

# East Devon District Council

## Report of Internal Audit Activity

Plan Progress 2022/23 March 2023

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## The contacts at SWAP in connection with this report are:

### David Hill

Chief Executive

Tel: 020 8142 5030

[david.hill@swapaudit.co.uk](mailto:david.hill@swapaudit.co.uk)

### Alastair Woodland

Assistant Director

Tel: 07720312467

[alastair.woodland@swapaudit.co.uk](mailto:alastair.woodland@swapaudit.co.uk)

### Adam Williams

Principal Auditor

[Adam.williams@swapaudit.co.uk](mailto:Adam.williams@swapaudit.co.uk)



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## Internal Audit Plan Progress 2022-23

### 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 2022 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 Audit Plan. We have adopted an 'agile rolling plan' approach and whilst this will be a 'live' continuous approach, confirmed work will only cover every 6 months with a rolling 'back-log' for future consideration. Priorities will be assessed in conjunction with Senior Management, and we welcome input from members of the Audit and Governance Committee. The 2022-23 Audit Plan was reported to the Audit and Governance Committee and approved at its meeting in March 2022. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk within East Devon District Council.



## Plan Performance

### 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 rolling plan for 2022-23 as presented to this Committee in March 2022. It is important that Members are aware of the status of all audits being delivered 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 since the November update:

Audit Area	Opinion
Debtors	Reasonable
Small Works and Services Contract Management	Follow up
Economic Resilience	Reasonable
Worksmart+ Strategy	Reasonable

Note we report by exception. Full copies of each Limited/No Assurance Opinion Report and Follow up reports will be uploaded to the audit committee document library for members to read at their discretion. A Summary of the Small Works and Service Contract Management Follow Up is provided in **Appendix C**.



## Plan Performance

### Significant Corporate Risks

Identified Significant Corporate Risks should be brought to the attention of the Audit Committee.

We keep our audit plans under regular review so as to ensure that we are auditing the right things at the right time. Audit Plans are undertaken on a rolling quarterly basis.



### 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.



### Approved Changes to the Plan

We will regularly re-visit and adjust our rolling programme of audit work to ensure that it matches the changing risk profile of the organisation's operations, systems, and controls. Details of our current work for 2022-23 are provided in **Appendix B Table 1**.

Our rolling plans are agreed with the Senior Leadership Team quarterly from the list of unscheduled audit areas that constitutes the rolling Audit Plan. Members of the Audit Committee are welcome to identify area where they need assurance for priority work to assist in their role with oversight of governance, risk and control.

The following table highlights changes to the plan since the previous update In November 2022.

Assignment	Change	Reason
Firmstep	Deferred	Audit has been deferred as the manager has informed us that the project has been on hiatus and requires a reset. Audit included in 2023-24 Q2.
Value for Money	Removed	External audit are completing a separate piece of work in this area.
HR Review	Added	Request from HR Manager for specific review.
Data Protection/GDPR	Deferred	Audit included in 2023-24 Q1. Changes in responsible officer.



## Plan Performance

The Assistant Director for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.



### SWAP Performance

SWAP performance is subject to regular monitoring review by both the Board and the Member Meetings. The respective performance position for East Devon District Council for quarters 1 to 4 as at the end of February were as follows:

Performance	Target Year End	Q1 (Apr – Jun)	Q2 (Jul – Sep)	Q3 (Oct – Dec)	Q4 (Jan – Mar)
<b><u>Audit Plan – Percentage Progress</u></b> Final, Draft and Discussion In progress Not Started	>90%	100% 0% 0%	100% 0% 0%	25% 75% 0%	25% 75% 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%			

\*Note, performance statistics do not include 'on-going' activity. See Appendix B status field for on-going activity.



**SWAP**  
INTERNAL AUDIT SERVICES  
Helping Organisations to Succeed

SWAP 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.

## 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.

**Table 1**

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
FINAL									
Assurance	Homelessness	1	Final	Reasonable	5	-	3	2	
Follow Up	Annual Vehicle Declarations and Compliance	1	Final	Follow Up	1	-	1	-	1 P2 outstanding.
Grant Certification	Protect and Vaccinate – CIA Sign off	1	Final	Advisory	-	-	-	-	
Assurance	Housing Rents	1	Final	Reasonable	2	-	1	1	
Assurance	Disability Facility Grants and Better Care	1	Final	Limited	10	-	5	5	Progress update circulated to Audit Committee Members November 2022.
Assurance	Restart Grants	1	Final	Reasonable	0	0	0	0	
Advisory	Baseline Assessment for Maturity of Fraud Risk	1	Final	Advisory	0	0	0	0	Reported to Audit Committee Nov 2022.
Grant Certification	<b>NEW:</b> Covid Outbreak Management Fund (COMF)	2	Final	Advisory	-	-	-	-	
Assurance	Main Accounting	2	Final	Reasonable	7	-	2	5	
Assurance	Debtors	2	Final	Reasonable	6*	-	4*	2*	Totals include: Two P2 and One P1 recommendation implemented prior to audit completion.





## Summary of Work Plan

## Appendix B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Follow Up	Small Works and Services Contract Management	2	Final	Follow Up	4	1	2	1	See Appendix C
Assurance	Economic Resilience	2	Final	Reasonable	2	-	-	2	
Assurance	Worksmart+ Strategy	3	Final	Reasonable	5	-	1	4	
<b>DRAFT</b>									
Assurance	Climate Change	2	Draft						
Assurance	Housing Compliance – Asbestos	4	Draft						
<b>IN PROGRESS</b>									
Advisory	Recommendation Tracking	2-4	Ongoing						
Advisory	Revenues & Benefit Fraud Support	3-4	Ongoing						
Assurance	Cyber Security	3-4	Initiation						Scope expanded following Audit Committee meeting Nov 2022.
Assurance	Cranbrook Town Development Project Governance	4	In Progress						
Follow Up	Housing Invoice Payment Process Follow Up	4	In Progress						



## 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	<b>New:</b> HR Review	4	In Progress						
<b>REMOVED FROM PLAN</b>									
Assurance	Firmstep	4							Included in Q1 Plan 2023-24
Advisory	Value For Money	4							
Assurance	GDPR Data Protection	4							Included in Q1 Plan 2023-24



## Small Works and Services Contract Management – Follow up Audit December 2022

The original audit of Small Works and Services Contract Management was completed in January 2022 and received a limited assurance opinion. The objective of the audit was to provide assurance that the Council has appropriate systems in place to ensure that Small Works and Services Contracts are monitored and managed in an effective manner and in accordance with its own rules. The follow up audit has found that although progress has been made on three out of the four actions, none of them are fully complete. Key findings from the audit follow up have been summarised below:

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

Issues – January 2022	Position - December 2022
No central Contract Register detailing key information on the contracts held. In addition, the Council does not publish all the details required by the Transparency Code.	No changes have been made to the reports required under the Transparency Code. Guidance is being produced and training undertaken to ensure Pro-Contract shows all contracts.
There is no reference within the Contract Standing Orders (CSOs) on how smaller contracts should be monitored.	The CSO's has been updated to refer to guidance on the procurement page on the intranet. However, this has not yet been finalised.
There is no published guidance on how contracts should be managed, and no training is provided.	Contract management guidance has been drawn up but is not yet finalised. Training is being arranged for 2023.
Lack of understanding on how to produce Minor Works Agreements.	No progress made. Action has now passed to the Principal Solicitor.