

Internal Audit

Update Report 2020/21

North Devon Council

August 2020
Official



Auditing for achievement

Introduction

This (short) report provides an update on performance against the internal audit plan for the 2020/21 financial year, highlighting the key areas of work undertaken and summarising our main findings and recommendations aimed at improving controls.

The key objectives of the Devon Audit Partnership (DAP) is to provide assurance to the Council on the adequacy, security and effectiveness of the systems and controls operating within the organisation.

The Internal Audit plan for 2020/21 was presented to and approved by the Governance Committee in March 2020. The following report and appendices set out the current position with regards work undertaken in 2020/21 and provides our opinion on the overall adequacy and effectiveness of the internal control environment.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide a report providing an opinion that can be used by the organisation to inform its governance statement. This report, when consolidated with those of other service areas, provides a position statement on the progress towards that opinion.

Expectations of Members of the Governance Committee from this update report are:-

That members are requested to consider:

- the opinion statement within this report;
- the completion of audit work against the plan;
- the scope and opportunity of audit to complete the audit work;
- audit findings provided;
- the overall performance and customer satisfaction on audit delivery.

In review of the above, members of the Governance Committee should consider the assurance provided alongside that of the Risk Management and other assurance arrangements and satisfy themselves that the internal control framework continues to be maintained at an adequate level to mitigate risks; the Committee should look to inform the Council of any concerns to meet overall governance requirements.

Contents	Page
Introduction	1
Audit Assurance Statement	2
Value Added	3
Progress Against Plan	3
Summary Assurance Opinions	4
Fraud Prevention and Detection	5
Customer Value	6
Appendices	
1 – Summary of Audit Progress as at August 2020	
2 – Audit Authority	
3 – Annual Governance Framework	
4 - Confidentiality under the National Protective Marking Scheme	
5 – Definitions	

Audit Assurance Statement

Overall, based on work performed during 2020/21 and drawing from the experiences and opinions of the former internal audit provider and their previous work, the Head of Internal Audit’s Opinion is of “Substantial Assurance” on the adequacy and effectiveness of the internal control framework.

Our processes require that where weaknesses have been identified management should agree these findings and either agree our recommendations or accepted the associated risks. Where management actions have been agreed, as appropriate we shall undertake follow up work to ensure that the identified risks have been mitigated

Managers are provided with details of Internal Audit’s opinion on each audit review carried out. All audit reports include an action plan which identifies responsible officers, and target dates, to address control issues identified during a review. If significant weaknesses have been identified in specific areas, these will need to be considered by the Authority in preparing its Annual Governance Statement for the Statement of Accounts for 2020/21.

Covid-19 Statement

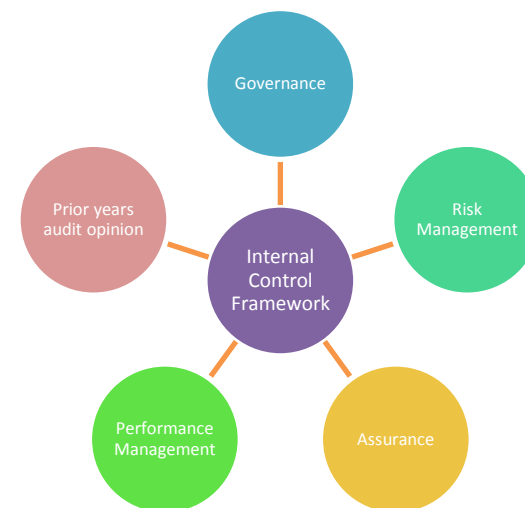
The Covid 19 pandemic has had a considerable impact on all our lives. At the June Committee we presented a paper setting out how DAP intended to respond and the challenges facing the delivery of internal audit work.

As set out in that paper we have concentrated on developing an assurance map, identifying the key controls on which the Council relies on to ensure integrity and effectiveness in its operations.

Where possible planned audit work has been carried out in a remote way. Our work for 2020/21 has been subject to a much slower start than we would ideally have liked, due to the impact of Covid. However, we have now set up remote working arrangements for a number of staff and expect that audit work will be progressing more effectively from now onwards.

We will continue to offer advice and support as needed and aim to flexible in supporting the Council at this challenging time.

