

East Devon District Council

Internal Audit Annual Opinion Report 2022/23

Internal Audit Annual Opinion – 2022/23: '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.



21 reviews included in the 2022/23 Internal Audit Plan.

Includes assurance, advisory and follow up reviews (18 complete, 1 at draft 2 in progress).



Implementation of agreed actions from follow up work.

New recommendation tracking database up and running.



Monitoring of agreed management actions (based on 3 follow up audits completed in year 22-23)

There is room for improvement in this area. The new recommendation tracking dashboards should help management with their oversight of recommendations.

Priority	Agreed Actions	Implemented Actions	%
1	2	1	50%
2	7	4	57%
3	3	1	33%
Total	12	6	50%

Internal Audit Assurance Opinions

	21/22	22/23*
Substantial	1	0
Reasonable	6	8
Limited	4	2
No Assurance	0	0
Advisory	9	3
Certified	1	2
Follow Up	3	3
Total	24	18

Internal Audit Agreed Actions 2022-23

	21/22	22/23*
Priority 1	2	1
Priority 2	26	26
Priority 3	21	25
Total	49	52

*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.

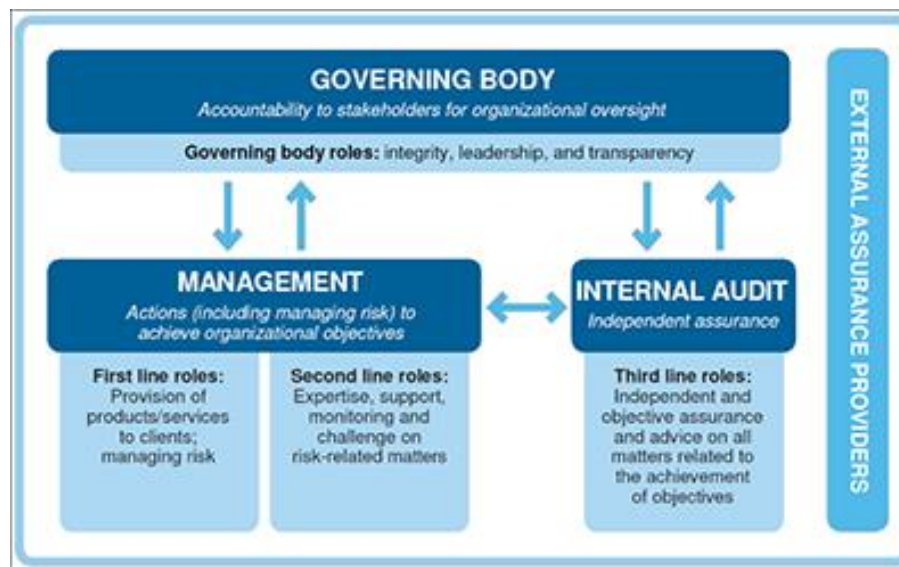


Background

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 2022/23 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 2022/23

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 2022/23 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.

Internal Audit has not reviewed all risks and assurances relating to East Devon District Council during 2022/23 and cannot provide absolute assurance on the internal control environment. Senior management and members are ultimately responsible for ensuring an effective system of internal control. A summary of audit work carried out against the Council's strategic risk areas is provided in the next section on page 5. Audit coverage is considered adequate to provide an overall opinion.

The Annual Opinion is based on information obtained from multiple engagements and sources, the results of which, when viewed together, provide an understanding of the organisation's governance arrangements, risk management processes and internal control environment and facilitate an assessment of overall adequacy and effectiveness. 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.

Over the year, the Internal Audit Team have found senior management of East Devon District Council to be generally supportive of Internal Audit with a good relationship with management whereby management can approach Internal Audit when they perceive potential problems. This can be demonstrated by the ongoing

Internal Audit Annual Opinion 2022/23

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Annual Opinion Continued

updates and requests for advisory work that were made to the plan during the year. However, there is some room for improvement in how responsive management are to the recommendations made.

