environmental Protection Team is effective. It is well organised and have recently cleared a significant backlog of work and is considering more proactive work. The new team leader is identifying revenue making opportunities. The Team leader has been in place since November 2023 and has significant experience in working and leading a team in environmental protection. There are two vacancies in the team, but there is a strategy to fill the posts partly by utilising apprentices who are close to obtaining their qualification. The staffing level leaves the team in a position to be able to deal with statutory requirements, and take the first steps in returning to proactive work. One case has resulted in nearly £10k in unpaid industrial waste permits being received.

The work conducted by the Environmental Protection Team is varied, and their methods are dictated by legislation, so policy guidance and instructions are vital. Although the guidance documents are relevant, the team leader is currently reviewing policies, guidance and instruction documents.

The environmental protection team does not have a business plan although it does have an Environmental Health & Housing Service Action Plan. It is commendable that the team leader has identified and included two opportunities to generate income in the plan. There is a need to consider measures to support monitoring of performance and subsequent remedial action where necessary.

North Devon Council's website has a section that details the work of the team and the different Environment areas they cover. It provides good information to help members of the public. Issues may be reported on the website after a registration process has been completed, but the need to repeat contact details previously submitted during the registration process is frustrating. A minor redesign would make it easier to use.

We reviewed activity on social media (Facebook) to see how it is used to promote the work of the team. We noted three articles. One was an attempt to help trace the owner of a straying dog, members of the public provided information and asked for contact but their posts were unanswered. One related to the Public Space Protection Order for dog walkers, and the other to encourage the report of fly-tipping. No activity or reports were found on the councils website. There is an opportunity to provide reassuring messages to the public which acts as a deterrence message to irresponsible dog owners, and promotes the team's good work.

Requests and comments from the public related to Environmental Protection are received by e-mail, telephone or via the website. It is recorded on bespoke software called ASSURE, which is used to create and track action to manage service requests. It is an effective system to record and manage requests on the service.

With regards to nuisance behaviour, we reviewed cases of noise pollution, fly-tipping, and air pollution. In each case relevant information was held, including the contact details of the complainant, the circumstances leading to the complaint, the action and outcome. All were dealt with in a timely manner.

With regards to environmental monitoring, officers explained the processes regarding water pollution to us. There are procedures to monitor the quality of water obtained from private sources, and measures to deal with instances of samples failing to meet the required standard. Water inspections are up to date. The service also has a responsibility for industrial processes that require a permit. ASSURE holds the data relating to the businesses. A risk based program of inspections are in place to ensure permits are complied with.

We reviewed five stray dog incidents. The reports contained comprehensive details of the person reporting it, and the circumstances. In all but one, a definitive outcome was recorded, and the other a conclusion could be inferred.

Due to the potential danger presented by dogs, officers have received training in identifying dangerous breeds and dog behaviour. There is only one kennel in the district that can be used to accommodate stray dogs. This presents the risk that the kennel may be full (or it may close) meaning stray dogs picked up by council officers cannot be accommodated. Torridge District Council have the same risk, so the councils should consider collaborating to identifying alternatives.

The authority has a duty to licence animals under the Licensing of Activities Involving Animals (England) Regulations 2018. Applications may be made via post, e-mail, or on an online form available on the EPC team website. After receipt of the application an inspector and a qualified vet appointed by the Secretary of State to conduct inspections will assess the premises. The process is recorded on ASSURE and LALPAC systems, which is soon to be replaced by IDOX software. A letter will be sent to the applicant advising them of the decision. Guidance stating that applications should be completed in 10 weeks is followed.

We agreed two Medium and two Low Priority Management Actions.
The Medium actions related to making it easier to raise complaints, and the risk that they rely on only one kennel for stray dogs.

Street Care

Substantial Assurance

The council is providing a good level of road sweeping and bin emptying with a well-managed programme for the district. Programme priorities are based on population density and footfall, with busier areas cleaned with greater frequency. This approach aligns to Department for the Environment Food and Rural Affairs guidance.

There was a good process to ensure staff understand the required standards of cleaning. The district area is arranged in zones, with personnel having responsibility for sweeping and bin emptying in a zone. An employee who left some while ago had a responsibility for seeking customer feedback but following their departure there has not been any proactive engagement. Instead, the low number of complaints is used as an inverse gauge of satisfaction. Complaints about littering may be made by the public, either through the authority website or contacting the call centre. On receipt of a complaint, a notification is sent to team management, who then task the staff with responsibility for the affected zone.

