

East Devon District Council

Report of Internal Audit Activity

2021-22 Outturn Report July 2022

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Internal Audit Plan Outturn 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 Outturn 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 since our last update in March 2022:

Audit Area	Opinion
Post-Payment Assurance for Grant Schemes	Advisory
Workforce Planning	Reasonable
Housing Payments	Limited
New: Resilience Fund Grant Spotlight Checks	Advisory
New: Whistleblowing	Advisory
New: ARG4 Spotlight checks	Advisory
New: Omicron Spotlight checks	Advisory
New: Seaton Jurassic Centre – Lessons Learnt	Advisory

Internal Audit Plan Outturn 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

One audit completed in the period received Limited Assurance, **Housing payments**. A one-page summary of our findings is included in **Appendix C**.

The Seaton Jurassic Centre Lessons Learnt review was completed. This has also been brought forward to Members' attention and one-page summary is included as part of **Appendix C**.

The full audit reports will be made available to Members on the Members Portal.

SWAP Performance

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 16 June 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%	100% 0% 0%
<u>Quality of Audit Work</u> Customer Satisfaction Questionnaire	>95%	100%
<u>Outcomes from Audit Work</u> Value to the Organisation (client view of whether our audit work met or exceeded expectations, in terms of value to their area)	>95%	Year end

Changes to the Plan

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
ICT Assurance	Due to client delays, this work has been deferred to the 22/23 audit plan.

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.

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	

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	Post-Payment Assurance for Grant Schemes	2	Final	Advisory	0	0	0	0	
Assurance	New: DWP Referral	3	Final	Advisory	0	0	0	0	
Assurance	Housing Payments	3	Final	Limited	5	1	1	3	
Advisory	New: Resilience Fund Grant Spotlight Checks	3	Final	Advisory	0	0	0	0	Management Requested piece of work.
Assurance	New: Whistleblowing	3	Final	Advisory	-	-	-	-	
Assurance	Workforce Planning	3	Final	Limited	6	-	3	3	
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	

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: ARG4 Spotlight checks	4	Final	Advisory	0	0	0	0	
Advisory	New: Omicron Spotlight checks	4	Final	Advisory	0	0	0	0	
Advisory	New: Seaton Jurassic Centre – Lessons Learnt	4	Final	Advisory	0	0	0	0	Note: Lessons identified rather than formal recommendations.
DRAFT									
Assurance	Homelessness	3	Draft						
Deferred to 2022-23 Rolling Audit Plan									
Assurance	Financial Planning (MFTP)	2		On rolling audit plan for 2022-23					
Assurance	Play Schemes/Areas	3		On rolling audit plan for 2022-23					
Assurance	Main Accounting	3		On rolling audit plan for 2022-23 – earmarked for q2					
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					

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	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					
Assurance	ICT Assurance	3		Proposed for 2022/23 audit plan					

Housing Invoice Payment Process – Final Report – April 2022



Audit Objective To confirm that the Key Controls around ordering and invoicing within the Housing Services are operating effectively.

Assurance Opinion



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.

Number of Actions

Priority	Number
Priority 1	1
Priority 2	1
Priority 3	2
Total	4

Risks Reviewed

Invoices for housing contractors are not correctly processed leading to late payments for incorrect or fraudulent invoices, leading to financial loss, legal and reputational damage.

Assessment

Medium

Key Findings

	Reconciliations between Open Housing and Finance have not been completed.
	Only six invoices were recorded as being paid within 30 days. All others have been paid later than this.
	Scanned invoices are saved in property folders, but they are not currently accessible to the corporate finance team. Without access they can't review them to ensure they are correctly entered for CIS requirements.
	Reactive work on properties is linked to the invoices via the place reference, planned work is not currently linked to the properties due to this being paid via a central contract but the Property services team are working on linking the costs to the properties.
	Purchase Orders are raised for all jobs but 5% of these were raised after the invoice was received.

Audit Scope

The following controls were tested as part of this audit:

- That there is adequate segregation of duties in place for creating the order, receiving the invoice and authorising the payment.
- There is a mechanism in place to ensure invoices are processed in accordance with supplier payment terms, VAT regulations and set processes.
- Orders are raised for every job and are matched to invoices when received.
- Invoices are scanned in and easily available to all housing and finance staff for queries and checking of CIS requirements.
- Invoices/orders are linked to the relevant asset and the system allows reporting on costs for each asset.
- Process for feeding data into the finance system is robust and reconciled.

Summary

Limited assurance and a medium-risk assessment have been awarded for this audit. The main concern from the audit work was that the lack of reconciliation between the housing and finance systems. If the reconciliation between these systems had been carried out missing invoices could be identified, and issues of transferring data resolved. Post close out meeting we were able to confirm that there is a separation of duties between the invoice entry and invoice approval.

Seaton Jurassic Centre – Lessons Learnt – Final Report – May 2022



Audit Objective To review the governance and management of the initial build project for the Seaton Jurassic Centre and determine whether future lessons can be learnt from this.

Assurance Opinion

Advisory

This is a non-opinion 'Lessons Learnt' review offered by SWAP Internal Audit in its consultancy role.

Risk

A lack of effective governance and management on the initial build project, resulting in both financial and reputational damage.

Key Lessons to Learn



Ensure that significant Council developments have a review and sign off process that includes all planning conditions being appropriately discharged. Appropriate information on the completion of the build and status of planning conditions should be provided to Senior Manager and Members to support in their review and approval.



Ensure that there are sufficient project reporting arrangements from the Project Management Service Provider that provides updates on progress, key issues and risks. Reporting can also include oversight on planning conditions and, if stated in agreements, contractor performance.



Ensure there are clear performance indicators and monitoring arrangements detailed within agreements that can form the basis for information sharing with Senior Management and Members.



Ensure that a lessons learned process is undertaken upon completion of significant developments that compares the outcomes against the original business case. This should be shared with senior managers and Members and lessons can be taken on board for future business case development and project management

Audit Scope

The Audit and Governance Committee requested an audit review on the management of the initial build project. This advisory review covered the governance arrangements and management of the initial build project, and also included a review on the process and earlier decisions that led to the project progressing.

Our work has not duplicated the work being undertaken by Faithful and Gould, external surveyors appointed by the Council to identify the defects and put forward solutions, or Bevan Brittan Solicitors, appointed to determine liability for repairing the defects.

Limitations of Scope

The original business case for the project, the service agreement with Ward Williams Associates (WWA) for project management services; together with the cabinet papers and minutes for their appointment could not be reviewed due to the length of time that has passed since the project's inception. These documents have been destroyed in line with the Local Authority retention requirements. We have also not been able to obtain the minutes of the progress meetings held with WWA.

Summary

As stated under Audit Scope, we have not been able to complete some aspects of the audit review due to some documentation no longer being available. Where documentation was available, however, we were able to confirm that the necessary processes have been followed in the appointment of contractors and that Members received the appropriate documentation and information to make informed decisions relating to the initial build project.

It should be noted that the Council adopted a Project Management Framework in 2017, which included details of performance monitoring and the requirement for end of project reports. This Framework had not been in place at the time of the Seaton Jurassic Centre project.