

East Devon District Council

Report of Internal Audit Activity

Plan Progress 2020/21 January 2021

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Internal Audit Plan Progress 2020-21

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 which was presented at the September 2020 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 Section 151 Officer, following consultation with the Senior Management Team. Due to Covid-19 presentation of the 2020-21 plan to the Audit Committee was delayed. The plan was presented at the September 2020 Audit & Governance Committee. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

Internal Audit Plan Progress 2020-21

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 2020-21. 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 2020/21 Plan.

Audit Area	Quarter	Status	Opinion
Housing Gas Compliance	Q2	Final	Reasonable
Green Waste	Q1	Final	Reasonable
Asset Registers	Q2	Final	Reasonable
S106/CIL	Q2	Final	Limited
Creditors	Q2	Final	Substantial

Please see the Limited/No Assurance section below for further information on the above reviews.

Internal Audit Plan Progress 2020-21

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

Section 106 and Community Infrastructure Levy (CIL) – Limited Assurance

Planning Contributions were historically collected through Section 106 Agreements' (after Section 106 of the Town and Country Planning Act 1990). The Government has now introduced the Community Infrastructure Levy (CIL) which allows Councils to raise funds from developers undertaking new building projects in their area, to be used to fund a wide range of infrastructure that is needed as a result of development. The Levy operates alongside traditional Section 106 Agreements as a means of collecting the contributions. The EDDC Operational Risk Register has the following low risk relating to the impact of not receiving the contributions due:

The Council does not receive grants and contributions to which it is entitled to meet, or help meet, its expenses having a negative impact on the Council's budget. ng developer contributions.

The objective of the audit was to ensure that appropriate arrangements are in place to manage the receipt and expenditure of S106 and CIL contributions. We originally had scheduled to undertake the audit in Quarter 4 however was brought forward to quarter 2 at the request of Members. A number of weaknesses were already known to the service at point of testing, such as the Exacom system not being up to date with work ongoing to ensure that the system was brought up to date before the end of 2020/21. However, at point of testing these issues were still outstanding and have contributed to a Limited Assurance opinion being offered in relation to the audit objective.

Internal Audit Plan Progress 2020-21

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**

Summary of Work Completed – Limited or No Assurance Opinions

The S106 spend and collection process is monitored and managed by a single S106 Officer with support on community consultation and engagement from the Community Engagement Officer. Although the S106 Officer is very experienced and knowledgeable it is a multi-faceted role with a significant workload. The implementation of Exacom has made administering and managing the process more efficient but it did take a considerable time to set up and the S106 Officer spent almost 12 months populating the system when it was first introduced back in late 2018/19, with the assistance of two temporary officers. This has caused a delay in progressing some of the S106 spend. In addition, during the Covid-19 pandemic, the S106 Officer was redeployed again to assist in the Community Hub. During this time, no S106 demands were raised and there was no community engagement or consultation as the Community Engagement Officer was also redeployed. This has resulted in Exacom not being up-to-date and reports showed that there were actions outstanding back to 2018. In addition, S106 demands have not been raised on a timely basis and there are also demands that require chasing but due to Exacom not being up to date we are unable to confirm the total outstanding. We therefore suggest that the resources required should be reviewed to assess the requirement to manage the backlog and resilience and that the S106 Monitoring/CIL Administrative fund be used to finance any requirements. Once the any additional resource has been agreed, Exacom should also be utilised further to aid in the recovery process. It is important to understand that none of these issues or delays have resulted in having to pay the developers back any unspent S106 contribution.

There were two Priority 2 recommendations and two Priority 3 recommendations made within this review. The two priority 2 recommendations raised in our report are detailed below in **Appendix C**. The recommendation made in this review will be followed up within the next 6 months to confirm their implementation.

Internal Audit Plan Progress 2020-21

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 2020/21 (as at 13 January 2021) were as follows:

Performance Target	Target Year End	Average Performance
<p><u>Audit Plan – Percentage Progress</u> Final, Draft and Discussion In progress Not Started</p>	>90%	52% 20% 28%
<p><u>Quality of Audit Work</u> Customer Satisfaction Questionnaire</p>	>95%	None Received
<p><u>Outcomes from Audit Work</u> Value to the Organisation <i>(client view of whether our audit work met or exceeded expectations, in terms of value to their area)</i></p>	>95%	Year end

Internal Audit Plan Progress 2020-21

We keep our audit plans under regular review so as to ensure that we are auditing the right things at the right time. Due to Covid-19 the plan priority areas will be agreed on a quarter by quarter basis.



Approved Changes to the Plan

The audit plan for 2020/21 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.

To manage continuity of work during Covid-19 we have adapted the quarters when audits are undertaken which has resulted in some audits being brought forward and others being pushed back depending on service pressures and staff availability. The new national lockdown announced in January 2020 has further increased the pressure on EDDC through administering additional grants which impacts on BAU service requirements. Also recognising that Fraud risks increase in times of change or crisis changes have been made to the Audit plan to manage these two aspects. Current planned timing of audits is contained in **Appendix B**.

The following audits have been removed from this years' plan:

- **Commercialisation Strategy** – The Commercial Strategy was auditing in 2019-20 and due to Covid-19 no further progress has been made in moving the Strategy forward. Replaced with **Covid-19 Grants Q3 Spotlight checks**.
- **Disabilities Facilities Grant** – Pressure on service staff at this point in time. To include within 2021-22. Replaced with **Fraud Risks – Impact of Covid-19**
- **Private Sector Fines** – Pressure on service staff at this point in time. To include within 2021-22. Replaced with **Council Baseline Assessment of Maturity for Fraud Prevention and Fraud Risk Assessment**.
- **Accounts Receivable** – Pressure on service staff at this point in time. To include in quarter 1 of the 2021-22. Replaced with **Covid-19 grants Q4 – Pre and post checks**
- **National Domestic Rates** – We usually combine Council Tax and NDR into a single review. Due to the pressure on the NDR team this element of the review has been removed.



