

East Devon District Council

Internal Audit Annual Opinion Report 2021/22

Internal Audit Annual Opinion – 2021/22: 'At a Glance'

Annual Opinion



There is generally a 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.

- Medium risk rated weaknesses identified in individual audit engagements
- Isolated high risk related weaknesses identified for isolated issues
- No critical risk rated weaknesses identified
- Internal Audit is broadly satisfied with management's approach to resolving identified issues

The Headlines



No Significant Risk identified in year after testing the controls in place.



25 reviews included in the 2021/22 Internal Audit Plan.

Includes assurance, advisory and follow up reviews (24 final/complete and 1 at draft).



Implementation of agreed actions from Follow up work

New recommendation tracking database up and running.



Internal Audit staff assisted with the COVID response.

COVID 19 Grant Spotlight Checking for grants.

Internal Audit Assurance Opinions

	20/21	21/22
Substantial	2	1
Reasonable	8	6
Limited	3	4
No Assurance	0	0
Advisory	9	10
Follow Up	2	3
Total	24	24*

Internal Audit Agreed Actions 2021-22

	20/21	21/22
Priority 1	0	2
Priority 2	25	26
Priority 3	31	21
Total	56	49*

*Final reports only

Executive Summary

Internal Audit provides an independent and objective opinion on the effectiveness of the Authority's risk management, control and governance processes.



Purpose

The Head of Internal Audit (SWAP Assistant Director) should provide a written annual report to those charged with governance to support the Authority's Annual Governance Statement (AGS). This report should include the following:

- An opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment, including an evaluation of the following:
 - the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities;
 - whether the information technology governance of the organisation supports the organisation's strategies and objectives;
 - the effectiveness of risk management processes; and
 - the potential for the occurrence of fraud and how the organisation manages fraud risk.
- Disclose any qualifications to that opinion, together with the reasons for the qualification.
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies.
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement.
- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria.
- Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content and the Annual Internal Audit Opinion given.

Executive Summary

Three Lines Model

To ensure the effectiveness of an organisation's risk management framework, the Audit and Governance Committee and senior management need to be able to rely on adequate line functions – including monitoring and assurance functions – within the organisation.

The 'Three Lines' model is a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:

- the first line – functions that own and manage risk.
- the second line – functions that oversee or specialise in risk management, compliance.
- the third line – functions that provide independent assurance.

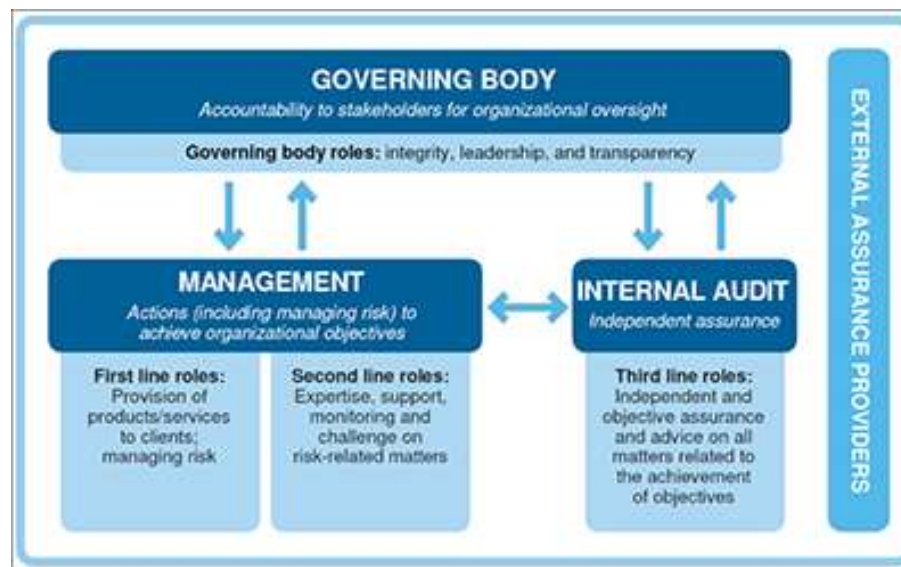


Background

The Internal Audit service for East Devon District Council is provided by SWAP Internal Audit Services. The team's work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. The work of the team is guided by the Internal Audit Charter which is reviewed annually.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. This report summarises the activity of the Internal Audit team for the 2021/22 year.

The position of Internal Audit within an organisation's governance framework is best summarised in the Three Lines model shown below.



Internal Audit Annual Opinion 2021/22

The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Annual Governance Statement.



Annual Opinion

On the balance of our 2021/22 audit work for East Devon District Council, I am able to offer a **Reasonable Assurance** opinion in respect of the areas reviewed during the year.

