

East Devon District Council

Report of Internal Audit Activity

Plan Progress 2021/22 March 2022

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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 SWAP Internal Audit Services (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	Opinion
Annual Vehicle Declarations and Compliance	Limited
Small Works and Contracts	Limited
Risk Management	Reasonable
New: Integrated Housing Management Contract – Follow up	Follow Up
New: Firmstep follow up	Follow Up

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

Annual Vehicle Declarations and Compliance– Limited Assurance – January 2022

The objective of this audit was:

To confirm that white fleet drivers are adhering with the Annual Vehicle Declaration and that the Council is monitoring compliance. To establish progress made and review the plans in place on the electrification of the fleet.

Key findings identified from our testing include:

- Streetscene staff are working hard to manage the white vehicle fleet which includes the electrification of the fleet and associated infrastructure. There is, however, no dedicated Fleet Manager. This role is covered by the Streetscene Budget and Equipment Monitoring Officer who has a significant workload and, therefore, does not have the capacity to complete all the tasks required.
- The MobileApp, if being used correctly, enables Managers to view where staff are working and the journeys they make. However not all staff use the App consistently, and little monitoring is undertaken to ensure that staff are only using their vehicles for eligible journeys.
- Since the pandemic, although inductions have been undertaken and included the Safe Systems of Work for Drivers, there have been no records held to record attendance at the staff induction. Although we understand the reason for this, it is important that records of attendance are held for all future new starters. We also identified one new starter who had not completed an Annual Vehicle Declaration and was not on the list for following up.

Four priority-2 actions have been agreed with management with implementation dates to be completed no later than March 2022.

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 – Limited or No Assurance Opinions

Small Works and Service Contracts Management – Limited Assurance – January 2022

The objective of this audit was:

To provide assurance that the Council has appropriate systems in place to ensure contracts are monitored and managed in an effective manner and in accordance with its own rules.

Key findings identified from our testing include:

- We were unable to fully establish which contracts are currently in place as the Council does not maintain a contract register. Details of contracts tendered via the Procontract portal are available but does not currently show all contracts. The Council also does not publish all the details of the contracts as required by the Transparency Code. (P1 action agreed with an implementation date of March 2022)
- The Contract Standing Orders contain a paragraph on Contract Monitoring. However, this could be strengthened by classifying contracts according to the Model Services Contract Guidance produced by the Cabinet Office. (P2 action agreed with an implementation date of March 2022)
- Without clear guidance or training for contract managers the approach taken is at the discretion of the manager based on their experience. Identifying minimum corporate expectations on risk would be beneficial. (P2 action agreed with an implementation date of March 2022)
- Minor Works Agreements were not always completed properly with a lack of awareness on which clauses should apply. Training and/or guidance should be provided to those officers. (P3 action agreed with an implementation date of June 2022)

Without a contracts register in place it was difficult to identify all contracts being used at the Council and as a result this limited some of our testing.

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

Firmstep follow up – February 2022

The original audit of Firmstep was completed in May 2021 and received a Limited assurance opinion. The original audit objective was to establish whether the roll out of Firmstep was meeting its objectives and achieving the benefits agreed. During the original audit we sought to review: project management arrangements; the benefits Firmstep was intended to deliver and how these would be realised; post implementation reviews and analysis of benefits against the PID; and the provision of guidance and training to officers. A summary of progress made against the original recommendation is shown in the table below:

Follow Up Progress Summary				
Priority	Complete	In Progress	Not Started	Summary
Priority 1	0	0	0	0
Priority 2	0	1	4	5
Priority 3	0	0	0	0
Total	0	1	4	5

The action in progress related to Project Management which includes the recruitment of a Projects Officer (Digital Transformation) who will be in post by the end of the financial year. A revised target date has been set for 31 March 2022.

At point of our review the following actions in the following areas are yet to commence.

- Monitoring and measuring of benefits
- Post implementation reviews
- Training and guidance
- Project reporting and monitoring

These actions are contingent on the appointment of the Project Officer and a revised implementation date of July 2022 has been agreed.

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

Integrated Asset Management Contract Follow up – February 2022

The original audit of the Integrated Asset Management Contract was completed in July 2021. The original audit objective was to confirm there were appropriate governance and relationship management arrangements in place. Weaknesses identified during the original review included: core group arrangements; dispute resolution; partnership relationships; contract variations; key performance indicators; risk management; business continuity; servicing/cyclical maintenance; and the recharge policy for damage clearance and cleaning. Following testing we gave a Limited assurance opinion. Summary of progress on the recommendations made in the original review are shown below:

Follow Up Progress Summary				
Priority	Complete	In Progress	Not Started	Summary
Priority 1	0	0	0	0
Priority 2	3	3	0	6
Priority 3	3	0	0	3
Total	6	3	0	9

Outstanding areas for implementation are:

- the Core Group have not yet agreed the Business Continuity Plan but will shortly do so during their meeting on the 25/01/22.
- the Council is working with Ian Williams to produce a monthly finance report for review at Operational Meetings. A summary will then go to the Core Group. This is work in progress. The intention is for a report to be in place for the next Core Group meeting, when the content can be agreed.
- An Actions/Issues Log has been produced. The Majority of Action Points have been addressed, however some need to be tabled and ratified by Core Group and others remain work in progress. The intention is to have all issues addressed by the May 2022 Core Group.