There is a process for investigating littering involving dumped refuse bags. We were told wardens review evidence that may lead to the source / offender. Reports of fly tipping are received 'by the dozen' daily, the work to investigate and clean-up is facilitated by the flexibility provided by the zonal operating system. Asbestos is also dealt with by the adherence to guidelines provided by the Health & Safety Executive, which is commendable as it provides a considerable financial saving over specialist contractors.

The road sweeping programme has recently been reviewed. Dog waste bins are now incorporated into general bin emptying as they are taken to the same incinerator. Changes have been introduced to the shift working hours to increase cover in the busiest towns of Barnstable, Ilfracombe, and Braunton and tourism places greater demands so there is also a rota for 'floating' weekend cover for the busiest periods.

There are no staff vacancies, and the compliment of vehicles allows the department to meet demands. The service has three powered walk behind cleaning barrows, one of which is electric. The electric barrow is highly thought of in terms of its battery life and cleaning performance. Further replacement of the remaining combustion engine models with electric variants would further reduce the environmental impact from service delivery.

	Quality inspections are conducted on an informal basis by management and supervisors, as they travel around the district, they pay attention to and note litter and the standard of cleanliness. A formal routine to ensure all zones are inspected could present a more thorough assurance of quality.
	Whilst the council waste collection website lists the charges for collection of bulky items, there is not an active approach to seek revenue earning opportunities given available spare time is used for weeding activity or providing flexibility for the zonal system. Management has agreed to focus more on identification of revenue generating activities is recognised.
	We agreed four Low Priority Management Actions.
Housing Benefits **Substantial Assurance**	We provide a Substantial assurance for Housing Benefits due to the strong control framework. There are good controls and processes for setting up users and leavers; overpayments are well monitored with pro-active recovery.
	Write offs are supported by valid justification and are signed off in accordance with the policy. There is regular checking of Assessors work, including checking of payments over £1,500.
	The level of overpayment arrears at Week 52 of the 2023/24 financial year is £798k. There has been a consistent reduction in overpayments over the last six years, from £1.5m for 2017/18. The designated overpayments officer to focus on overpayment arrears and initiate the various recovery methods helps ensure debt is effectively managed.
	A review of users found 13 users have full access to the system (CORE). This seems a high number of users with this level of access. This was highlighted in the previous two audit reports. In 2021 when there were 11 users, a review was carried out and the number of users reduced to 9. Another review would be beneficial to reduce the number of users with this high level of system access.
	Processing speeds are reported monthly to DWP (Department for Work and Pensions). They collate all the local authority processing speeds and report them on Gov.uk. They report that quarterly average speed of processing at local authority level for new Housing Benefit claims, quarter 2 (2023-2024) ranges from 4 - 77 calendar days. 83% of LA's took on average between 4 to 22 calendar days. North Devon stats show that they take 21.49 days to process new HB claims, so are in the upper quartile.
	There is a good process for updating parameters on the system, all changes are applied to the test system initially. We understand that all changes are double checked by another member of staff although there is no evidence to support this check. Testing is undertaken to ensure that changes work correctly.
	Finance carries out monthly reconciliations between the Finance and the Housing Benefits systems. Some anomalies which were identified in April 2023 are still outstanding and we have raised a management action to ensure action on these. This is a low impact action; the Accountant advised that resources were used to deal with higher priority tasks.
	We agreed three Low Priority Management Actions.
Capital Programme	The Council has appropriate arrangements to manage its Capital Programme and subject it to approval from members. It maintains a detailed programme of capital expenditure over a three year period, and also a ten year Capital Strategy 2024 – 2034. New Capital projects need to be reviewed by a Project Appraisal Group which considers a detailed Business Case on the proposal. These help the council maintain financial sustainability for the current capital programme and additions / changes to it.