Conclusion

Given the impact of Covid-19 good progress has been made on the Audit Plan for 2020-21 and I would like to thank EDDC Officers given the additional pressures they have and continue to face.

I would like to draw members attention to recent guidance issued by CIPFA regarding the Head of Internal Audit Annual Opinions. This guidance summarises the requirement on the Head of Internal Audit and Leadership team and how to deal with the impact of insufficiency work and the impact this will have on the Annual Audit Opinion. I can confirm to the Audit Committee, given the work undertaken to date, and the work planned for quarter 4 means there should be no limitations on the Annual Audit Opinion.

Finally, I would like to advise members that we are looking to move towards a more 'continuous' audit planning process given the level of uncertainty and changes that are now common ground and likely to be for the foreseeable future. Therefore, I would welcome input from members on a quarterly basis regarding your views on governance, risk and control and what that would mean for areas for inclusion in the Audit Plan. We are in the process of pulling a rolling annual plan together for 2021-22 and therefore could members inform me by no later than 12 February of areas for consideration and inclusion.

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									
Operational Audit	Affordable Housing	1	Final	Reasonable	2	0	2	0	
Governance Fraud and Corruption	Discretionary Grant – Spotlight checks & Advice	1	Final	Advisory	0	0	0	0	
Governance Fraud and Corruption	Audit Committee Benchmarking	1	Final	Advisory	0	0	0	0	
Operational	Green Waste	1	Final	Reasonable	4	0	2	2	
Governance, Fraud and Corruption	Asset Register	2	Final	Reasonable	6	0	2	4	
Governance, Fraud and Corruption	S106/CIL Audit	2	Final	Limited	4	0	2	2	
Governance, Fraud and Corruption	Housing – H&S Compliance (Gas Safety)	2	Final	Reasonable	3	0	1	2	
Key Controls	Creditors	2	Final	Substantial	2	0	0	2	
Governance, Fraud, Corruption	New: Covid-19 Grants Q3 Spotlight checks.	3	Final	Advisory	0	0	0	0	
DRAFT									
Governance, Fraud, Corruption	Procurement	4	Draft						Moved to Quarter 3 in agreement with the S151

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Governance, Fraud, Corruption	Ethical Governance & Culture	1	Draft						
Governance, Fraud and Corruption	Performance Management	3	Draft						
Governance, Fraud, Corruption	Council Premises – H&S Compliance	2	Draft						
IN PROGRESS									
Governance, Fraud, Corruption	Firmstep – Digital Transformation	3	In Progress						
Key Control	New Council Tax Reduction Scheme	3	In Progress						
Key Control	Council Tax	4	In Progress						Removed NDR section of this audit.
Governance, Fraud, Corruption	Integrated Asset Management Contract	4	In Progress						
Governance, Fraud, Corruption	New: Council Baseline Assessment of Maturity for Fraud Prevention	4	In Progress						
NOT STARTED									
Governance, Fraud, Corruption	New: Covid-19 grants Q4 – Pre and post checks	4	Not started						

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Governance, Fraud, Corruption	New: Fraud Risk Assessment	4	Not Started						
Governance, Fraud, Corruption	LED Contract Management	4	Not Started						
Governance, Fraud, Corruption	NEW: Fraud Risks – Impact of Covid-19	4	Not Started						
Governance, Fraud, Corruption	Decision Making	4	Not Started						
Follow up	Corporate Health and Safety	4	Not Started						
Follow up	Data Protection (GDPR)	4	Not Started						
DEFERRED OR REMOVED									
Governance, Fraud, Corruption	Commercialisation Strategy	3	Removed						Replaced with Covid-19 Grants Q3 Spotlight checks.
Operational Audits	Disabilities Facilities Grants and Better Care Funds	4	Removed						Replaced with Fraud Risks – Impact of Covid-19
Operational Audits	Private Sector Housing – Fines for Non-compliance	4	Removed						Replaced with Council Baseline Assessment of Maturity for Fraud Prevention and Fraud Risk Assessment
Key Controls	Accounts Receivable	4	Removed						Replaced with Covid-19 grants Q4 – Pre and post checks

This section records the high priority actions (Priority 1 or 2) only.

The following are the weaknesses found and actions arising from the limited assurance S106 and CILs review.

P1 or P2	Weaknesses Found	Managers Agreed Action	Responsible Officer	Agreed Date of Action
Section 106 and Community Infrastructure Levy (CIL)				
Risk: S106/CIL contributions are not received by the Council or obligations are not met by developers resulting in reputational damage and financial loss.				
P2	Actions outstanding on Exacom dating back to 2018.	We agree to review the current resources and review the requirement for a temporary officer to be appointed to assist with the backlog of actions We will also instruct the Planning Obligations Officer to provide us with a quarterly report on the status of the outstanding actions – including recovery.	Development Manager	April 2021
P2	Participatory Budgeting Guide is out of date and not easily located.	We will review and update the Participatory Budgeting Guide, and this will include recommending that Parish and Town Councils should take minutes of the steering/working groups and publish them on their website.	Development Manager	End January 2021