A revised target date for the outstanding actions has been agreed for May 2022.

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 1 March 2022) 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%	81% 19% 0%
<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. 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 Audit Plan remains flexible to changes in priorities and emerging risks. A number of 'Additions' to the Internal Audit Plan were reported to the Audit Committee in September. Since September, in consultation with the Section 151 Officer and Senior Leadership Team, the audits that need to be deferred have now been agreed to accommodate these additional audits. Items that have been deferred will be carried in the rolling plan for inclusion in 2022-23.

The table below shows the changes to the plan since the previous update:

Original Audit Plan	Revised Audit Plan
Housing Rents	Deferred to Q1 due to year-end pressure.
Housing Compliance – Asbestos	New: Omicron Spotlight checks
Economic Resilience	New: Seaton Jurassic Centre – Lessons Learnt
Restart Grants Post Payment Assurance CIA	New: ARG4 Spotlight checks
Debtors	New: Housing Payments Process
Council Tax Support/Housing Benefit	New: Resilience Fund Grant Spotlight

Internal Audit Plan Progress 2021-22

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	
Assurance	LED	1	Final	Reasonable	5	0	2	3	
Advisory	Fraud Risk Assessment	1	Final	Advisory	0	0	0	0	
Assurance	Corporate H&S – Revised Working arrangements	2	Final	Reasonable	3	0	1	2	
Assurance	New: Election Financing	2	Final	Reasonable	3	0	1	2	
Assurance	New: Annual Leave	2	Final	Advisory	2	0	2	0	
Survey	New: Remote meetings - Benchmarking	2	Final	Advisory	0	0	0	0	
Assurance	New: DWP Referral	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	
Assurance	Annual Vehicle Declarations and Compliance	2	Final	Limited	4	-	4	-	Previously listed as Fleet Management. Report on members portal for information
Assurance	Small Works and Contracts	2	Final	Limited	4	1	2	1	
Assurance	Risk Management	2	Final	Reasonable	5	-	4	1	Report on members portal for information
Assurance	Integrated Housing Management Contract – Follow up	4	Final	Follow up	3	-	3	-	3 Priority-2 and 3 Priority-3 recommendations now complete.
Assurance	Firmstep follow up	4	Final	Follow up	5	-	1	4	No recommendations complete.
DRAFT									
Assurance	Post-Payment Assurance for Grant Schemes	2	Draft						
Assurance	Homelessness	3	Draft						
Assurance	Workforce Planning	3	Draft						
Assurance	Housing Payments	3	Draft						
Assurance	New: Whistleblowing	3	Draft						

Summary of Work Plan

Appendix B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
IN PROGRESS									
Assurance	ICT Assurance	3	In Progress						
Advisory	New: Resilience Fund Grant Spotlight Checks	3	In Progress						Management Requested piece of work.
Advisory	New: ARG4 Spotlight checks	4	In Progress						
Advisory	New: Omicron Spotlight checks	4	In Progress						
Advisory	New: Seaton Jurassic Centre – Lessons Learnt	4	Scoping						
NOT STARTED									
All planned audits are in progress or at report stage.									
Deferred to 2022-23 Audit Plan									
Assurance	Financial Planning (MFTP)	2	Not started	On rolling audit plan for 2022-23					
Assurance	Play Schemes/Areas	3	Not started	On rolling audit plan for 2022-23					
Assurance	Main Accounting	3		On rolling audit plan for 2022-23 – earmarked for q2					

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	Decision Making	3		On rolling audit plan for 2022-23					
Assurance	Disabilities Facilities Grants (DFG)	4		On rolling audit plan for 2022-23					
Assurance	Climate Change	4		On rolling audit plan for 2022-23 – earmarked for q1					
Assurance	Housing Rents	4		Proposed for 2022/23 audit plan					
Assurance	Housing Compliance – Asbestos	4		Proposed for 2022/23 audit plan					
Assurance	Economic Resilience	4		Proposed for 2022/23 audit plan					
Assurance	New: Restart Grants Post Payment Assurance CIA	4		Proposed for 2022/23 audit plan					
Assurance	Debtors	3		Proposed for 2022/23 audit plan					
Assurance	Council Tax Support/Housing Benefit	3		Proposed for 2022/23 audit plan					