



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

# East Devon District Council

## Report of Internal Audit Activity

### Outturn Report 2019-20

**Internal Audit ■ Risk ■ Special Investigations ■ Consultancy**

Unrestricted

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### Our audit activity is split between:

- **Operational Audit**
- **Governance Audit**
- **Key Control 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, and for the 2019-20 Audit Plan year the Charter was approved by the Audit and Governance Committee at its meeting in 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
- 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.



## 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 2019/20. 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 2019-20 audits reported since our last committee update.

Audit Area	Quarter	Opinion
Bridging the Funding Gap	3	Reasonable
Tree Management	3	Reasonable
Data Protection (GDPR)	4	Partial
Business Continuity	4	Reasonable
Relocation – Benefits Realisation	4	Non-opinion

### **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.

- Data Protection (GDPR) was provided with a partial assurance opinion.

### 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.

There are no corporate risks identified in this period.

#### **Impact of Covid-19 on 2019-20 Audit Work**

##### **2019-20**

All audits from the 2019-20 plan have been completed to final report stage. The Covid-19 pandemic has inevitably caused some delay in progress due to availability of Officers dealing with service delivery priorities as well as the impact childcare arrangements will have on our staff. This did cause some delays with the timeliness of response to draft report. However, with the exception of the Integrated Asset Management Contract audit that was deferred from 2019-20 q4 to the 2020-21 audit plan, all audits within the 2019-20 plan have been completed to final report.



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 planned Integrated Asset Management Contract audit which was planned for quarter 4 has been deferred until 2020/21 at EDDC request whilst new contract control arrangements are bedding in.



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



Audit Framework Definitions

Control Assurance Definitions

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

<b>Substantial</b>	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.
<b>Reasonable</b>	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.
<b>Partial</b>	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.
<b>None</b>	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. Recommendation 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.

Below is a summary of the Audit Plan for 2019-20 together with the status of the audit, overall opinion offered and a breakdown of the number of recommendations made by Priority. Definitions are contained in **Appendix A** above.

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
<b>FINAL</b>									
Special Investigation	Special Investigation 1	1	Final	Advisory / Non-opinion	2	0	1	1	
Special Investigation	Special Investigation 2	1	Final	Advisory / Non-opinion	2	0	1	1	
Operational Audits	Development Management	1	Final	Reasonable	4	0	3	1	
Operational Audit	Corporate - Fire Safety Council Owned Dwellings	1	Final	Reasonable	5	0	3	2	
Operational Audit	Impact of Universal Credit Financial Impact	1	Final	Reasonable	3	0	2	1	
Key Controls	Debtors	1	Final	Reasonable	3	0	1	2	
Follow up	Housing Invoice Maintenance	1	Final	Advisory / Non-opinion	0	0	0	0	
Governance, Fraud and Corruption	Corporate Health and Safety	2	Final	Partial	7	0	4	3	
Governance, Fraud and Corruption	Reserves Management	2	Final	Reasonable	7	0	3	4	
Governance, Fraud and Corruption	Members Declaration of Interests	2	Final	Reasonable	1	0	0	1	

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Governance, Fraud, Corruption	Commercial Property Investment (Framework)	2	Final	Reasonable	2	0	1	1	
Key Controls	Treasury Management	3	Final	Reasonable	2	0	1	1	
Operational Audit	Impact of Universal Credit Social Impact	3	Final	Advisory / Non-opinion	0	0	0	0	
Governance, Fraud & Corruption	<b>New:</b> EDDC Carbon Footprint	3	Final	Advisory / Non-opinion	0	0	0	0	
Key Controls	Housing Benefit	3	Final	Substantial	0	0	0	0	
Transformation	Transformation Strategy - Funding Gap	3	Final	Reasonable	2	0	1	1	
Governance, Fraud, Corruption	Relocation – Benefits Realisation	4	Final	Advisory / Non-opinion	0	0	0	0	
Governance, Fraud & Corruption	Business Continuity	4	Final	Reasonable	3	0	2	1	
Governance, Fraud & Corruption	Information Governance (including GDPR)	4	Final	Partial	12	0	5	7	
Operational Audits	Tree Management	4	Final	Reasonable	5	0	4	1	
<b>Deferred</b>									
Governance, Fraud & Corruption	Integrated Asset Management Contract	4				Deferred at client request. Now in 2020-21 Audit Plan			

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Corporate Governance Committee.

### Summary of Audit Findings and High Priority Service Finding

The following information provides a summary of each audit review finalised since the last Committee update in March 2020. Each audit review is displayed under the relevant audit type, i.e. Operational; Key Control; Governance; Fraud & Corruption; ICT and Special Review. Since the March 2020 update there is one Partial Assurance audit opinion that I need to bring to your attention.

### Governance, Fraud and Corruption

Governance, Fraud and Corruption Audits focus primarily on key risks relating to cross cutting areas that are controlled and/or impact at a Corporate rather than Service specific level. It also provides an annual assurance review of areas of the Council that are inherently higher risk.

