



# North Devon District Council Internal Audit Progress Report

## March 2020

### Distribution List:

Ken Miles	-	Chief Executive
Jon Triggs	-	Head of Resources
Governance Committee		

This report ("Report") was prepared by Mazars LLP at the request of North Devon District Council and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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Please refer to the Statement of Responsibility in Appendix IV of this Report for further information about responsibilities, limitations and confidentiality.

## 1. INTRODUCTION

- 1.1 The purpose of internal audit is to provide Members and the Chief Executive, through the Governance Committee, with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving North Devon District Council's agreed objectives. In order to provide this opinion, we are required to review annually the risk management and governance processes within North Devon District Council and on a cyclical basis, the operation of internal control systems within the organisation.
- 1.2 This report sets out the internal audit activity since the last Governance Committee meeting in January 2020 for North Devon District Council.

## 2. COMPLETION OF THE INTERNAL AUDIT PLAN

- 2.1 Appendix I details the 2018/19 Operational Internal Audit Plan (2018/19 Plan) and shows the status of work to date and the number of days delivered.

The following table summarise progress against the plan:

Number of audits in plan	17	
Number of audits finalised	13	76.5%
Number of audits issued at draft	4	23.5%
Number of audits in progress	0	
Number of audits with agreed planned dates	0	
Number of audits to be planned	0	

Appendix II details the 2019/20 Operational Internal Audit Plan (2019/20 Plan) and shows the status of work to date and the number of days delivered.

The following table summarise progress against the plan:

Number of audits in plan	18	
Number of audits finalised	1	5.5%
Number of audits issued at draft	2	11%
Number of audits in progress	6	39%
Number of audits with agreed planned dates	1	
Number of audits to be planned	8	

- 2.2 We can report that based on the number of days in the plans (excluding contingency) as at 31 December 2019, 100% of the 2018/19 Plan has been completed and 55.5% of the 2019/20 Plan has been completed. Extra resources have been programmed in to support completion of the 2019/20 Plan.
- 2.3 We have issued two final reports since the last Committee meeting:

Business Continuity 2018/19
Treasury Management 2019/20

- 2.4 Appendix III and IV details the 2018/19 and 2019/20 recommendations for individual reports with a full or substantial overall opinion finalised since the last Governance Committee meeting. Recommendations with a priority rating of 2 are detailed in full, whilst those with a rating of 3 are not shown in detail. In addition, an overall audit opinion is given for each report. Management responses are only included where there is a substantial comment. Where management has accepted the recommendation this has not been included.

### Significant Control Weaknesses 2018/19

- 2.5 Based on the work we have undertaken, there are three priority one recommendations to bring to the attention of the Governance Committee. These are all within the Business Continuity Report 2018/19 with details in Appendix III of this report.

### Performance of the Internal Audit Service

- 2.6 The following tables detail the Internal Audit service performance for the 2018/19 and 2019/20 years measured against the key performance indicators set out in the Internal Audit Quality Plan.

No.	Performance indicator	Target	Actual 18/19
1.	A close out meeting to be held for each audit	100%	100%
2.	Average period between the close out meeting and issue of the draft report	10 days	4.4 days
3.	Average period between the receipt of final management responses and issue of the final report	10 days	1 day
4.	Average customer satisfaction score (measured by survey for each audit) – (Target is 80% or 4 or above) 5=Very good; 4=Good; 3=Satisfactory; 2=Poor; 1= Very poor	4	3.83

No.	Performance indicator	Target	Actual 19/20
1.	A close out meeting to be held for each audit	100%	100%
2.	Average period between the close out meeting and issue of the draft report	10 days	n/a*
3.	Average period between the receipt of final management responses and issue of the final report	10 days	n/a*
4.	Average customer satisfaction score (measured by survey for each audit) – (Target is 80% or 4 or above) 5=Very good; 4=Good; 3=Satisfactory; 2=Poor; 1= Very poor	4	n/a*

## 3. Action Required

- 3.1 The Governance Committee is asked to note our progress report.