This statement of opinion is underpinned by our consideration of:



Full Assurance	Risk management arrangements are properly established, effective and fully embedded, aligned to the risk appetite of the organisation. The systems and control framework mitigate exposure to risks identified & are being consistently applied in the areas reviewed.
Substantial Assurance	Risk management and the system of internal control are generally sound and designed to meet the organisation’s objectives. However, some weaknesses in design and / or inconsistent application of controls do not mitigate all risks identified, putting the achievement of particular objectives at risk.
Limited Assurance	Inadequate risk management arrangements and weaknesses in design, and / or inconsistent application of controls put the achievement of the organisation’s objectives at risk in a number of areas reviewed.
No Assurance	Risks are not mitigated and weaknesses in control, and /or consistent non-compliance with controls could result / has resulted in failure to achieve the organisation’s objectives in the areas reviewed, to the extent that the resources of the Council may be at risk, and the ability to deliver the services may be adversely affected.

Added Value

Our internal audit activity aims to add 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.

We trust that officers will find our engagement and support as a “trusted advisor” effective and constructive in these significantly changing times

Progress Against Plan

This report compares the work carried out with the work that was planned, presents a summary of the audit work undertaken, includes an opinion on the adequacy and effectiveness of the internal control environment and summarises the performance of the Internal Audit function against its performance measures and other criteria.

Work will include undertaking follow up audits on areas where significant findings were made in the previous year and reporting to committee thereon, and progressing assignments in accordance with timescales agreed with management.

A table showing the status of planned audits and their associated reported executive summaries is shown at Appendix A. In addition to the year’s planned work, consultancy and advice continues to be provided, for example around the payment of business grant relief and the associated fraud risks.

Fraud Prevention and Detection

Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. The Governance Committee has a key role to play in ensuring the Council remains alert and vigilant to the risk of fraud and corruption.

The Cabinet Office runs a national data matching exercise, The National Fraud Initiative (NFI), every two years. The 2020/21 exercise is due to start in October 2020 and departments will be required to supply their datasets (which will be uploaded onto the NFI secure website in October 2020 in accordance with the NFI timetable). The subsequent matching reports will be received back from the Cabinet Office in February 2021 and departments have been reviewing the matches throughout 2019/20. We are happy to support the Council in this

During 2020/21 financial year to date, Internal Audit has not been made aware of any possible irregularities. However, we have sought to provide updates and guidance to Council Officers on counter fraud measures and emerging scams and fraud risks, particularly with regards payments being made to businesses in respect of Covid 19 support.

Counter Fraud Investigations

Devon Audit Partnership has a dedicated Counter Fraud Services Team. The team offer a full and comprehensive investigation service and have carried out proactive and reactive investigation work for the majority of councils in Devon.

The Counter Fraud Team Manager is always available to provide advice, guidance and support on Counter Fraud and fraud investigation matters.

Customer Value

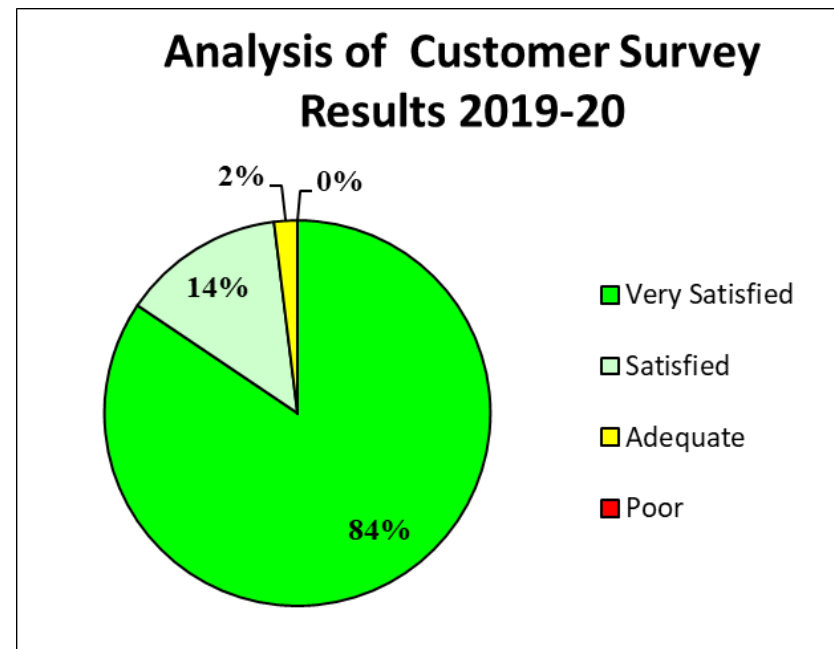
Customer Service Excellence

DAP maintains accreditation by G4S Assessment Services of the CSE standard during the year.

