

East Devon District Council

Report of Internal Audit Activity

Plan Progress 2020/21 March 2021

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Internal Audit Plan Progress 2020-21

Our audit activity is split between:

- **Operational Audit**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **Other Reviews**



Role of Internal Audit

The Internal Audit service for the East Devon District Council is provided by South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter which was presented at the September 2020 Audit and Governance Committee.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes:

- Operational Audit Reviews
- Cross Cutting Governance Audits
- Annual Review of Key Financial System Controls
- Grants
- Other Special or Unplanned Review

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Senior Management Team. Due to Covid-19 presentation of the 2020-21 plan to the Audit Committee was delayed. The plan was presented at the September 2020 Audit & Governance Committee. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

Internal Audit Plan Progress 2020-21

Outturn to Date:

We rank our recommendations on a scale of 1 to 3, with 3 being minor or administrative concerns to 1 being areas of major concern requiring immediate corrective action.



Internal Audit Work programme

The schedule provided at **Appendix B** contains a list of all audits in the draft plan for 2020-21. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed on **Appendix A** of this document.

The following table summarises the Audits finalised from the 2020/21 Plan since the January update.

Audit Area	Quarter	Status	Opinion
Performance Management	3	Final	Reasonable

Please see the Limited/No Assurance section below for further information on the above reviews.

Internal Audit Plan Progress 2020-21

Significant Corporate Risks

Identified Significant Corporate Risks should be brought to the attention of the Audit Committee.

Completed Assignments:

Summary of work completed with a focus on the high priority issues that we believe should be brought to the attention of the Audit Committee.

- Limited or No Assurance Opinions
- Follow-ups



Significant Corporate Risks

We provide a definition of the 3 Risk Levels applied within audit reports and these are detailed in **Appendix A**. For those audits which have reached report stage through the year, I will report risks we have assessed as 'High'.

In this update there are no final reports included with significant (High) corporate risks.



Summary of Work Completed – Limited or No Assurance Opinions

There are no audits finalised to bring to your attention that had 'limited' or 'No' Assurance opinions.

Internal Audit Plan Progress 2020-21

The Assistant Director for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.



SWAP Performance

SWAP now provides the Internal Audit service for 25 public sector bodies. SWAP performance is subject to regular monitoring review by both the Board and the Member Meetings. The respective outturn performance results for East Devon District Council for the 2020/21 (as of 4 March 2021) were as follows:

Performance Target	Target Year End	Average Performance
<u>Audit Plan – Percentage Progress</u> Final, Draft and Discussion In progress Not Started	>90%	67% 21% 13%
<u>Quality of Audit Work</u> Customer Satisfaction Questionnaire	>95%	None Received
<u>Outcomes from Audit Work</u> Value to the Organisation <i>(client view of whether our audit work met or exceeded expectations, in terms of value to their area)</i>	>95%	Year end

Internal Audit Plan Progress 2020-21

We keep our audit plans under regular review so as to ensure that we are auditing the right things at the right time. Due to Covid-19 the plan priority areas will be agreed on a quarter-by-quarter basis.



Approved Changes to the Plan

The audit plan for 2020/21 is detailed in **Appendix B**. Inevitably changes to the plan will be required during the year to reflect changing risks and ensure the audit plan remains relevant to East Devon District Council. Members will note that where necessary any changes to the plan throughout the year will have been subject to agreement with the appropriate Service Manager and the Section 151 Officer.

To manage continuity of work during Covid-19 we have adapted the quarters when audits are undertaken which has resulted in some audits being brought forward and others being pushed back depending on service pressures and staff availability. The new national lockdown announced in January 2020 has further increased the pressure on EDDC through administering additional grants which impacts on BAU service requirements. Also recognising that Fraud risks increase in times of change or crisis changes have been made to the Audit plan to manage these two aspects. Current planned timing of audits is contained in **Appendix B**.

Since our update on the 28 January there are a further two changes to bring to your attention.

LED Contract Management – A number of changes are going on in this area which includes a consultant undertaking some work during this quarter. To not over

Decision Making – Due to a review on the constitution and officer availability this review has been moved to the 2021-22 Audit Plan.