## Appendix I – Progress against the 2018/19 Plan

	Audit Title	Proposed Quarter	Planned Days	Anticipated Risk Level	Assurance	Priority One	Priority Two	Priority Three	Status
1.	Risk Management and Corporate Governance	Q4	10	Medium	<b>Substantial</b>	<b>0</b>	<b>1</b>	<b>2</b>	Final Report 21 August 2019.
2.	Main Accounting System and Budgetary Control	Q3	12	High	<b>Substantial</b>	<b>0</b>	<b>0</b>	<b>1</b>	Final Report 5 March 2019.
3.	Creditors	Q3	10	Medium	<b>Substantial</b>	<b>0</b>	<b>1</b>	<b>2</b>	Final Report 16 August 2018.
4.	Payroll	Q1	10	Medium	<b>Substantial</b>	<b>0</b>	<b>0</b>	<b>1</b>	Final Report 16 <sup>th</sup> August 2018
5.	Cash Collection	Q2	8	Medium	<b>Substantial</b>	<b>0</b>	<b>0</b>	<b>1</b>	Final Report 13 December 2018.
6.	Council Tax and NNDR (including NNDR maximisation)	Q3	15	Medium	<b>Substantial</b>	<b>0</b>	<b>0</b>	<b>1</b>	Final Report 8 January 2019.
7.	Housing Benefits	Q1	10	Medium	<b>Substantial</b>	<b>0</b>	<b>0</b>	<b>1</b>	Final Report 12 December 2018.
8.	Efficiency savings	Q2	10	Medium	<b>Full</b>	<b>0</b>	<b>0</b>	<b>0</b>	Final Report 23 August 2019.
9.	Waste Management (Refuse and Recycling)	Q3	10	Medium					Draft Report issued 3 October 2019.
10.	Regeneration Projects	Q1	10	Medium					Draft Report issued 29 <sup>th</sup> January 2020
11.	Business Continuity	Q2	10	High	<b>Nil</b>	<b>3</b>	<b>1</b>	<b>0</b>	Final Report issued 20 <sup>th</sup> February 2020
12.	Civil Contingencies Plan	Q1	10	High					Draft Report issued 13 December 2019
13.	IT Audits: - GDPR - Email Exchange	Q4	11 11	High	<b>Substantial</b> <b>Limited</b>	<b>0</b> <b>0</b>	<b>1</b> <b>3</b>	<b>5</b> <b>1</b>	Final Report 19 February 2019. Final Report 24 January 2019.
14.	Fraud, Bribery & Ethics National Fraud Initiative	Q2	8	Low					Draft Report issued 13 December 2019

	Audit Title	Proposed Quarter	Planned Days	Anticipated Risk Level	Assurance	Priority One	Priority Two	Priority Three	Status
15.	VAT	Q1	10	Low	<b>Substantial</b>	<b>0</b>	<b>0</b>	<b>1</b>	Final Report 9 October 2019.
16.	Crematorium	Q4	3	Low	<b>Full</b>	<b>0</b>	<b>0</b>	<b>0</b>	Final Report 22 October 2019.
17.	Follow Up	Q4	10	N/A		<b>0</b>	<b>0</b>	<b>0</b>	Final Report 22 August 2019.
18.	Contingency	N/A	20	N/A					20 days utilised for waste management review
19.	Audit Management	N/A	22	N/A					
	<b>Total</b>		<b>220</b>			<b>3</b>	<b>16</b>	<b>17</b>	

## Appendix II – Progress against the 2019/20 Plan

	Audit Title	Proposed Quarter	Planned Days	Anticipated Risk Level	Assurance	Priority One	Priority Two	Priority Three	Status
1.	Risk Management and Corporate Governance	Q4	10	Medium					Fieldwork completed, draft report in review.
2.	Main Accounting System and Budgetary Control	Q3	12	High					Fieldwork completed, draft report in progress.
3.	Debtors	Q1	8	Medium					Draft Report issued 11 <sup>th</sup> February 2020
4.	Payroll	Q1	10	Medium					Fieldwork completed, draft report in progress.
5.	Treasury Management	Q1	8	Medium	<b>Full</b>	<b>0</b>	<b>0</b>	<b>0</b>	Final Report 11 <sup>th</sup> February 2020
6.	Council Tax and NNDR (including NNDR maximisation)	Q2	15	Medium					Draft Report issued 17 <sup>th</sup> February 2020
7.	Housing Benefits	Q2	10	Medium					Fieldwork completed, draft report in progress.
8.	Human Resources	Q3	10	Medium					Terms of reference drafted.
9.	Housing Needs	Q3	10	Medium					Terms of reference drafted.
10.	New Housing Schemes	Q2	10	Medium					Fieldwork to commence 9 <sup>th</sup> March 2020
11.	Building Control	Q3	10	Medium					Terms of reference drafted.
12.	IT Audit	Q4	22	High					
13.	CCTV	Q4	8	Medium					Terms of reference drafted.
14.	Contracts and Capital Expenditure	Q3	10	High					Terms of reference drafted.
15.	Performance Management	Q4	10	Medium					Terms of reference drafted.

