



Summary of Internal Audit Reports Issued to Date

REPORT OF **DAP Audit Partnership**
To: **Audit & Governance Committee**
Subject: **Audit Reports Issued to Date**
Date: **March 2022**

PURPOSE OF REPORT: To provide a summary of the internal audit reports issued since the last Audit and Governance Committee to enable members to discuss any matters they wish to raise.

1. INTRODUCTION

The Audit & Governance Committee have requested a regular summary of internal audit reports issued. This is to provide an opportunity for discussion and to raise queries related to the reports.

As members receive a full copy of the internal audit report upon release, they are encouraged to raise any significant concerns they may have with the Auditor at that time. This summary report gives an added opportunity for Members as a group to discuss related matters.

This report includes all final internal audit reports issued to date that have not been previously reported to the Committee.

2. REPORT

A summary of final reports issued to date and not included in previous committee reports is included at **Appendix A**.

There are five audit reports to note:

- Estate Management.
- Main Accounting Service.
- Building Control.
- Strategic Planning
- Food Safety

3. IMPLICATIONS

Legal Implications

None.

Financial Implications

None.

Human Resources Implications

None.

Sustainability Implications

None.

Equality/Diversity

None.

Risk Management

The Risk Based Internal Audit Plan is designed to provide robust coverage of the key risks faced by the Council each year. It is developed in consultation with management and approved by members.

Each internal audit report provides the following key information:

Assurance level – providing an overall opinion on the audit area.

Action plan – including audit recommendations (where applicable) and management responses.

Reported issues are assigned a priority rating of high, medium, or low, based on the perceived impact and likelihood as established within the corporate risk matrix.

The report may also include ‘opportunity’ findings, which are suggested courses of action perceived to add value and included for consideration.

Low priority or housekeeping matters are reported separately to operational management during the draft audit stage.

Reporting of progress to the Audit & Governance Committee to implement internal audit actions is the responsibility of the Finance Director / S151.

Compliance with Policies and Strategies

This report complies with the Audit Committee terms of reference and the Audit Procedures Manual.

Ward Member and Leader Member Views

Councillor Philip Hackett, Chair of Audit & Governance, commented “*The Internal Audits Reports contribute to the Council’s robust governance arrangements.*”

4. CONCLUSIONS

The following is a summary of the four assurance levels currently used, along with the audits that have been awarded each level:

Opinion	Audit
Substantial Assurance ‘A sound system of Governance’	Main Accounting System Food Safety
Reasonable Assurance ‘Some scope for improvement’	Building Control Strategic Planning
Limited Assurance ‘Improvement is required’	Estate Management
No Assurance ‘Immediate action required’	NA

5. RECOMMENDATIONS

Committee are asked to:

Note the reports issued in this reporting period and raise any queries, suggestions or proposals relating to the internal audits in this report.

SUPPORTING INFORMATION

Consultations:	Steve Hearse, Chief Executive Officer Staci Dorey, Head of Legal and Governance and Monitoring Officer Councillor Philip Hackett, Audit and Governance Committee Chair
Contact Officer:	David Heyes, Finance Manager & S151 Officer Robert Hutchins – Head of Devon Audit Partnership Paul Middlemass – DAP Audit Manager
Background Papers:	Audit files

Overview of Reports Issued not previously reported to Committee

Main Accounting System

Overall Assurance Level – Substantial

No of recommendations – None

No of recommendations agreed – NA

Summary

The Main Accounting System environment is well controlled, as we reported in our 2020-21 audit, with a consistent approach, management and personnel, resulting in a Substantial Assurance Opinion. Rules and procedures are up to date and key office are aware of regulatory requirements. Timely bank reconciliations take place and are signed off by the S151 officer. We identify one Opportunity for the council to consider related to review of alternatives to the use of Microsoft Explorer to view files, as it will not be supported from June 2022.

Food Safety

Overall Assurance Level – Substantial

No of recommendations – 1 Medium

No of recommendations agreed – 1 Medium

Summary

The Food and Safety Team demonstrates good compliance with statutory requirements including the COVID-19 Local Authority Recovery Plan set by the Food Standards Agency (FSA). The Covid-19 shutdown resulted in cessation of the inspection regime and created a big backlog of inspections to cover now food providers have re-opened. The experienced team has adapted to the rapidly changing environment of the pandemic by focussing resources to higher risk businesses (new applicants) and the priority business areas highlighted by the FSA in their evolving recovery plan. Reactive work has been managed simultaneously, with the aid of an outside contractor undertaking new application inspections. Progress on Phase 2 of the FSA's Recovery Plan (to deal with the backlog) is on target for meeting the 30 June deadline for all Category A for standards and B for hygiene to have received an onsite intervention. Work has already commenced on planning for the next milestone date of 30 September 2022, for Category C for hygiene and 'less than broadly compliant' to have received an onsite intervention.

Some process and procedure documents are overdue for review or are currently being reviewed however most are current, clearly written and of a high standard. Complaints and appeals are logged, investigated, and responded to promptly, with protracted or outstanding cases discussed at regular team meetings.