We will issue client survey forms with all our final audit reports. The results of the surveys returned in the previous financial year from other DAP partners and clients are very good and remain very positive. The overall result was very pleasing, with 98% being "satisfied" or better across our services. 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.

Added Value

We have had some very complimentary feedback of where our team have been able to add value to the Council these may be found upon our webpage.



Inherent Limitations

The opinions contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed.

Acknowledgements

We would like to express our thanks and appreciation to all those who provided support and assistance during the course of the audits.

Robert Hutchins
Head of Audit Partnership

Assurance Opinion and Extract Executive Summaries – as at August 2020

Appendix I

Audit Title	Corporate Risk Register	Input (days)	Progress as at Aug 2020
Risk Management and Corporate Governance	Medium	10	Key controls identified; assurance map entry completed.
Main Accounting System & Budgetary Control	Medium F CRR 00	12	Key controls identified; assurance map entry completed.
Creditors (including ordering processes)	Medium	10	Key controls identified; assurance map entry completed.
Payroll	Medium	14	Key controls identified; assurance map entry completed.
Cash Collection	Medium	4	Key controls identified.
Council Tax & NNDR	Medium	10	Key controls identified; assurance map entry completed.
Housing Benefits	Medium	15	Key controls identified; assurance map entry completed.
Regeneration Projects	Medium	8	Key controls identified.
Parking Operations	Low	8	Meet with Parking Manager to identify key controls
Customer Service Centre	Medium	8	Meet with Communications Manager to identify key controls
Health & Safety	Medium Risk G CRR 08	7	Meet with Health and Safety Manager to identify key controls
Information Technology Audit	Medium G CRR 01	22	Meet with IT Manager to identify audits to be undertaken
National Fraud Initiative	Low Risk G CRR 36	7	Key controls identified.
Crematorium	Low	3	Key controls identified.
Transformation Programme	Medium R CRR 01 also R CRR 41	8	Meet with Head of Resources to identify key controls
Information Governance	Medium I CRR 02, I CRR 03	5	Meet with Head of Resources to identify key controls
Climate Change	Medium	10	Meet with Head of Resources to identify key controls
Governance Arrangements	Medium	5	Meet with Head of Resources to identify key controls
Other areas	Leisure contract (Parkwood)	5	Meet with Leisure Contract Manager to identify key controls
Other areas	Member Allowances	5	Key controls identified
Follow Up	N/A	10	
Contingency	NA	10	
Audit Management		22	
TOTAL		218	

Appendix 2 – Audit Authority



Appendix 3 - Annual Governance Framework Assurance

This report provides an update on internal audit work on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.