Opinions are a balanced reflection across the year and not a snapshot in time. In forming this opinion, the following sources of information have been used:

- Completed audits which evaluate risk exposures relating to the organisation's governance, operations and information systems, reliability and integrity of information, efficiency and effectiveness of operations and programmes, safeguarding of assets and compliance with laws and regulations.
- Observations from consultancy/advisory support.
- Follow up of previous audit activity, including agreed actions.
- Grant certification work.
- Assurances from other providers, including third parties, regulator reports etc.

Audit work has been planned to ensure that sufficient assurance will be available to support the annual opinion. The professional requirements of PSIAS have remained unchanged and in line with these, new audit priorities to cover the risks from the ongoing impact of COVID-19 have been agreed throughout the year and that work supports the annual opinion.

In terms of breadth of coverage, audit work has been performed across the Council's key services and in relation to its strategic and operational risks where possible. A summary of audit work carried out against the Council's risks are summarised in table 1 below. It must be noted that it is not possible to cover all key risks in any one year but to provide coverage over the medium term. As with previous years, the scope of our work does not extend to covering ICT services under Strata and therefore ICT services and risks are outside the scope of our opinion.

Audit Coverage by Corporate Risk

Internal audit coverage should be aligned to key corporate priorities and key corporate risks.

The East Devon District Council Risk Register is a live document and subject to change throughout the year as the risk environment that EDDC operates in changes. Therefore, this table reflects a summary of coverage against shifting priorities throughout the year in terms of corporate and operational risks.



Audit Coverage by Corporate Risk

Table 1: Audit Coverage by Strategic Risk

Table Key	Reasonable internal audit coverage 2021-22	Partial internal audit coverage 2021-22	No internal audit coverage 2021-22
Strategic Risk			Coverage*
Adequacy of financial resource planning to deliver the Council's priorities		2021-22	
Major disruption in continuity of computer and telecommunications services		**DAP	
Adequate emergency planning and business continuity		2019-20	
Failure to ensure that our corporate property portfolio is fully compliant with legal requirements		2020-21	
Delivery of Growth Point			
Increasing homelessness		2021-22	
Failure to ensure the Council's Sustainability		2020-21	
Failure to adequately protect staff health and safety at work		2021-22	
Retaining and strengthening a collective approach to decision making			

*If not covered in 2021-22, provides plan year of last coverage

**ICT – coverage by DAP

In addition to the strategic Risks, we also map our work against the operational risk register. Coverage against the operational risk register is:

Number of Operational Risks	83
Number fully Covered by Audit Work	6
Number Partially covered	3

Significant Corporate Risks and Limited Assurance Audits

Definitions of Corporate Risk

High Risk

Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

Medium Risk

Issues which should be addressed by management in their areas of responsibility.

Low Risk

Issues of a minor nature or best practice where some improvement can be made.



Significant Corporate Risks

Our audits examine the controls that are in place to manage the risks that are related to the area being audited. We assess the risk at a 'Corporate' level once we have tested the controls in place. Where the controls are found to be ineffective and the 'Corporate risk' as 'High' these are brought to the Audit Committees attention. For those audits which have reached report stage through the year, we have assessed the following risks as 'High'.

Review Name / Risks

No High Corporate risks have been identified through audit work in 2021/22.

Summary of Limited Assurance Audits

Audit Name	Risk Rating	Priority Findings		
		1	2	3
Annual Vehicle Declarations and Compliance	Medium	-	4	-
Small Works and Contracts	Medium	1	2	1
Housing Payments	Medium	1	1	3

Note all these audits have been reported throughout 2021-22 to the Audit Committee.

Summary of audit outcomes

At the conclusion of an audit assignment each review is awarded an Audit Assurance Opinion:

- **Substantial** - A sound system of governance, risk management and control exists.
- **Reasonable** - Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives.
- **Limited** - Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives.
- **None** - The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives.



Summary of Audit Opinion

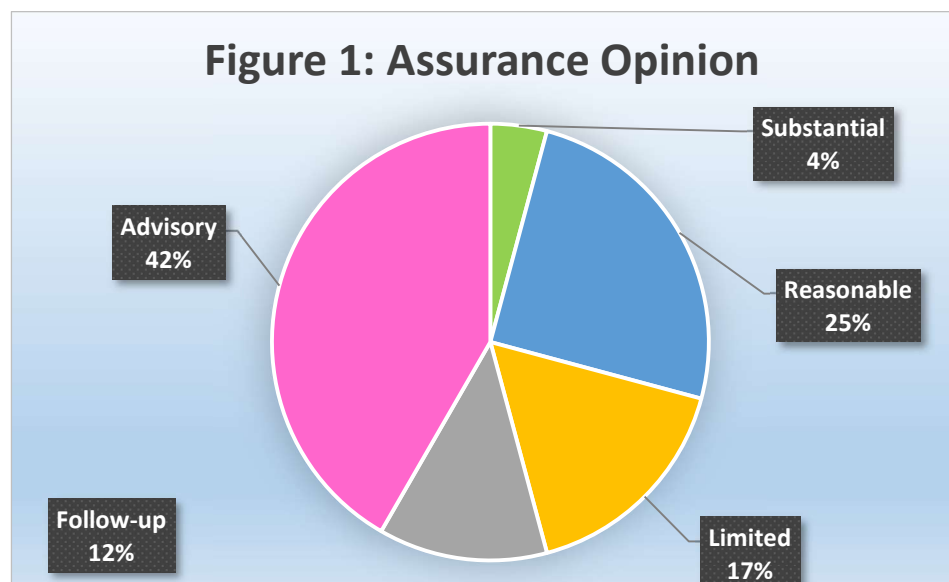


Figure 1 above indicates the spread of assurance opinions across our work during the past year (2021-22). Due to Covid-19 more time has been spent on 'Advisory' work.