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 Strategic Risk

Table 1: Audit Coverage by Strategic Risk

Table Key	Reasonable internal audit coverage 2022-23	Partial internal audit coverage 2022-23	No internal audit coverage 2022-23
Strategic Risk	Coverage*	Planned 2023-24	
Business failure of a major contractor or significant partner	2019-20	2023-24	
Adequacy of financial resource planning to deliver the Council's priorities	2022-23		
Major disruption in continuity of computer and telecommunications services	2022-23		
Adequate emergency planning and business continuity	2019-20	2023-24	
Failure to ensure that our corporate property portfolio is fully compliant with legal requirements	2020-21		
Failure to meet the requirements of data protection legislation and good information governance	2020-21	2023-24	
Delivery of Growth Point	-		
Increasing homelessness	2022-23		
Failure to ensure the Council's sustainability	2022-23		
Failure to adequately protect staff health and safety at work	2021-22		
Retaining and strengthen a collective approach to decision making	-	2023-24	
Climate Change targets not achieved	2022-23		
Recruitment and Retention Issues	2022-23	2023-24	
Reputational damage to the organisation	2022-23		
Risk of Service failure	-		

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	79
Number fully Covered by Audit Work	1
Number Partially covered	3

Summary of Audit Outcomes

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
<i>No High Corporate risks have been identified through audit work in 2022/23.</i>

Summary of Limited Assurance Audits

Audit Name	Risk Rating	Priority Findings		
		1	2	3
Disability Facility Grants and Better Care	Medium	0	5	5
Housing Compliance – Asbestos	Medium	0	3	2

Note all these audits have been reported throughout 2022-23 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

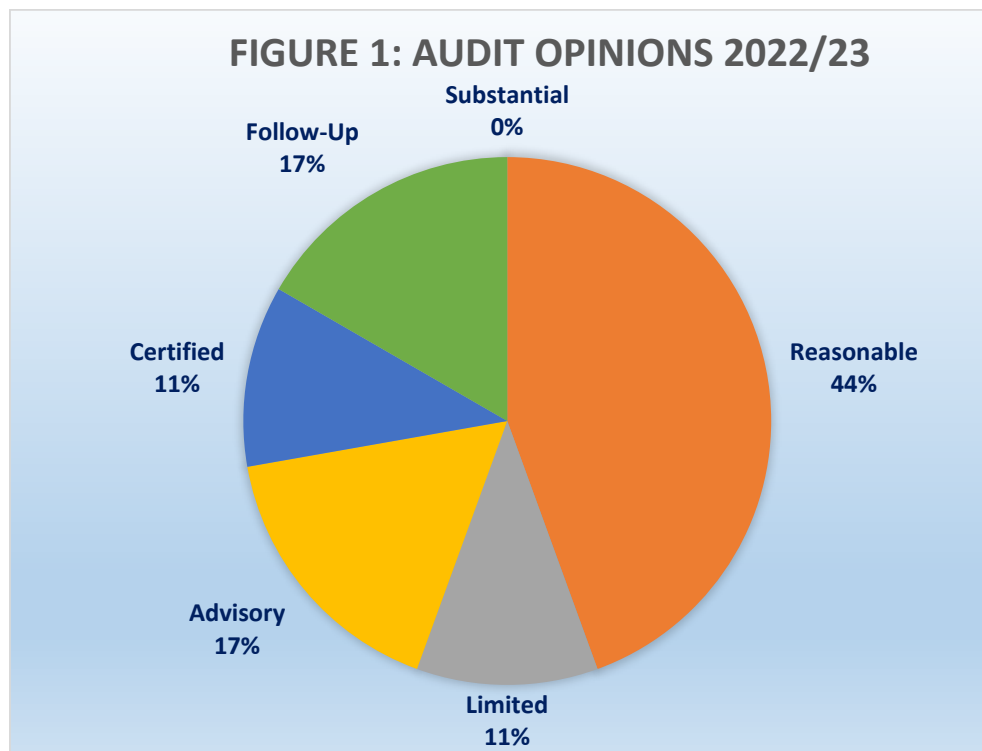


Figure 1 provides a breakdown of the audit work by opinions across the year.