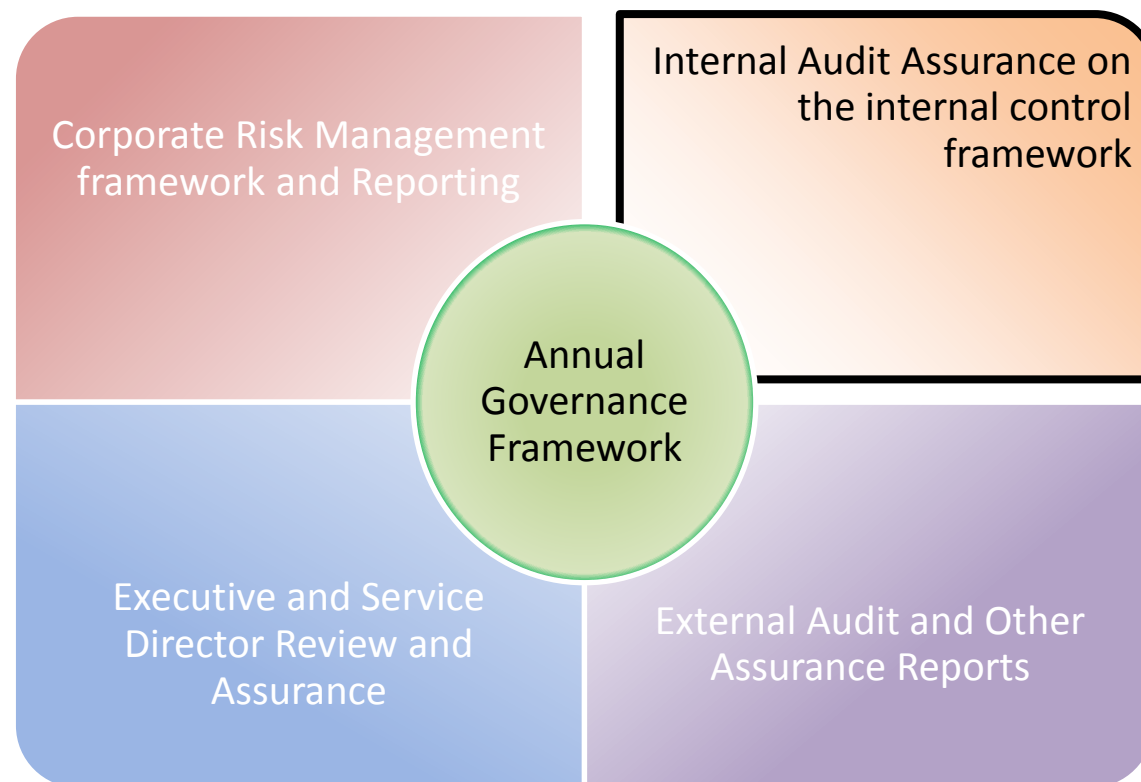
The Annual Governance Statement provides assurance that

- 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 Governance 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 Council;
 - Governance 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 Chair.

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

Appendix 4 - Confidentiality under the National Protective Marking Scheme

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.

Marking	Definitions
Official	The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.
Official: Sensitive	A limited subset of OFFICIAL information could have more damaging consequences if it were lost, stolen or published in the media. This subset of information should still be managed within the 'OFFICIAL' classification tier but may attract additional measures to reinforce the 'need to know'. In such cases where there is a clear and justifiable requirement to reinforce the 'need to know', assets should be conspicuously marked: 'OFFICIAL-SENSITIVE'. All documents marked OFFICIAL: SENSITIVE must be handled appropriately and with extra care, to ensure the information is not accessed by unauthorised people.

Appendix 5 - Definitions

Definitions of Audit Assurance Opinion Levels

Assurance	Definition
High Standard	The system and controls in place adequately mitigate exposure to the risks identified. The system is being adhered to and substantial reliance can be placed upon the procedures in place. We have made only minor recommendations aimed at further enhancing already sound procedures.
Good Standard	The systems and controls generally mitigate the risk identified but a few weaknesses have been identified and / or mitigating controls may not be fully applied. There are no significant matters arising from the audit and the recommendations made serve to strengthen what are mainly reliable procedures.
Improvements required	In our opinion there are a number of instances where controls and procedures do not adequately mitigate the risks identified. Existing procedures need to be improved in order to ensure that they are fully reliable. Recommendations have been made to ensure that organisational objectives are not put at risk.
Fundamental Weaknesses Identified	The risks identified are not being controlled and there is an increased likelihood that risks could occur. The matters arising from the audit are sufficiently significant to place doubt on the reliability of the procedures reviewed, to an extent that the objectives and / or resources of the Council may be at risk, and the ability to deliver the service may be adversely affected. Implementation of the recommendations made is a priority.




Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay and Devon councils. 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 robert.hutchins@devonaudit.gov.uk

Definition of Recommendation Priority

High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision. Important recommendations made to improve internal control arrangements and manage identified risks.
Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.
Opportunity	A recommendation to drive operational improvement which may enable efficiency savings to be realised, capacity to be created, support opportunity for commercialisation / income generation or improve customer experience. These recommendations do not feed into the assurance control environment.

Direction of Travel Indicators

Indicator	Definitions
	No Progress has been made. The action plan is not being progressed at this time; actions remain outstanding.
	Progress has been made but further work is required. The action plan is being progressed though some actions are outside of agreed timescales or have stalled.
	Good Progress has/is being made. Good Progress has continued.