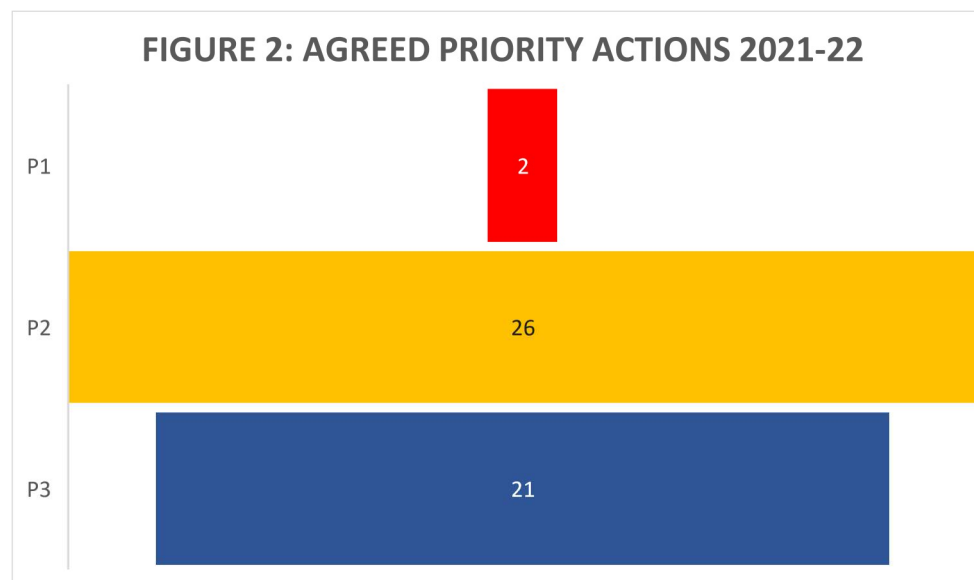
Summary of audit outcomes

SWAP Performance - Summary of Audit Actions by Priority

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



Priority Actions



A number of advisory reviews do not have priorities rating recommendations, such as grant certification and lessons learned.

Plan Performance 2021/22

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS).



SWAP Performance

SWAP's performance is subject to regular monitoring and review by both the SWAP Board of Directors and the Owners Board. The respective outturn performance results for EDDC for the 2021/22 year are as follows:

Performance Target	Average Performance
<u>Audit Plan – Percentage Progress</u> Final, Draft and Discussion > 90% In progress/Review Yet to complete	100% 0% 0%
<u>Customer Satisfaction Questionnaire</u> Feedback Target > 95%	100%

SWAP work is completed to comply with the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Under these standards we are required to be independently externally assessed at least every five years to confirm compliance to the required standards. SWAP was recently assessed in February 2020 and confirmed that we are in conformance to PSIAS.

Attribute Standard 1300 of the IPPF requires Heads of Internal Audit to develop and maintain a Quality Assurance and Improvement Programme (QA&IP). Standard 1310 continues this dual aspect by stating that the programme must include both internal and external assessments. This acknowledges that high standards can be delivered by managers, but it also implies that improvements can be further developed when benchmarking is obtained from outside the organisation and the internal audit function. Following our External Assessment, we have pulled together our QA&IP and included additional improvements and developments identified internally that we want to make, as aligned to SWAP's Business Plan. The QA&IP is a live document and will be regularly reviewed by the SWAP Board to ensure continuous improvement and delivery on our actions.

Summary of Internal Audit Work 2021/22

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	Annual Vehicle Declarations and Compliance	2	Final	Limited	4	-	4	-	Previously listed as Fleet Management. Report on members portal for information

Summary of Internal Audit Work 2021/22

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
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	Reasonable	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	No recommendations complete.
Advisory	New: ARG4 Spotlight checks	4	Final	Advisory	0	0	0	0	
Advisory	New: Omicron Spotlight checks	4	Final	Advisory	0	0	0	0	

Summary of Internal Audit Work 2021/22

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
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 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					
Assurance	Housing Rents	4		Proposed for 2022/23 audit plan					
Assurance	Housing Compliance – Asbestos	4		Proposed for 2022/23 audit plan					

Summary of Internal Audit Work 2021/22

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
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					