#### **Information Governance Including GDPR**

The revised Data Protection Act was published in 2018 and complements the EU's GDPR Regulations which were also published in May 2018. EDDC updated their Data Protection and Document Retention Policy in April 2018 which clearly outlines how EDDC is in compliance with the legislation. EDDC have the risk of '*non-compliance with Data Protection*' in their Operational Risk Register and it has been given a low residual risk status and as it states that the controls are working and effective.

We last undertook a limited scope audit on GDPR in 2018/19 and we offered partial assurance mainly as a result of inconsistencies in the Privacy Notices. We have followed up the actions arising from that audit within this review.

The Scope of this review was to ensure that personal data collected, retained, published and shared by services is compliant with the principles of the Data Protection Act 2018. Whilst looking at corporate controls we also



These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Corporate Governance Committee.

### Governance, Fraud and Corruption

selected a sample of services that deal with personal data which included Council Tax, Housing Benefits, Recruitment and Hosing Allocations.

We have provided Partial Assurance due to specific issues relating to document retention, weaknesses in training and the Information Asset Register not being fully complete. In addition, there is still some inconsistencies within the Privacy Notices which was an issue identified in the 2018/19 audit.

The Electronic Data Management System (EDMS) provided by CIVICA is used across the Council and contains significant amounts of personal data. Currently there is no method for removing the data that is no longer required as the Document Disposal Module has not yet been procured by the Council. A business case was drawn up back in 2017 but was not progressed due to queries raised over the charge for the module. Therefore, there is a risk of a data breach as personal data may be held longer than required and if an individual uses their right to be forgotten EDDC will not be able to remove the data from the EDMS.

The Information Security (IS) Policy (published in January 2018) states that IS Training is mandatory for all Officers and Members, however it has not been implemented resulting in a greater risk of a security breach due to a lack of understanding of information security. We have, however, been advised by Strata that it is due to be rolled out in February 2020 and it has been agreed that it will be mandatory for all Officers.

Our review of the mandatory training spreadsheet from November 2019 revealed that 32 Officers had not completed their GDPR training. Although not all Officers will use personal data in their role, it is a mandatory requirement that Officers complete the training. Our survey results also backup the need for GDPR training to ensure both Officers and Members are aware of their responsibilities around Data Protection.

The Information Asset Register has not been reviewed or updated since January 2018 and contains blank fields and out of date information.

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Corporate Governance Committee.

## Governance, Fraud and Corruption

A breakdown of the high priority recommendations and management response together with the agreed date the recommendation should be complete is listed below.

### Information Governance (including GDPR) - Priority 1 and 2 recommendations

Priority Score	Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Agreed Date of Action
P2.	Members and Officers have not received Information Security Awareness Training.	Officers and Members are not sufficiently trained to identify and prevent data security issues leading to financial penalty and reputational damage.	We recommend that the Strategic Lead – HR and Organisation Development liaises with Strata regarding the roll out of the IS Awareness Training programme and ongoing annual refresher. Training should be included in the Induction process and in the mandatory training programme for Officers and Members.	Agreed	30 November 2020
P2	Not all Members and Officers have received training on Data Protection.	Officers and Members are not sufficiently trained to identify and prevent data security issues leading to financial penalty and reputational damage.	We recommend that the Strategic Lead – Governance and Licensing obtains final confirmation of who has not completed the training is established and the Members and Officers are contacted to request that they undertake the e-learning within a specified timescale.	Agreed	30 November 2020

## Summary of Partial Opinions

## APPENDIX D

Priority Score	Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Agreed Date of Action
P2	Personal Data is held longer than required as it is currently unable to be removed from the Electronic Data Management System (EDMS).	The Council breaches the Data Protection Act by not removing personal data from the EDMS system that is no longer required.	We recommend that the Strategic Lead – Governance and Licensing obtains approval for the Document Disposal Module to be purchased from Civica and implemented by Strata.	Agreed. Will discuss with S151 officer and look to incorporate within budget setting or bring a report to Council for authorisation of spend.	31 October 2020
P2	The Information Asset Register is out of date and incomplete.	The evidence to confirm compliance with the Data Protection Regulations is not accurate reducing the understanding and visibility over the information assets that are held.	We recommend that the Strategic Lead-Finance arranges for the Information Asset Register to be updated. Following this, a formal process should be implemented to review the register on a regular basis to ensure that it contains current information on all of the assets.	Agreed	March 2021
P2	The Administering Business Rates Privacy Notice states that it obtains personal information from several internal services but the corresponding notices do not state that they share with the business rate service.	Financial penalty and reputation damage arises as a result of users not being advised on how their personal data is processed preventing their ability to fully consent.	We recommend that the Strategic Lead – Governance and Licensing reviews the Administering Business Rate Privacy Notice and confirms that it correctly lists all the services where it may obtain personal information from. Once agreed, the relevant privacy notices produced for Environmental Health, Building Control, Council Tax, Planning, Estates, Streetscene and Licensing should be updated to ensure that they correctly reference the business rates service under the “who will receive or see my personal information”.	Agreed	31 October 2020