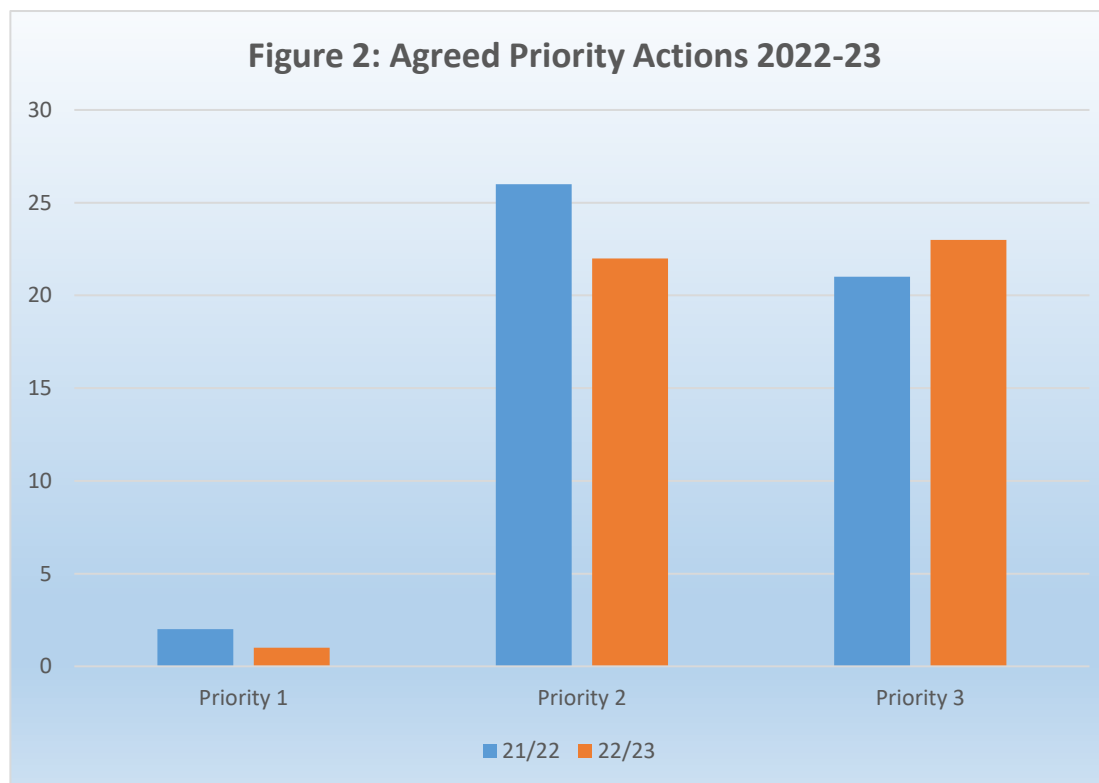
Summary of audit outcomes

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 2022/23

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 the SWAP team conducting audits at EDDC for the 2022/23 year are as follows:

Performance Target	Performance
Overall client satisfaction <i>did our work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence</i>	98.7%
Value to the organisation <i>client view of whether our audit work met or exceeded expectations, in terms of value to their area</i>	96.7%

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 2022/23

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Complete									
Assurance	Homelessness	1	Complete	Reasonable	5	-	3	2	
Follow Up	Annual Vehicle Declarations and Compliance	1	Complete	Follow Up	1	-	1	-	
Grant Certification	Protect and Vaccinate – CIA Sign off	1	Complete	Advisory	-	-	-	-	
Assurance	Housing Rents	1	Complete	Reasonable	2	-	1	1	
Assurance	Disability Facility Grants and Better Care	1	Complete	Limited	10	-	5	5	Reported November 2022
Assurance	Restart Grants	1	Complete	Reasonable	0	0	0	0	
Advisory	Baseline Assessment for Maturity of Fraud Risk Update	1	Complete	Advisory	0	0	0	0	
Grant Certification	NEW: Covid Outbreak Management Fund (COMF)	2	Complete	Advisory	-	-	-	-	
Assurance	Main Accounting	2	Complete	Reasonable	7	-	2	5	
Assurance	Debtors	2	Complete	Reasonable	6	-	4	2	
Follow Up	Small Works and Services Contract Management	2	Complete	Follow Up	4	1	2	1	

Summary of Internal Audit Work 2022/23

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Assurance	Economic Resilience	2	Complete	Reasonable	2	-	-	2	
Assurance	Worksmart+ Strategy	3	Complete	Reasonable	5	-	1	4	
Assurance	Climate Change	2	Complete	Reasonable	4	0	4	0	
Assurance	Housing Compliance – Asbestos	4	Complete	Limited	5	0	3	2	Reported July 2023
Advisory	Recommendation Tracking	2-4	Complete	Advisory	-	-	-	-	
Advisory	Revenues & Benefit Fraud Support	3-4	Complete	Advisory	-	-	-	-	
Follow Up	Housing Invoice Payment Process Follow Up	4	Complete	Advisory	1	0	0	1	1 P3 outstanding. All 3 other recommendations complete.
DRAFT									
Assurance	New: HR Review	4	Review						
IN PROGRESS									
Assurance	Cyber Security	3-4	Drafting						
Assurance	Cranbrook Town Development Project Governance	4	In Progress						

Summary of Internal Audit Work 2022/23

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
REMOVED FROM PLAN									
Assurance	Firmstep	4							Included in Q1 Plan 2023-24
Advisory	Value For Money	4							On-rolling plan for consideration during 2023-24
Assurance	GDPR Data Protection	4							Included in Q1 Plan 2023-24