

# East Devon District Council

## Report of Internal Audit Activity

2020-21 Outturn Report July 2021

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## Internal Audit Plan Outturn 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 approved by the Audit and Governance Committee at its meeting in March 2020.

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
- IT Audits
- 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. This year's Audit Plan was reported to and approved by this Committee at its meeting in March 2020. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

## Internal Audit Plan Outturn 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 Update

The schedule provided at **Appendix B** contains a list of all audits as agreed in the Annual Audit Plan 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 summarised Audits finalised since the last update in March 2021:

Audit Area	Quarter	Status	Opinion
Ethical Governance & Culture	1	Final	Reasonable
Procurement	3	Final	Reasonable
Firmstep – Digital Transformation	3	Final	Limited
Corporate Properties – H&S Compliance	3	Final	Reasonable
Council Tax	4	Final	Substantial
Integrated Asset Management Contract	4	Final	Limited

## Internal Audit Plan Outturn 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 Update Continued

Audit Area	Quarter	Status	Opinion
Council Baselines Assessment of Maturity for Fraud Prevention	4	Final	Advisory
Corporate H&S Follow up	4	Final	Advisory
Data Protection (GDPR)	4	Final	Advisory
Council Tax Reduction	4	Final	Advisory
<b>New:</b> Covid-19 grants Q4 – Spotlight Checking	4	Final	Advisory
<b>New:</b> Covid-19 Fraud Risk Assessment	4	Final	Advisory

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

## Internal Audit Plan Outturn 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 corporate risks.



### Summary of Work Completed – Limited or No Assurance Opinions

In this report there are two final reports included with Limited Assurance Opinions.

#### **Firmstep – Digital Transformation – Limited**

Firmstep is the digital platform currently being implemented by EDDC. It is a replacement for Lagan and the objective for replacing it was to offer customers increasing complex services online.

The objective of the audit was to establish whether the roll out of Firmstep is meeting its objectives and achieving the benefits agreed. We concluded that there was a medium risk of this objective not being met resulting in reputational damage, and increased service delivery costs.

Strata have rolled out or are in the processing of rolling out Firmstep across Teignbridge DC, Exeter CC and EDDC. As of October 2020, EDDC had 54 processes live on Firmstep. There has been a delay in the project roll out due to the Executive Sponsor of the project (the former Strategic Lead – HR and Organisational Development) having other operational pressures, being long term absent and then subsequently leaving the Council. The Officer who was given the responsibility of managing the project also left in summer 2020 and there has been a delay in finding a replacement due to not being able to find someone suitable and lack of clarity around the role and responsibilities required.

Actions agreed related to the lack of effective project management arrangements in place around benefits realisation and post implementation reviews.

## Internal Audit Plan Outturn 2020-21

### 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

### Summary of Work Completed – Limited or No Assurance Opinions

#### Integrated Asset Management Contract – Limited

The Integrated Asset Management Contract has been in place since July 2019. The objectives of the audit were as follows:

- To confirm that there are appropriate governance and relationship management arrangements in place.
- To confirm that the price per property exclusions, the servicing/cyclical maintenance and recovery of void costs is appropriately managed.

The team have been working hard to manage the contract between EDDC and Ian Williams despite the Covid-19 pandemic and the changes in management. However, some of the controls are not operating as effectively as expected in a contract of this size and type. It was noted that at the end of 2020/21 that only 46% of the KPI's were green with 36% of the KPI recorded as red and 18% as amber. Although this is being closely monitored this has contributed to the risk remaining as medium.

Key Findings identified were as follows:

- The Risk register is not being regularly updated or presented at the Core Group.
- Although the contract generally operated effectively during the Covid-19 pandemic, a Business Continuity Plan has not been drawn up and approved.
- EDDC currently do not hold any records of compliance for the regular service and inspections and undertaken by Ian Williams.
- The Contract variation process needs to be drawn up and agreed to prevent any future delays or misunderstandings regarding the process required.

It is important to note that actions are already being undertaken in response to the findings raised. We will follow up on these recommendations later in the year to confirm recommendations have been implemented and report back to the Audit Committee.

## Internal Audit Plan Outturn 2020-21

### 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

### Summary of Work Completed – Follow Up Audits

#### Data Protection (GDPR) – Follow up

We completed a follow up of the 2019/20 Data Protection audit which received a limited assurance opinion.

Due to an unprecedented year, there has been limited progress to complete the actions.

Progress Summary				
	Complete	In Progress	Not Started	Total
Priority 1	0	0	0	0
Priority 2	0	2	3	5
Priority 3	3	1	3	7
Total	3	3	6	12

Due to the changes in working practices and the limited actions completed we consider the residual risk around data protection remain as medium risk, as reported in the 2019/20 report. We will therefore be undertaking a further data protection review in Quarter 4 of 2021/22 and this will include confirming that the actions outstanding have been addressed together with the impact of changes working practices on data protection.



## Internal Audit Plan Outturn 2020-21

### 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

### Summary of Work Completed – Follow Up Audits

#### Corporate Health and Safety – Follow up

We completed a follow up of the 2019/20 Corporate Health and Safety audit which received a limited assurance opinion.

Progress Summary				
	Complete	In Progress	Not Started	Total
Priority 1	0	0	0	0
Priority 2	0	3	1	4
Priority 3	0	3	0	3
Total	0	6	1	7

The Covid pandemic has caused a delay in progressing the actions agreed in the audit. The pandemic has meant that the team have not been in normal operations for over a year. The H&S priorities that SMT focussed on related to the review of revised risk assessments and creation of working methods, rather than the training and reporting systems that were recommended. Formal revised timescales have not been agreed for all actions as they are of an ongoing nature, or the process are continually evolving due the changing risk landscape.

