



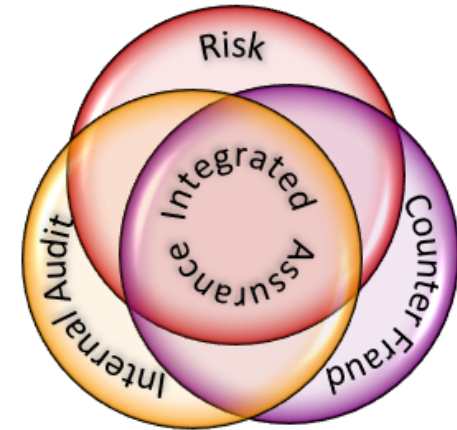
Internal Audit

Audit Committee In-Year Monitoring Report 2023/2024

Devon County Council

February 2024

Official



Support, Assurance and Innovation

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Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid Devon, North Devon, Torridge, South Hams and West Devon councils, along with Devon and Somerset Fire and rescue. We aim to be recognised as a high-quality assurance service provider in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards. The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at tony.d.rose@devon.gov.uk

Confidentiality and Disclosure Clause

This report is protectively marked in accordance with the Government Security Classifications. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.

This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

Introduction

During 2023/24 there has been on-going positive engagement from staff across the Council and we are being alerted to issues where control weaknesses may exist which continues to inform our audit work. When compared to our work in previous years there are a higher number of limited assurance pieces coming through. The Senior Leadership Team (SLT) are engaging well with us to address issues identified and we continue to work with services to help priorities those actions that are most urgent and achievable.

During December 2023 we were requested by SLT to amend our audit plan for the final quarter (Jan - Mar 2024). This was to enable us to focus our resources on the processes in place for Special Educational Needs and Disabilities (SEND) within Children Services. There were known weaknesses within the process which was resulting in potential overpayments to establishments and incorrect forecasting for future spend. We have directed resource to this for a three month period whilst we continue to carry out other high risk audit work. The amendments to our audit plan are detailed on page 8.

To ensure progress is being made to mitigate risks on those pieces of audit work that achieved Limited Assurance during the first half of 2023/24, it is our intention to work with the relevant service area and carry out further testing during the last quarter of the year to progress and inform the end of year opinion.

It is important to note that our assurance work reviews the process in place which often lends us to look back and then report at a point in time. Within our work we ensure that we also look forward at any planned changes whether they are in progress or at the development stage. It is clear from our work to date that the Council are taking forward key changes across a number of services which should have a positive impact on risk and controls.

Working closely with our Risk Management team, we strive to ensure that we are reviewing the right areas of the Council at the right time to increase the likelihood of success and to be more resilient to change and challenges as they arise. Consideration of the Council's Strategic and Corporate Plan is vital when planning our work to support the Council in its vision to "manage potential opportunities and threats in achieving its objectives".

This report provides a summary of the performance against the Internal Assurance plan to date for the 2023/24 financial year, highlighting the key areas of work undertaken and summarising our main findings and recommendations aimed at improving controls where our work has been finalised.

The key objectives of the Devon Audit Partnership (DAP) have been to provide assurance to Devon County Council on the adequacy, security and effectiveness of the systems and controls operating across the Council and to provide advice and assurance to managers and staff. The Internal Assurance plan for 2023/24 was presented to, and approved by, the Audit Committee in February 2023. The following report and appendices set out the position to January 2024.

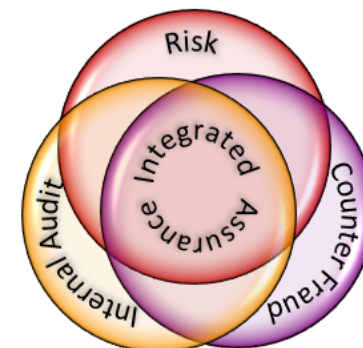
The Public Sector Internal Audit Standards require the Head of Internal Audit to prepare a report providing an opinion at the end of each year that can be used by the organisation to inform its governance statement, this report provides a position statement on the progress towards that. The level of risk associated with each of the areas in Appendix 1 has been determined either from the Local Authority's Risk Register (LARR), or the Audit Needs Assessment (ANA) carried out at the planning phase.