Substantial Assurance **Report in draft (issued 2 May 2024)**	That said, the council has predicted a capital (and revenue) spending gap against its budget in the medium term that it has said will need to be addressed. Members received reports on the three year Capital Programme from 2023-24 in March 2024, with a total Capital spending requirement of £36m for the 3 years. This is aligned to the Treasury Management Annual Investment Strategy to support the required borrowing. The council estimates its Capital Financing Requirement increases to a peak of £39m in March 2026. The amount of external borrowing (or internal use of funds) to meet this requirement will be reviewed based on investment returns and borrowing costs. The 10 Year Capital Strategy was also provided for approval which is in accordance with the CIPFA 2021 Prudential and Treasury Management Codes. Work is being undertaken on an Asset Management Strategy to support formation of a ten year maintenance plan to feed into future capital strategy reports. Through the financial year, quarterly Performance and Financial Monitoring report update Members on the overall revised Capital Programme and the proposed variations to it. The reports tell Members how the Capital Programme is funded by a combination of Capital Receipts / Borrowing, External Grants and Contributions, and Reserves and the monetary amount from each source. Each potential capital project / scheme is required to have a completed business case showing how it works towards achieving one or more of the Council's corporate priorities. An Environmental Assessment Checklist and an Equality Impact Assessment also require completion which include input from appropriate consultees. The Project Appraisal Group (PAG) score all projects received; a recent addition to the process being the involvement of the Senior Management Team. Agreed projects are then communicated to the Strategy & Resources Committee through the quarterly Performance and Financial Monitoring report presented by the Director of Resources and Deputy Chief Executive. At this committee Members agree the schemes presented to them as additions to the Capital Programme and recommend their approval by Council. Capital expenditure virements follow the procedure as detailed within the North Devon Council Constitution - Part 4 Financial Procedure Rules. The Environmental Assessment Checklist mentioned above is a recent requirement whereby sign off and approval is required from the Sustainability and Climate Officer as the responsible officer. The project applicant is required to consider the potential project against eight environmental objectives detailed in the Environment Policy (October 2021) and whether there is a positive (or negative) impact. To date, only two small projects have been approved by the Sustainability and Climate Officer. Risk Management with regard Capital Programme projects is strong. Both the Corporate Risk Register and the Service Risk Register contain entries associated with capital expenditure projects; the need for a robust budget and Medium Term Financial Plan, matters regarding inflation and borrowing costs. Prior to approval of a proposed project by PAG, the project applicant must detail within their business case the risks associated with their proposed project. The Programme Management Office consider the projects within the programme reporting on risks and cost pressures to SMT. **We did not make any Management Actions.**
Insurance	The council obtains appropriate insurance in respect of its operations. The types of insurance cover obtained by North Devon District Council are comparable with those taken out by other local authorities, with professional advice being received through

Reasonable Assurance	use of an insurance broker (Arthur J Gallagher). The insurance cover is obtained through a competitive procurement exercise. Insurance cover held is changed as required to reflect changes to council assets and operations.
	Most of the insurance claims paid relate to motor vehicles (largely refuse and trade waste vehicles), which was also found to be the case at a neighbouring council which we audited. Claims payments against the insurance cover are typically about £150 – 200k a year, compared to the cost of the insurance policies of £400k. That said, insurance provides assurance that significant claims against the council would be met.
	In addition to the different types of insurance cover procured which is comparable to that taken out by other local authorities, the council continues to take out a Cyber Security insurance policy providing additional financial cover in the event of an incident.
	In year changes to policies and premiums occur mainly in the areas of property and motor vehicles. Recent purchases of properties and replacement of fleet vehicles are instances where managers must promptly notify and advise the Insurance Officer of possible new risks, changes required to policies and other alterations which may affect the policies held.
	We identify two opportunities for the council to consider: to benchmark the insurance function with other councils and to attend quarterly regional council insurance meetings.
	No management actions were made / agreed.
Payroll **Reasonable Assurance**	Core controls related to the payment of staff and members remain effective, including the core functionality provided by i-Trent (the payroll system). The payroll team has been strengthened through employment of a new Payroll Assistant.
	Progress to roll out the Employee Self Service (ESS) modules within iTrent continues to be slow. Completion of the different modules by the due date (31 March 2023) and the revised extension date (31 December 2023) was not achieved. Entry of employee mileage claims via ESS is currently in the 'Test' stage, with full roll out expected now in April 2024. Mileage, expenses, and overtime hours are currently interfaced into the system. Full realisation of the benefits obtainable from the iTrent system has not therefore been achieved as of the time of this report.
	Five employees (previously four) have 'System Administrator' access; three of these staff work within HR, the other two being the Head of Governance, and the Payroll Officer. No formal authorisation process was found granting 'System Administrator' access to the Systems & HR Admin Support Officer who commenced employment within HR this financial year. Management should either find a resolution to the situation or accept the risk with regard the lack of separation of duties for those staff with System Administrator access who have operational duties. An evidenced authorisation process should be in place for any access to the system which is above the norm.
	No issues were found in the testing of starter and leaver samples. All necessary actions required were found to have been undertaken accurately and on a timely basis.
	Regular reconciliation of the payroll system to the main accounting system (MAS) take place on a timely basis and are subject to appropriate checks and authorisation.
	We agreed three Medium Priority management actions.