Since the UK left the EU, export health certificates are now a legal requirement to accompany food exports, which is a new, chargeable service. The process is time-consuming and the risk of incorrect documentation completion is significant to the exporting business since even very minor errors will hold up perishable goods at the border. Use of this service is presently low, and the process is potentially going to change, however if demand grows, the process and/or required resources will require an overhaul.

Building Control

Overall Assurance Level – Reasonable

No of recommendations – 1 Medium

No of recommendations agreed – 1 Medium

Summary

We consider the control framework over the processing of Building Control applications to be effective. Overall, there is good management of recording and processing applications, and acceptance and inspections are timely. The Team is pro-active in promoting the service, customer satisfaction appears to be high, and no complaints have been recorded in recent years. The high number of applications (94%) received electronically for 2021/22 (quarters 1-3) helps efficient processing of applications. We make one medium priority recommendation and some 'opportunities'.

The 'medium' priority recommendation refers to the financial position of the service as review of finances shows that for 2020/21 and 2021/22 (as at the time of the audit), the service is not recovering its costs resulting in an annual loss of about £80k to 90k.

We were told that the Covid-19 emergency has impacted services over the last couple of year, with an initial upturn in applications received and then a reduction in inspections due to delays during the build caused by difficulties in sourcing materials. That said, Finance has advised that the full-service including recharges, runs at a loss every year due to the central support costs.

The service is subject to competition from private building contractors, albeit we note the high market share the council holds. Competitor's pricing structures are not available, but we found that Torrige fees are comparable with other Local Authorities. A review of another Local Authority found that they also did not cover their costs for the last financial year. Government guidance is very clear that the service should not be making a profit and should seek only to cover costs. Being able to adhere to the guidance could set a challenge in being able to set prices to cover cost without making a significant profit or loss. Building Control carried out a review and increased prices in 2019; it appears it is a good time to review these prices. While an increase in prices may result in a reduction in business, we note the high market share held so a price rise may make business sense.

The Team has a performance indicator to monitor the % of market share they hold. For 2021/22 the average figure is 85% as of 31 December 2021. The Team also contacts customers to gain feedback on the service they provide. The average customer satisfaction score over a 5-month period (April 2021- August 2021) was 9.58 (out of 10). There haven't been any customer complaints during the period of September 2020 to August 2021. The Team appear to be pro-active in promoting their service through various avenues. These positive results suggest that the Team works hard to maintain high standards and develop the service.

Strategic Planning

Overall Assurance Level – Reasonable

No of recommendations – 1 Medium, 1 Low

No of recommendations agreed – 1 Medium, 1 Low

Summary

The Council has a very systematic approach to strategic planning that we consider good practice, with significant focus on members participation in discussing and agreeing the themes, actions and key

performance indicators to show progress to complete the Strategic Plan. Progress reporting to members is undertaken as part of the Quarterly Business Reports that were refined in 2021 with member input to concentrate on key deliverables. An overall Delivery Plan (on one page) is used to provide a good representation to members on progress to deliver the themes and underlying actions, supported by the more detailed QBR reports.

Annual service area plans also identify the themes and actions from the Strategic Plan, and the work needed to progress them. This is supplemented by Service specific Place Mats that highlight the work and priorities to be undertaken and how they relate to the Strategic Plan. Overall progress to deliver the Strategic Plan is also clearly reported to the public in an Annual Report which supports transparency.

While the Strategic Plan themes and actions were reviewed a year ago, there may now be a disconnect with the resources available to support them. The Medium-Term Business Plan notes that a balanced budget can only be achieved with use of council reserves, and some cuts will be needed as a result. This may impact on taking forward some Strategic Plan priorities. A working group of the Full Council is considering how council priorities may need to be changed to reflect funding decisions needed; given this work is underway we have not made a recommendation.

There would be benefit in building a better understanding and monitoring of internal and member review of its key internal Strategies (i.e., Digital by Default Strategy), and external partner Strategies (i.e., Homelessness Strategy 2020-25) and other Partnership agreements impacting on delivery of the Strategic Plan and other priorities. We recommended delivery of key strategies and Partnership agreement be contained in Service Delivery Plans for reviewed by Senior Management Team.

Estate Management

Overall Assurance Level – Limited Assurance

No of recommendations – (1 High, 6 Medium)

No of recommendations agreed - 7

Summary

Many of the recommendations from our previous audit report of January 2020 have yet to be implemented and a Limited Assurance remains applicable, as we do not have appropriate assurance that council assets are being well managed and maintained. During our fieldwork we noted the plans of the new Estate Manager to progress these recommendations and address the areas of weakness within a reasonable timeframe. If that work is taken forward, we would expect to raise this Limited Assurance opinion in 2022/23. We acknowledge that some recommendations have been implemented since the last audit (supported by the new Estate Manager, and Climate Change Officer) such as the identification and monitoring of Green House Gas emissions, and the creation of the Estate Project Management team.

The significant work required is:

- Creation of an Asset Management Plan to support maintenance of assets and move it from a reactive to a proactive approach to estate work.
- Creation of a strategy to better align estate management with strategic priorities.
- A single system to hold details of all assets and support management of reactive and proactive maintenance work.
- A range of performance measures to monitor and manage estate management.
- Listing and monitoring of all the statutory Health and Safety inspections to ensure they are completed on time.