

East Devon District Council

Report of Internal Audit Activity

Plan Progress 2021/22 September 2021

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Internal Audit Plan Progress 2021-22

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 March 2021 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 Senior Management Team in March 2021 following a consultation exercise. The 2021-22 Audit Plan was reported to the Audit and Governance Committee and approved at its meeting in March 2021. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk within East Devon District Council.

Internal Audit Plan Progress 2021-22

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 2021-22. 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 2021/22 Plan:

Audit Area	Quarter	Status	Opinion
Payroll	1	Final	Substantial
Health and Wellbeing	1	Final	Reasonable
S106/CIL	1	Final	Follow up
Spotlight Checking – Restart Grants	1	Final	Advisory

Internal Audit Plan Progress 2021-22

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 that have been offered a Limited or No Assurance Opinion.

Internal Audit Plan Progress 2021-22

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

Section 106 and CIL – Follow up Audit

The original audit of Section 106/Community Infrastructure Levy (CIL) Audit was completed in December 2020 and received a Limited assurance opinion. The objective of the audit was to ensure that appropriate arrangements are in place to manage the receipt and expenditure of S106 and CIL contributions.

findings from the audit follow up have been summarised below.

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

We are pleased to report that all actions agreed in the report issued in December 2020 have now been completed. Two temporary members of staff started in February and April, and they have been helping address the backlog of actions outstanding on Exacom. They are under contract until August and October respectively.

The Participatory Budgeting Guide has been updated and the public facing Exacom is now live. A S106 and CIL update report produced by the Service Lead-Planning is also scheduled to be presented to the Audit and Governance Committee. Further information is provided within that agenda item.

Internal Audit Plan Progress 2021-22

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 2021/22 (as of 6 September 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%	28% 21% 52%
<u>Quality of Audit Work</u> Customer Satisfaction Questionnaire	>95%	100%
<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 2021-22

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 2021/22 is detailed in **Appendix B**. The priorities for Q3 and Q4 are yet to be finalised and may be subject to change. Members will note that, where necessary, any changes to the plan throughout the year will have been subject to agreement with the appropriate Service Lead and the Section 151 Officer.

The following audits have been added to the Internal Audit Plan:

- **Election Finances** – This was from a member request. The scope covers schedule of fees set and adhered to; staff expenditure related to elections is valid, authorised and coded correctly; miscellaneous expenditure is appropriate; and recharging of costs for non-district council elections are managed effectively.
- **Annual Leave Recording** – This piece of work was requested by S151 Officer after some inconsistencies were identified with how some staff are recording their annual leave.
- **Covid-19 Grants Post Payment Assurance** – this review has been split into two audits. A portion of the time for this audit was used to provide **Spotlight Checking for Restart Grants**. The remainder of the time has been used to provide post payment assurance checks around the Local Restriction Support Grant (LRSG) for both open and closed businesses for lock down two and three (November and January) as well as grants for the ‘wet’ pubs.
- **Integrated housing contract follow up** – We have scheduled in a follow up audit for quarter 4 on this area that was awarded limited Assurance.
- **Resilience Fund Grant Spotlight Checks** – We have had a request to provide support on the Spotlight checks that need to be undertaken for the award of these grants.

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									
Assurance	Payroll	1	Final	Substantial	0	0	0	0	
Assurance	Health and Wellbeing	1	Final	Reasonable	4	0	2	2	
Follow up	S106/CIL	1	Final	Follow up	0	0	0	0	All actions are completed
Advisory	New: Spotlight Checking – Restart Grants	1	Final	Advisory	0	0	0	0	
DRAFT									
Assurance	LED	1	Draft						
Assurance	Corporate H&S – Revised Working arrangements	2	Review						
Assurance	Contract Management	1	Review						
Advisory	Post-Payment Assurance for Grant Schemes	1	Draft						
IN PROGRESS									
Advisory	Fraud Risk Assessment	1	In Progress						2020/21 Audit

Summary of Work Plan

Appendix B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Assurance	New: Election Financing	2	In Progress						
Assurance	New: Annual Leave	2	In Progress						
Survey	Decision Making	2	In Progress						
Assurance	Fleet Management	2	In Progress						
Assurance	Risk Management	2	In Progress						
NOT STARTED									
Assurance	Financial Planning (MFTP)	2	Not started						
Assurance	ICT Assurance	2	Not Started						
Assurance	Workforce Planning	2	Not Started						
Indicative Audits for Quarters 3 and 4									
Assurance	Play Schemes/Areas	3	Not started						
Assurance	Debtors	3	Not started						

Summary of Work Plan

Appendix B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Advisory	New: Resilience Fund Grant Spotlight Checks	3	Not started						Management Request piece of work.
Assurance	Main Accounting	3	Not started						
Assurance	Housing Rents	3	Not started						
Assurance	Housing Benefit/Council Tax Support	3	Not started						
Assurance	Economic Resilience	3	Not started						
Assurance	Homelessness	3	Not started						
Assurance	Housing Compliance – Asbestos	4	Not started						
Assurance	Disabilities Facilities Grants (DFG)	4	Not started						
Assurance	Climate Change	4	Not started						
Assurance	New: Integrated Housing Management Contract – Follow up	4	Not started						