These relate to: Rolling out self-service for travel and overtime; officers with System Administrator access and operational access (a separation of duty issue); and update of the Business Resumption Plan.

Cyber Security Follow Up and Cyber Assessment Framework

Reasonable Assurance

We are pleased to report that work has been largely completed to clear the management actions from our April 2023 Limited Assurance report, resulting in a strengthened control framework. The result is that we can now provide a "Reasonable" level of assurance that the cyber security control framework is in line with the Cyber Essentials requirements.

In relation to the Cyber Assessment Framework, we found sufficient evidence to demonstrate that NDC's cyber security control framework and supporting processes are largely in line with the CAF's objectives and principles. Observations and recommendations on development of the existing controls and mitigations are included in our report.

We agreed two Medium Priority Management Actions related to the CAF.
These related to: Ensuring annual review of policies; and addressing the weakness identified in our review of compliance against the CAF.

Information Governance Follow Up

Reasonable Assurance

Progress has been made to implement most management actions from our 2022/23 Limited Assurance report enabling us to improve our opinion to Reasonable. Governance and risk management arrangements have been improved significantly. That said, risk related to information management remains, until successful migration to the cloud-based Microsoft SharePoint platform. We expect this to be considered in the Information Management Strategy under development which was scheduled for management review and approval in Quarter 1 of 2024/25.

The Information Governance (IG) framework has been strengthened by introducing cyber security specific agenda items and creating an IG report which includes data breaches and IT security incidents. The IG report was trialled to be presented to Senior Management Team (SMT) on a quarterly basis. The client has concluded that reporting every six months is more appropriate for the organisation, with breaches and security incidents being discussed at SMT as they occur. There is crossover between attendees of the Information Management Group (IMaG) and Cyber Security Group to ensure that cyber security is considered in both forums. A Terms of Reference has been created for the Cyber Security group and is to be replicated for the Information Leads and the IMaG forums. This will help ensure the groups are appropriately focused.

The MS SharePoint project to migrate from its traditional corporate SAN (Storage Area Network) filing structure to a cloud-based Microsoft SharePoint platform does not have a planned start date. The project to move the organisation's intranet to SharePoint, with subsequent hub sites, is due to start imminently. As this will lay the foundation for the future MS SharePoint project, work has been undertaken with an external resource provider, where the information provided in Appendix B of the 2022/23 report has been considered and built into the project approach. The SharePoint (Intranet) project is due to start at the end of March and has an estimated 4-month completion time.

Other action to implement management actions has been taken. This includes updating of the corporate risk register to include specific Business Continuity related IM risks, providing an additional member off staff within the Infrastructure team, new templates for projects have a Data Protection Officer section to list information management considerations, and specific training is planned to support staff when SharePoint has been rolled out.

	The Information Management strategy is in development, with feedback provided by Devon Audit Partnership. An extension for this management action was requested till the 31 March 204 and is reflected in the below observation.
	We agreed one additional Medium Priority Management Action. This was to introduce the Information Management Strategy.
Main Accounting System **Reasonable Assurance** **Report in draft (issued 2 May 24)**	The council uses an up to date version of Civica Financials to maintain financial control and has an experienced team of finance officers to support effective financial management and reporting. The report highlights two issues which management are fully aware of and have previously been reported to them by external and internal audit. Firstly, the issue and risk regarding user rights and access upon the General Ledger. This relates to giving members of the finance team administrative as well as user access to the Civica system. Grant Thornton (Governance Committee 9 January 2024) reports that this '*creates a risk that system enforced internal controls can be bypassed'.* In small teams such issues are common; current system roles could be reviewed to improve matters, however the business response to the GT report suggests this needs to be done by finance staff who understand the Civica system. The council should consider what reports can be run that detail the system administration changes made and who has made them for review by senior management. Secondly, issues relating to individual officers raising and posting the same journal(s). This creates increased risk of error and is recognised as not good practice, although there is retrospective review of journals over £10k. We are aware this approach is common among other councils we support as they also have small finance teams. The Director of Resources and Deputy Chief Executive has previously confirmed he is satisfied with the current journal process and controls in place and that he will continue to consider the auditor's recommendations. A periodic review is required to remove ex-employees no longer requiring access from the system. We found several ex-employees on the GL lists provided to us. Prior to the Covid-19 emergency, system upgrades for the Civica system were undertaken by the ICT team. However, this process lapsed and finance upgrades were not implemented for several years. This resulted in the system being on version 19, compared to the current version 24. Civica were paid to update the system, so it is now up to date at version 24. Going forward, the council should ensure system updates are implemented on a timely basis as they may be important in reducing system vulnerability and risk. No changes to parameter data have occurred during the 2023/24 financial year. Likewise, there has been no change in the process regarding setting up of new financial ledger codes. Financial performance monitoring is strong both at an individual budget holder level and at Member level. Outcomes from budget monitoring meetings between budget holder and accountant feeding through to SMT and to Strategy & Resources Committee. **We made two Medium and one Low Priority Management Action.** The Medium Management Actions related to management accepting the risk related to administrative rights given to finance users over the Civica system, and raising and posting of journals by the same user.

