

East Devon District Council

Report of Internal Audit Activity

Outturn Update 2022/23 July 2023

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Internal Audit Plan Outturn 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, risk and control 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 C** 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 March 2023 update:

Audit Area	Opinion
Climate Change	Reasonable
Housing Compliance – Asbestos	Limited
Recommendation Tracking	Advisory (On-going)
Revenues & Benefit Fraud Support	Advisory (On-going)
Housing Invoice Payment Process Follow Up	Advisory

Note we report by exception on ‘Limited’ and ‘No Assurance’ audit opinions and follow up audits. A summary of the Housing Compliance – Asbestos audit report is provided in **Appendix B** together with the outcome of the Housing Invoice Payment Process follow up audit. 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.



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 C 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 March 2022.

Assignment	Change	Reason
No Changes to the 2022-23 Audit Plan since the March Committee update		



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 June were as follows:

Performance	Target Year End	Q1 (Apr – Jun)	Q2 (Jul – Sep)	Q3 (Oct – Dec)	Q4 (Jan – Mar)
<u>Audit Plan – Percentage Progress</u> Final, Draft and Discussion In progress Not Started	>90%	100% 0% 0%	100% 0% 0%	50% 50% 0%	75% 25% 0%
<u>Quality of Audit Work</u> Customer Satisfaction Questionnaire	>95%	98.7			
<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>	>95%	96.7			

*Note, performance statistics do not include 'on-going' activity. See Appendix C 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

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.

This summary is provided so you are aware of the key governance, risk and control issues identified in recent audit work.

EDDC Housing Compliance - Asbestos Management – Final Report – March 2023



Audit Objective To provide assurance that all Council owned properties* are safe and compliant with asbestos policy and legislation.

* Housing Revenue Account (HRA) properties only

Assurance Opinion		Number of Actions		Risks Reviewed	Assessment
	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	Priority	Number	Council owned properties* are unsafe and non-compliant with asbestos legislation resulting in tenants' lives being put at risk, the council being exposed to legal recourse, fines and reputational damage.	Medium
		Priority 1	0		
		Priority 2	3		
		Priority 3	2		
		Total	5		

Key Findings		Audit Scope	
	Data quality is not always consistent, with some key fields left blank on the Asbestos Register, including dates and risk categories. In addition, the dates used in Open Housing do not agree with the actual date of the survey on the Asbestos Register. It is therefore difficult to rely on the integrity of the data on each property.	Our audit included a review of the following controls for HRA properties:	
	The data used to produce Key Performance Indicators (KPIs) is in some cases inaccurate or incomplete which could result in the reporting of inaccurate figures to the Housing Review Board.	<ul style="list-style-type: none"> Officers involved in the surveying, handling and management of asbestos are qualified. There is an approved Asbestos Policy and Procedures Plan in operation which is accessible to all relevant personnel. The Asbestos Register is complete and accurate. Asbestos surveys are scheduled to ensure completion inside of the required timescale. There is an Asbestos Survey Report for each property; Repairs and Maintenance have been risk assessed; The quality of the Asbestos Surveyors is periodically assessed. Management Reports and Monitoring. Tenants are aware of who to contact and how in the advent of concerns about asbestos. 	
	The asbestos policy does not contain sections on KPI's, management and monitoring arrangements for asbestos management or contractor compliance.		
	The Council are monitoring the annual inspections of communal properties; however, they are not currently compliant with their target and we are unable to provide assurance that the data is accurate.		
	A Refurbishment/Demolition Asbestos Survey is completed before any major works are carried out and this is compliant with legislation.		

Other Relevant Information
The council have recently changed their asbestos contracting surveyor to Gully Howard (GH). As such, there are still some teething issues with the contract to be reviewed, including how KPIs are captured, performance monitoring and GH's weekly report format currently being incompatible with the council's system.



SWAP
INTERNAL AUDIT SERVICES
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Where a 'Limited' or 'No Assurance' opinion has been given, we will follow up on the recommendations made to provide assurance to the Audit Committee that remedial action has been taken and that it has addressed the governance, risk and control issues identified.

Housing Invoice Payment Process Follow Up – Final Report – April 2023



Follow Up Audit Objective

To provide assurance that agreed actions to mitigate against risk exposure identified within the 2021/22 Limited opinion audit of the Housing Invoice Payment Process have been implemented.

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

Follow Up Assessment

The original audit of Housing Invoice Payment Process was completed in April 2022 and received a Limited assurance opinion. The objective of the original audit was to confirm that the Key Controls around ordering and invoicing within Housing Services were operating effectively. This particularly related to the processing of housing contractor invoices.

Key findings from the audit follow up have been summarised below.

Key Findings



Whilst a report has been created of invoices where the job/order has been raised retrospectively. No evidence was provided of the agreed action for having been completed.



Regular reconciliations are now carried out between the invoices received and the finance system. The level of non-transferred invoices has significantly reduced since the original audit. Processes have been introduced to ensure that invoices are paid within 30 days. This will enhance further upon the implementation of the One Housing and One Assets systems, which is currently in progress.



The Corporate Finance Team have been provided with access to the property folders and are now able to access the scanned invoices.

Further Information

Testing has been performed in relation to all priority 1 and 2 actions and supporting evidence obtained to support implementation of actions. Follow-up of the priority 3 actions is based on self-assessment by the responsible manager.

Whilst one of the findings is not yet complete, good progress has been made in other areas. Automatic reporting of invoices due for authorisation and invoices where the job has been raised retrospectively have been introduced as a mechanism to ensure all invoices are processed promptly.

Reference Appendix A for details of all actions. Details of any further follow up required.

One page Follow Up Summary

Appendix B

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 to Audit Committee November 2022.
Assurance	Restart Grants	1	Complete	Reasonable	0	0	0	0	
Advisory	Baseline Assessment for Maturity of Fraud Risk	1	Complete	Advisory	-	-	-	-	Reported to Audit Committee November 2022.
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 Work Plan

Appendix C

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	Climate Change	2	Complete	Reasonable	4	0	4	0	
Assurance	Worksmart+ Strategy	3	Complete	Reasonable	5	-	1	4	
Advisory	Revenues & Benefit Fraud Support	3-4	Complete	Advisory (On-going)	-	-	-	-	
Assurance	Housing Compliance – Asbestos	4	Complete	Limited	5	0	3	2	See Appendix B
Advisory	Recommendation Tracking	2-4	Complete	Advisory (On-going)	-	-	-	-	
Follow Up	Housing Invoice Payment Process Follow Up	4	Complete	Advisory	1	0	0	1	See Appendix B
DRAFT									
Assurance	New: HR Review (Out of Hours)	4	Review						
IN PROGRESS									
Assurance	Cyber Security	3-4	Initiation						Scope expanded following Audit Committee meeting Nov 2022.
Assurance	Cranbrook Town Development Project Governance	4	In Progress						



Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
REMOVED FROM PLAN									
Assurance	Firmstep	4							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 Plan.
Advisory	Value For Money	4							External audit are completing a separate piece of work in this area. Area under review for 2023-24
Assurance	GDPR Data Protection	4							Changes in responsible officer. Audit included in 2023-24 Q1.