	Audit Title	Proposed Quarter	Planned Days	Anticipated Risk Level	Assurance	Priority One	Priority Two	Priority Three	Status
16.	Safeguarding	Q3	8	Low					Terms of reference drafted.
17.	Crematorium	Q4	3	Low					Fieldwork in progress.
18.	Follow Up	Q4	10	N/A					Fieldwork in progress.
20.	Audit Management	N/A	22	N/A					Ongoing over Plan period.
	<b>Total</b>		<b>206</b>			<b>0</b>	<b>0</b>	<b>0</b>	



## Appendix III – Internal Audit Recommendations 2018/19

### Business Continuity

Nil Assurance



#### Scope

The audit covered the following areas:

- Business Continuity Plan, policy and arrangements;
- Individual Business Resumption Plan, including:
  - Identification of key resources;
  - Minimisation of loss of use of facilities;
  - Clarity of levels of interim service;
  - Definition of resumption of service times;
  - Process for the diverting of telephone calls and mail;
  - Access to alternative facilities;
  - Access to contractor and supplier information;
  - Access to property details;
  - Robust testing regime;
  - Business Impact Analysis;
- Impact of Business Resumption Plans upon the Council's IT Disaster Recovery Plan.

**Three priority one and one priority 2 recommendations were raised**

**Priority 1 - Update of the Business Continuity Policy and Plan**

Recommendation	Rationale	Management Response
<p>The BCM Policy and BCIM Plan should be reviewed and updated to reflect current Council requirements.</p> <p>Such policies and plans should then be reviewed and updated on an annual basis.</p>	<p>The periodic and regular review and update of all policies and plans will help to ensure these remain relevant to the needs of the Council.</p> <p>Examination of the BCM Policy and BCIM Plan identified that both were dated July 2016 and that there was a requirement to review both in June 2017. No evidence of any review was evident.</p> <p>Where policies and plans are not reviewed and updated, there is an increased risk that such policies and plans become out of date, and do not provide effective assistance in the management of and recovery from any business continuity incident.</p>	<p>Subsequent to this recommendation, resources have been acquired in respect of business continuity, namely the appointment of a new Emergency Planning Officer, Alex Miles as of 25 November 2019. This recommendation is agreed, and works will be undertaken to update the Business Continuity Management Policy (BCM) and the Business Continuity Incident Management Plan (BCIMP) prior to 31 March 2021.</p>

**Priority 1 - Update of Service Resumption Plans**

Recommendation	Rationale	Management Response
<p>All Service Resumption Plans should be reviewed on at least an annual basis and the updated plans submitted to the Public Protection Manager for review.</p> <p>Where the Public Protection Manager has not received a reviewed plan, this should be raised with the relevant Head of Service, and the Head of Environmental Health &amp; Housing.</p>	<p>The periodic and regular review of Service Resumption Plans will help to ensure the plans remain up to date and relevant for the needs of the Council and individual services.</p> <p>The 11 Service Resumption Plans were all dated from 2016 with a requirement for review in 2017 but no such review was evident.</p> <p>Where plans are not regularly reviewed and updated, there is an increased risk that plans become out of date and do not provide effective assistance in the management of and recovery from any business continuity incident.</p>	<p>This recommendation is agreed, in light of the volume of plans, it is envisaged that works will be undertaken prior to 31 March 2021.</p>