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 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 2024/25.

Based on review of the assurance map we highlight the following:

- The number of Amber and Red assessments continue to reduce in this third year of maintaining the Assurance Map, representing an improving control picture and sustained work by officers to address identified weaknesses.
- **Performance and Financial Management reports**. We continue to note in some of our audits that performance measures including Key Performance Indicators need improvement to support effective management and monitoring of delivery. In our Performance Management audit we noted there was significant focus on financial outturn but less on performance measures when reporting to members.
- **Strategies and Business Plans and Benchmarking**. Several of our audits noted the need for greater attention on strategies and plans to ensure management focus on realising priorities.
- **Cyber Security and Information Management.** Our work has confirmed that weaknesses we identified in previous last audits have been largely addressed.
- **Debt Management.** We also confirmed that there is now appropriate priority on debt management to ensure collection of unpaid debt from individuals.

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
	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, CQC, ICO, HSE	HMRC Tax and Revenue	Spare - Other ?		
Capital Programme	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	Apr-24	n/a	n/a	n/a		
Environmental Protection	G	G	G	G	G	A	G	n/a	G	G	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Substantial	Apr-24	n/a	n/a	n/a		Reliance on one dog kennel for strays.
Main Accounting	A	G	G	A	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	Apr-24	n/a	n/a	n/a		System updtes: Segregation of system roles and dual posting of journals.
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	Mar-24	n/a	n/a	n/a		
Community Safety Partnership	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	Substantial	Feb-24	n/a	n/a	n/a		Absence of a formal CSP Plan.
Street Care	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	Mar-24	n/a	n/a	n/a		
Payroll	G	A	G	G	G	A	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-24	n/a	n/a	n/a		Officers with System Admin privileges; update of the Business Resumption Plan
Insurance	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-24	n/a	n/a	n/a		Opportunity to benchmark against other councils.
Cyber Security Follow Up and Cyber Assessment Framework	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	Feb-24	n/a	n/a	n/a		Annual review of policies, addressing weaknesses against the CAF.
Information Governance Follow Up	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	Mar-24	n/a	n/a	n/a		Introduction of an Information Management Strategy.
Harbour Management	G	G	G	G	A	G	A	n/a	A	G	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Dec-23	n/a	n/a	n/a		Absence of Strategy or Plan, and Performance measures.
Vehicle Maintenance	G	G	G	G	A	G	G	n/a	A	G	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Dec-23	n/a	n/a	n/a		KPIs, periodic Strategic meetings, Financial position.