Internal Audit Plan Progress 2020-21



Conclusion

The impact of Covid-19 continues to be felt throughout 2020-21 with additional impacts on services, on-going homeworking and childcare arrangements. The delivery of the 2020-21 Audit plan has been flexible to accommodate the changing needs and priorities of East Devon District Council. Overall good progress has been made on the Audit Plan for 2020-21 and I would like to thank EDDC Officers given the additional pressures they are facing.

There are a number of reviews that are currently at draft report stage. Hopefully by the time of reporting to the Audit Committee a number of these should be finalised.

Assurance Definitions

No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control are inadequate to effectively manage risks to the achievement of objectives in the area audited.
Limited	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	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.
Substantial	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Non-Opinion/Advisory	In addition to our opinion-based work we will provide consultancy services. The “advice” offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance.

Definition of Corporate Risks

Risk	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Categorisation of Recommendations

In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:

Priority 1	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

Summary of Work Plan

Appendix B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
FINAL									
Operational Audit	Affordable Housing	1	Final	Reasonable	2	0	2	0	
Governance Fraud and Corruption	Discretionary Grant – Spotlight checks & Advice	1	Final	Advisory	0	0	0	0	
Governance Fraud and Corruption	Audit Committee Benchmarking	1	Final	Advisory	0	0	0	0	
Operational	Green Waste	1	Final	Reasonable	4	0	2	2	
Governance, Fraud and Corruption	Asset Register	2	Final	Reasonable	6	0	2	4	
Governance, Fraud and Corruption	S106/CIL Audit	2	Final	Limited	4	0	2	2	
Governance, Fraud and Corruption	Housing – H&S Compliance (Gas Safety)	2	Final	Reasonable	3	0	1	2	
Key Controls	Creditors	2	Final	Substantial	2	0	0	2	
Governance, Fraud, Corruption	New: Covid-19 Grants Q3 Spotlight checks.	3	Final	Advisory	0	0	0	0	
Governance, Fraud and Corruption	Performance Management	3	Final	Reasonable	3	0	0	3	

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
DRAFT									
Governance, Fraud and Corruption	Procurement	3	Draft						
Governance, Fraud, Corruption	Ethical Governance & Culture	2	Draft						
Governance, Fraud, Corruption	Council Premises – H&S Compliance	2	Draft						
Governance, Fraud, Corruption	New: Council Baseline Assessment of Maturity for Fraud Prevention	4	Draft						
Governance, Fraud, Corruption	Firmstep – Digital Transformation	3	Review						
Key Control	New Council Tax Reduction Scheme	3	Review						
IN PROGRESS									
Key Control	Council Tax	4	In Progress						Removed NDR section of this audit.
Governance, Fraud, Corruption	Integrated Asset Management Contract	4	In Progress						
Follow up	Corporate Health and Safety	4	In Progress						

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Follow up	Data Protection (GDPR)	4	In Progress						
Governance, Fraud, Corruption	NEW: Fraud Risks – Impact of Covid-19	4	In Progress						
NOT STARTED									
Governance, Fraud, Corruption	New: Covid-19 grants Q4 – Pre and post checks	4	Not Started						
Governance, Fraud, Corruption	New: Fraud Risk Assessment	4	Not Started						
Advice	New: Procurement Support	4	Not Started						
REMOVED									
Governance, Fraud, Corruption	Commercialisation Strategy	3	Removed			Replaced with Covid-19 Grants Q3 Spotlight checks.			
Governance, Fraud, Corruption	LED Contract Management	4	Removed			Replaced with Procurement Support and deferred to the 2021-22 Audit Plan.			
Governance, Fraud, Corruption	Decision Making	4	Removed			Deferred to 2021/22 at the request of the Strategic Lead – Governance and Licensing			
Operational Audits	Disabilities Facilities Grants and Better Care Funds	4	Removed			Replaced with Fraud Risks – Impact of Covid-19			

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Operational Audits	Private Sector Housing – Fines for Non-compliance	4	Removed			Replaced with Council Baseline Assessment of Maturity for Fraud Prevention and Fraud Risk Assessment			
Key Controls	Accounts Receivable	4	Removed			Replaced with Covid-19 grants Q4 – Pre and post checks			