### Priority 1 - Testing of Service Resumption Plans

Recommendation	Rationale	Management Response
<p>A test of each Service Resumption Plan should be undertaken at least on at least an annual basis. On completion of the test a lessons learnt report should be employed to update the plan.</p> <p>All such documentation should be retained in Resilience Direct.</p>	<p>The BCM Policy contains a requirement that all Service Resumption Plans are tested in 2016/17 quarters three and four. This may be carried out through desktop reviews, review of real life incidents, scenario testing. Following testing the Resumption Plans should be updated.</p> <p>Examination of the Service Resumption Plans confirmed that these had not been reviewed or updated to include any findings from any test, not do these record a test as having been completed. There were no records of tests / exercises on Resilience Direct.</p> <p>Where plans are not tested and updated, there is an increased risk that weaknesses exist in the plan and are not identified and rectified. This may undermine the effective management of any actual business continuity incident.</p>	<p>This recommendation is agreed. In light of the proposed compliance date for the plans being completed in Recommendation 3, it is suggested that a date of 31 December 2021 would be an appropriate time-frame for completion. A corporate calendar is in the process of being completed which will encompass review and testing schedules for business continuity plans.</p>

**Priority 2 - Resilience Direct – User Access**

Recommendation	Rationale	Management Response
<p>Resilience Direct users should be reviewed and updated to ensure all are still current and appropriate. Further review and update should then be effected on a periodic basis.</p>	<p>Maintaining up to date user access to Resilience Direct will assist management to ensure that staff responsible for business continuity have access to the information they need in the event if an incident.</p> <p>It was established that there are 14 users with access to NDC Resilience Direct and discrepancies between those with access and those identified as owners of Service Resumption Plans were noted. We particularly noted:-</p> <ul style="list-style-type: none"> <li>• No access for the               <ul style="list-style-type: none"> <li>○ Ilfracombe Harbour Master (current or previous officer),</li> <li>○ Building Control Manager,</li> <li>○ Elections Manager, Estates Officer,</li> <li>○ Head of Legal Services, now the chief Executive; and</li> </ul> </li> <li>• Access for the former Chief Executive.</li> </ul> <p>Where user access levels are not reviewed and updated, there is an increased risk that officers with responsibility for services cannot access the necessary business continuity documentation in the event of an incident. The management of and recovery from any such incident may then be impacted upon.</p>	<p>This recommendation is agreed, albeit our new Emergency Planning Officer has now gained access to Resilience Direct, and has made amendments to the system to remove those individuals who no longer require access. The Building Control Manager has been added in respect of Building Control, and the Harbour Master has also now been added. The Head of Resources has confirmed that he will cascade any relevant information to estates, and the Chief Executive now has access to Resilience Direct and will confirm who will be responsible for elections</p>

## Priority 2 - Update of Service Resumption Plans

Recommendation	Rationale	Management Response
<p>All Service Resumption Plans should be reviewed on at least an annual basis and the updated plans submitted to the Public Protection Manager for review.</p> <p>Where the Public Protection Manager has not received a reviewed plan, this should be raised with the relevant Head of Service, and the Head of Environmental Health &amp; Housing.</p>	<p>The periodic and regular review of Service Resumption Plans will help to ensure the plans remain up to date and relevant for the needs of the Council and individual services.</p> <p>The 11 Service Resumption Plans were all dated from 2016 with a requirement for review in 2017 but no such review was evident.</p> <p>Where plans are not regularly reviewed and updated, there is an increased risk that plans become out of date and do not provide effective assistance in the management of and recovery from any business continuity incident.</p>	<p>This recommendation is agreed, in light of the volume of plans, it is envisaged that works will be undertaken prior to 31 March 2021.</p>

## Appendix IV – Internal Audit Recommendations 2019/20

### Treasury Management

Full Assurance



#### Scope

The audit covered the following areas:

- Policies and procedures including the Treasury Management Strategy and Policy;
- Levels, limits and institutions that can be dealt with for both lending and borrowing are clearly stated;
- Contracts/service agreements with investment managers and brokers;
- Authorisation limits to borrow and lend;
- Cash flow monitoring, maximising and forecasting; and
- Monitoring and Reporting of performance.

**No recommendations were raised**

## Appendix V - Statement of Responsibility

We take responsibility to North Devon District Council for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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