Audit Area																				Assurance	Date					Comments
NMD Building Control Parnership	G	G	G	G	A	G	A	n/a	A	G	G	A	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Limited	Jan-24		n/a	n/a	n/a	Capacity issues from loss of key staff & recruitment problems, insufficient governance, increased cost to the partners.
Creditors	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	Substantial	Dec-23					Improving creditor payment timescales.
Learning and Development	G	G	G	G	G	G	G	n/a	G	A	G	G	A	G	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Dec-23		n/a	n/a	n/a	Mandatory training, reporting to SLT
Equality and Diversity Follow Up	G	G	G	G	G	G	G	n/a	A	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Nov-23		n/a	n/a	n/a	Equality Duty re protected Charecteristics of staff.
North Devon Plus	G	G	G	G	G	G	A	n/a	G	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Dec-23		n/a	n/a	n/a	Review of its business plan.
Council Tax and NNDR	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	Substantial	Nov-23		n/a	n/a	n/a	
Debt Management	G	G	G	G	G	G	G	n/a	A	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Nov-23		n/a	n/a	n/a	Monitoring and review of outstanding debt and write offs.
Performance Management	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	Reasonable	Nov-23		n/a	n/a	n/a	Pentana support, equality of performance and finance measures.
Partnerships	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	Reasonable	Oct-23		n/a	n/a	n/a	Complete list of partnerships and holding all legal agreements.
Leisure Services Follow Up	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	Reasonable	Oct-23		n/a	n/a	n/a	
Town Centre (Green Lanes) Management	G	G	G	G	G	G	A	n/a	G	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Substantial	Sep-23		n/a	n/a	n/a	Linkage to other initiatives and projects.
Homelessness	G	G	G	G	G	G	A	n/a	G	G	G	A	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Apr-23		n/a	n/a	n/a	Update of the Homelessness Strategy and providing information to Members.
KFS - Treasury Management	G	G	G	A	G	G	G	n/a	G	G	G	G	G	n/a	n/a	G	n/a	G	n/a	n/a	Substantial	Apr-23		n/a	n/a	n/a	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	Reasonable	Apr-23		n/a	n/a	n/a	Formal agreement of Risk Management Policies, Risk Management training.

Appendix 3 - Professional Standards and Customer Service

Public Sector Internal Audit Standards (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 CIPFA requirements.

The Institute of Internal Audit (IIA) is the key body involved in setting out the global standards for the profession which form the basis for the Public Sector Internal Audit Standards. The Standards have recently been revised and take effect in 2024. The document via the link helps clarity and raise awareness of the audit committee's governance roles and responsibilities in respect of this. IIA Document – Updating the 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 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 in 2023. We are seeking it again in 2024. 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 our reports, and the results of the surveys returned were very good / positive. The overall result is very pleasing, with near 98% being "satisfied" or better across our services (see Appendix 6). 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

Service Provision

The Internal Audit Service for the Council is delivered by the Devon Audit Partnership. This is a shared service arrangement constituted under section 20 of the Local Government Act 2000. The Partnership undertakes an audit programme to assess that there are sound and adequate internal controls across the whole of the Council. It also ensures the Council's assets and interests are accounted for and safeguarded from error, fraud, waste, poor value for money or other losses.

Charter and Strategy

Our Internal Audit Charter describes the purpose, authority and principal responsibilities of the audit function. Our Internal Audit Strategy sets out how the service will be provided. These are agreed annually by Governance Committee.

Regulatory Role

Two principal pieces of legislation impact on internal audit in local authorities:
Section 5 of the Accounts and Audit Regulations (England) Regulations 2015 states that 'a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance…..''
Section 151 of the Local Government Act 1972, requires every local authority to make arrangements for the proper administration of its financial affairs

Professional Standards

We work to professional guidelines governing the scope, standards and conduct of Internal Audit as outlined in the Public Sector Internal Audit Standards.
DAP demonstrates that it meets these Standards through external and internal quality assessment.
We also review and assess the policies, procedures, rules and regulations established by the Authority. These include standing orders, schemes of delegation, financial regulations, conditions of service, anti-fraud and corruption strategies, fraud prevention. procedures and codes of conduct, amongst others.