This change in risk landscape in the last year has resulted in some health and safety risks decreasing but there are other new risks that have arisen. We therefore consider that the risk to staff remains a medium risk.

We will follow up progress on these actions as part of the audit on the new arrangements around Health and Safety planned for later in 2021/22

## Internal Audit Plan Outturn 2020-21

### 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.



### Summary of Work Completed

#### **Baseline Assessment of Maturity for Fraud**

Local authorities have responsibilities for the effective stewardship of public money and for safeguarding against losses due to fraud and corruption. The Audit, Governance and Standards Committee should have oversight of the authority's counter fraud strategy, assessing whether it meets recommended practice and governance standards and complies with legislation such as the Bribery Act 2010.

To assist in this oversight a baseline assessment has been completed at East Devon District Council in line with requirements of the Fighting Fraud and Corruption Locally Strategy. Each of the 27 requirements have been given a red, amber or green, rating based on a corporate view across the organisation. The report for this work comes complete with an action roadmap for improvement and can be revisited in 12 months' time to demonstrate the direction of travel and any progress, including the improvement of maturity position. A full copy of the report and findings has been shared with the Audit and Governance Committee, together with the wider benchmarking report. Copies of the two reports are also available on the Audit Document Library. The chart below summarises the assessments outcomes against the 6 key theme area.

#### **Baseline Assessment of Six Themed Areas**



## Internal Audit Plan Outturn 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 24 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 Somerset West and Taunton for the 2020/21 (as of July 2021) were as follows:

Performance Target	Target Year End	Average Performance
<b><u>Audit Plan – Percentage Progress</u></b> Final, Draft and Discussion In progress Not Started	>90%	96% 4% 0%
<b><u>Quality of Audit Work</u></b> Customer Satisfaction Questionnaire	>95%	100%
<b><u>Outcomes from Audit Work</u></b> 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%	100%

## Internal Audit Plan Outturn 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**. Due to the impact of Covid-19 and the requests for some additional work to be added to the plan during the year we have had to remove some audits from the annual plan. The Plan has remained flexible throughout the year and targeted short-term priorities as agreed with SMT. There are no changes to the 2020-21 Audit Plan since our last update report to Audit Committee in March 2021.

## Assurance Definitions

<b>No</b>	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.
<b>Limited</b>	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.
<b>Reasonable</b>	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.
<b>Substantial</b>	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.
<b>Non-Opinion/Advisory</b>	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

<b>Risk</b>	<b>Reporting Implications</b>
<b>High</b>	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
<b>Medium</b>	Issues which should be addressed by management in their areas of responsibility.
<b>Low</b>	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:

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

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 Corruption2	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, Corruption	Ethical Governance & Culture	1	Final	Reasonable	3	0	0	3	
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	Corporate Properties – H&S Compliance	2	Final	Reasonable	5	0	2	3	
Governance, Fraud, Corruption	<b>New:</b> Covid-19 Grants Q3 Spotlight checks.	3	Final	Advisory	0	0	0	0	

## Summary of Work Plan

## Appendix B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Governance, Fraud and Corruption	Performance Management	3	Final	Reasonable	3	0	0	3	
Governance, Fraud, Corruption	Firmstep – Digital Transformation	3	Final	Limited	5	0	5	0	
Key Control	New Council Tax Reduction Scheme	3	Final	Advisory	0	0	0	0	
Governance, Fraud, Corruption	Procurement	4	Final	Reasonable	9	0	2	7	
Key Control	Council Tax	4	Final	Substantial	0	0	0	0	
Governance, Fraud, Corruption	Integrated Asset Management Contract	4	Final	Limited	9	0	6	3	
Governance, Fraud, Corruption	<b>New:</b> Council Baseline Assessment of Maturity for Fraud Prevention	4	Final	Advisory	0	0	0	0	
Follow up	Corporate Health and Safety	4	Final	Follow up	0	0	0	0	
Follow up	Data Protection (GDPR)	4	Final	Follow up	0	0	0	0	
Governance, Fraud, Corruption	<b>New:</b> Covid-19 grants Q4 – Spotlight Checking	4	Final	Advisory	0	0	0	0	
Governance, Fraud, Corruption	<b>New:</b> Covid-19 Fraud Post-Payment Risk Assessment	4	Final	Advisory	0	0	0	0	

## Summary of Work Plan

## Appendix B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Governance, Fraud, Corruption	<b>NEW:</b> Fraud Risks – Impact of Covid-19	4	Final	Advisory	1	0	1	0	
<b>IN PROGRESS</b>									
Governance, Fraud, Corruption	<b>New:</b> Fraud Risk Assessment	4	In Progress						
<b>DEFERRED OR REMOVED</b>									
Governance, Fraud, Corruption	Decision Making	4	Deferred		Moved to Quarter 2 – 2021/22 at request of Strategic Lead – Governance and Licensing				
Governance, Fraud, Corruption	LED Contract Management	4	Deferred		Moved to Quarter 1 – 2021/22 at request of Strategic Lead – Housing, Health and Environment				
Governance, Fraud, Corruption	Commercialisation Strategy	3	Removed		Replaced with Covid-19 Grants Q3 Spotlight checks.				
Operational Audits	Disabilities Facilities Grants and Better Care Funds	4	Removed		Replaced with Fraud Risks – Impact of Covid-19				
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	Deferred		Replaced with Covid-19 grants Q4 – Pre and post checks				