



**SWAP**  
**INTERNAL AUDIT SERVICES**  
Assuring – Improving – Protecting

# East Devon District Council

## Report of Internal Audit Activity

Plan Progress 2019/20 as at end June 2019

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### 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 South West Audit Partnership Limited (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 approved by the Audit and Governance Committee at its meeting on 21 March 2019.

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
- IT Audits
- Grants
- Other Special or Unplanned Review

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Senior Management Team. This year's Audit Plan was reported to and approved by this Committee at its meeting in March 2019. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

## Plan Progress 2019/20

### Outturn to Date:

We rank our recommendations on a scale of 1 to 3, with 1 being a fundamental concern to the services/area being reviewed and 3 being a minor concern that requires management attention.



### Internal Audit Work Programme

The schedule provided at **Appendix B** contains a list of all audits as agreed in the Annual Audit Plan 2018/19. 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 summarised Audits finalised during 2019/20:

Audit Area	Quarter	Status	Opinion
2019/20			
Mandate Fraud	Q1	Final	Advisory

### **Partial Assurance Audits (See Appendix C)**

As agreed with this Committee where a review has a status of ‘Final’ and has been assessed as ‘Partial’ or ‘No Assurance’, I will provide further detail to inform Members of the key issues identified. There are no ‘Partial Assurance’ or ‘No Assurance’ reviews that I need to bring to your attention.

### Outturn to Date:

We rank our recommendations on a scale of 1 to 3, with 1 being a fundamental concern to the services/area being reviewed and 3 being a minor concern that requires management attention.



### Internal Audit Work Programme Contd.

#### Corporate Risks (See Appendix C)

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 an inherent level i.e. how significant is the risk(s) at a corporate level on a scale of High, Medium or Low. Once we have tested the controls in place, we re-evaluate the risk based on how effective the controls are operating to govern that risk (Residual Risk). Where the controls are found to be ineffective and the inherent and residual risk is assessed as 'High', I will bring this to your attention. These items will remain on this schedule for monitoring by the Committee until the necessary management action is taken and appropriate assurance has been provided that the risks have been mitigated / addressed.

No Corporate Risks have been identified.

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



## Plan Progress Performance

SWAP now provides the Internal Audit service for 24 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 2019/20 (as at 8 July 2019) were as follows:

Performance Target	Target Year end	Average Performance
<b><u>Audit Plan – Percentage Progress</u></b> Final, Draft and Discussion In progress Not Started	>90%	21% 21% 58%
<b><u>Quality of Audit Work</u></b> Overall Client Satisfaction <i>(did our audit work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation)</i>	>95%	None Received to date
<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%	Reported Year end



## Plan Progress 2019/20

We keep our audit plans under regular review so as to ensure that we are auditing the right things at the right time.



### Approved Changes to the Audit Plan 2019-20

The audit plan for 2019/20 is detailed in **Appendix B**. Inevitably changes to the plan will be required during the year to reflect changing risks and ensure the audit plan remains relevant to East Devon District Council. Members will note that where necessary any changes to the plan throughout the year will have been subject to agreement with the appropriate Service Manager and the Section 151 Officer.

The following changes have been made to the 2019/20 Audit Plan since it was approved in March 2019:

- Tree Management has been pushed back to quarter 4 and the Impact of Universal Credit review brought forward to quarter 1. This was to accommodate the Systems Thinking review being undertaken in quarter 1 that would have an impact on the Tree Teams available time.
- Special investigation 1 – We were asked to undertake a review relating to a suspected fraud. Time has been taken from the follow up contingency.
- Special Investigation 2 – A member of the public raised a concern around a conflict on interest in a decision made by the Authority. Time has been taken from the follow up contingency.



At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

- Substantial
- Reasonable
- Partial
- None
- Non-Opinion/Advisory



### Audit Framework Definitions

### Control Assurance Definitions

Substantial	▲ ★ ★ ★	I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
Reasonable	▲ ★ ★ ★	I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed, but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	▲ ★ ★ ★	I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed, and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
None	▲ ★ ★ ★	I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed, and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

**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. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.





We keep our audit plans under regular review, so as to ensure we are auditing the right things at the right time. Recommendations are prioritised from 1 to 3 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.



## Audit Framework Definitions

### Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

- 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.

### Definitions of Risk

Risk	Reporting Implications
Low	Issues of a minor nature or best practice where some improvement can be made.
Medium	Issues which should be addressed by management in their areas of responsibility.
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.



Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
FINAL									
Special Investigation	Special Investigation 1	1	Final	Advisory	2	0	1	1	Further details can be discussed in Private Session.
DRAFT									
Operational Audits	Development Control	1	Draft	Reasonable					
Operational Audit	Corporate - Fire Safety Council Owned Dwellings	1	Review						
Key Controls	Debtors	1	Review						
IN PROGRESS									
Operational Audit	Impact of Universal Credit	1	In Progress						
Special Investigation	Special Investigation 2	1	In Progress						Further details can be discussed in Private Session.
Follow up	Housing Invoice Maintenance	1	In Progress						
Governance, Fraud and Corruption	Corporate Health and Safety	2	In Progress						



Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Governance, Fraud and Corruption	Reserves Management	2	In Progress						
<b>NOT STARTED</b>									
Governance, Fraud, Corruption	Commercial Property Investment (Framework)	2	Not started						
Governance, Fraud, Corruption	Members Declaration of Interest (Moderngov)	2	Not started						
Key Controls	Treasury Management	3	Not Started						
Key Controls	Housing Benefit	3	Not Started						
Governance, Fraud, Corruption	Business Continuity	3	Not started						
Transformation	Transformation Strategy	3	Not Started						
Operational Audit	Tree Management	4	Not Started						
Governance, Fraud, Corruption	Relocation – Benefits Realisation	4	Not Started						
Governance, Fraud, Corruption	Information Governance (GDPR)	4	Not Started						
Operational Audits	Integrated Asset Maintenance Contract	4	Not Started						

Further details on the Special Investigations 1 & 2 can be provided during a Private Session.