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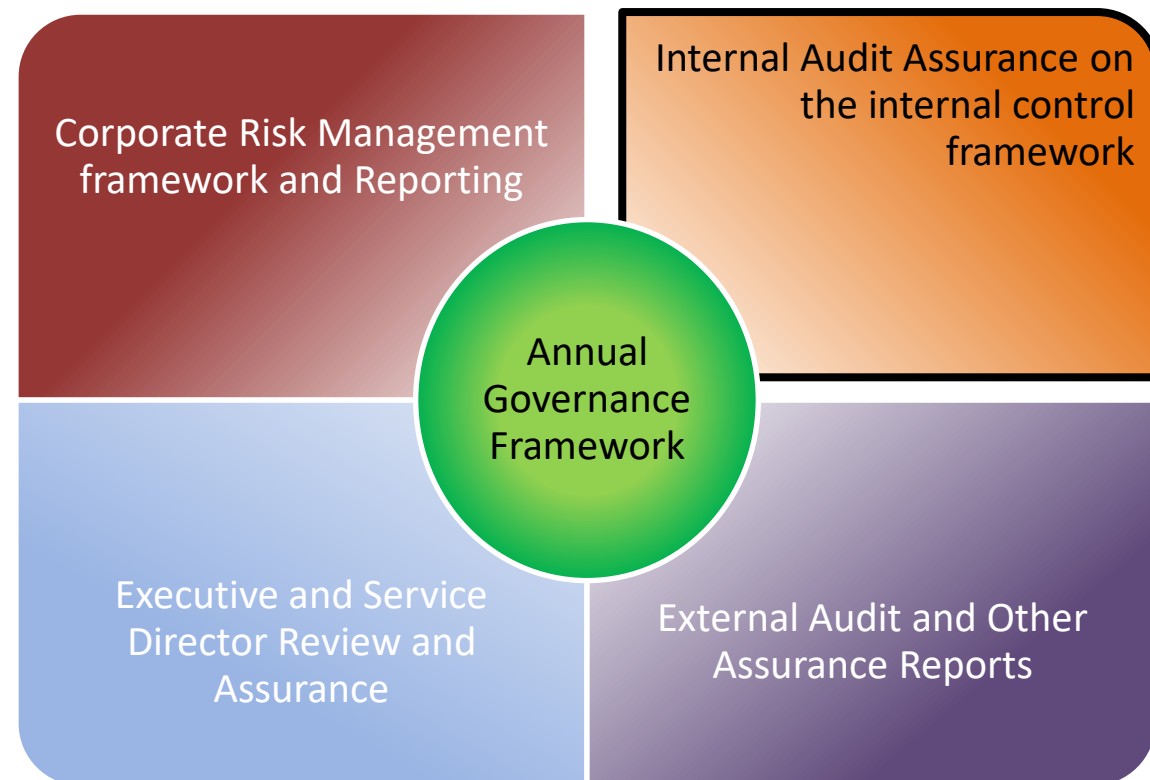# Appendix 5 - Annual Governance Framework Assurance

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
- o Authority's policies have been complied with in practice.
- o High quality services are delivered efficiently and effectively.
- o Ethical standards are met.
- o Laws and regulations are complied with.
- o Processes are adhered to.
- o 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 confirmation 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.
- Provide a narrative on the process that has been followed to ensure that the governance arrangements remain effective. This includes comment on:
  - o The Authority.
  - o Audit Committee.
  - o Risk Management.
  - o Internal Audit.
  - o Other reviews / assurance.

Corporate Risk Management framework and Reporting

Internal Audit Assurance on the internal control framework

Annual Governance Framework

Executive and Service Director Review and Assurance

External Audit and Other Assurance Reports

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 have received the following overall satisfaction markings from officers during the year:

Audit	Marking
Cyber Security	Very Satisfied
Debt Management	Very Satisfied
Council Tax	Very Satisfied
Performance Management	Very Satisfied

The detail below relates to all CSQs received by DAP.

Customer Survey Results April 2023 - March 2024

Row 1:
- The planned timing of the audit was agreed with you — 7%, 29%, 64%
- You were consulted on the significance to you of the audit areas — 3%, 35%, 62%
- The audit scope was agreed with you — 5%, 32%, 63%
- The audit was completed at the agreed time — 8%, 26%, 66%
- The auditors minimised disruption to you during the audit — 6%, 25%, 68%

Row 2:
- You were kept updated on audit observations — 5%, 30%, 65%
- Audit communications were professional & effective — 21%, 77%
- Access to audit staff was always available — 18%, 78%
- Auditors were professional, knowledgeable & understanding — 18%, 81%
- The Audit de-brief was relevent & effective — 20%, 73%

Row 3:
- Your audit needs were met & you were treated fairly — 28%, 70%
- Audit reports were appropriate & issued within timescales — 6%, 26%, 68%
- The audit report was agreed with you — 26%, 70%
- The final report was fair and supported your service needs — 2%, 27%, 71%
- **Overall Customer Survey Satisfaction 96%** — 4%, 26%, 70%
  - ■ Very Satisfied
  - □ Satisfied
  - ■ Adequate
  - ■ Poor

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 that 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 we are able to 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 not been notable this year and we have been able to accommodate the changes required within planned resources and completed the work.

In assessing the level of assurance, the following have been taken into account:

All audits completed during 2023/24, including those audits carried forward from 2022/23;

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.