Expectations of the Audit Committee from this report - Members are requested to consider the opinion statement within this report; the completion of audit work against the plan;

Any audit findings provided, and the overall performance and customer satisfaction on audit delivery.

In review of these, the Audit Committee are required to consider the assurance provided alongside that of Corporate Risk Management and satisfy themselves from this assurance that the internal control framework continues to be maintained at an adequate level to mitigate risks and inform the Executive for governance requirements.

Tony Rose, Head of Devon Audit Partnership



Audit Assurance Statement

Overall, **based on work performed during 23/24 to date** and our experience from the previous year's audit, the Head of Internal Audit's Opinion is of "**Reasonable Assurance**" on the adequacy and effectiveness of the internal control framework within the County Council.

The above assurance opinion is nine months into the year and is subject to change as we move through the remainder of 2023/24. There are a higher number of limited assurance reviews to date when compared to previous years and this could have an impact on the assurance opinion given at the end of the financial year. We are also of the opinion that if a particular service area has a significant number of limited reviews, we will provide a separate assurance opinion of limited overall to that service area.

Where weaknesses have been identified management have agreed these findings and have either agreed the recommendations or accepted the associated risks.

Where management actions have been agreed, as appropriate we shall undertake follow up work to ensure that the identified risks have been mitigated. Leadership have been provided with details of Internal Audit's opinion on each audit review carried out in 2023/24. All audit reports include an action plan which identifies responsible officers, and target dates, to address control issues identified during a review. If significant weaknesses have been identified in specific areas, these will need to be considered by the Council in preparing its Annual Governance Statement for the Statement of Accounts for 2023/24.

Internal Control Framework

The control environment comprises the Council's policies, procedures and operational systems including processes in place to establish and monitor the achievement of the Council's objectives; facilitate policy and decision making; ensure economical, effective and efficient use of resources, compliance with established policy, procedure, law and regulation; and safeguard the Council's assets and interests from losses. Core financial and administrative systems were reviewed by Internal Audit.

Risk Management

Risk Management process at strategic and operational levels remain in place. The production of a DCC Strategic Plan allows the new and existing risks to be directly linked to the achievement of the core objectives.

Governance Arrangements

Governance arrangements have been considered in all our audits but with opportunities to improve consistency or alignment to business need. We will continue to review the improvements to governance and control arrangements in 2023/24.

Performance Management

Performance is subject to monitoring at management level.

Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Limited Assurance	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 Assurance	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.	No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

High Level Summary Audit Plan – 2023-24						
	Adult Care & Health	Children’s Services	Climate Change, Environment & Transport	Public Health, Communities & Prosperity	Corporate/ Strategic Risks and Projects	Client and Audit Governance
Prioritised Risk Areas	Supported Living Tender	Children’s Services Social Care – Ofsted Monitoring	Lack of capacity or capability to respond effectively to highway safety related issues	Prosperity: Mobility Aids Learn Devon External Funding with Community Renewal Funds	Budget Targets – Delivery of Savings/Accountability	Audit Committee
	Impact Assessments Service Closure ACH System Replacement Project CQC – Assurance of Adults Social Care ICB Savings Plan Review of S75 Arrangements Direct Payments – System Development Liberty Protection Safeguards Commissioning – Best Value	Financial Arrangements of EHCP Payments to Independent Schools Payments to Independent Placements – Social Care Payment by Results (Used to be Troubled Families) Consultant Process for Schools Forum Financial Arrangements Financial Intervention Panel Schools (FIPS) Direct Payments – Virtual Wallet MASH IT System (F/Up) Direct Payments (F-Up)	Lack of capacity or capability to effectively respond to extreme weather events Waste Strategy Transport – Impact of Covid-19 Sustainable Urban Drainage System Section 106 Agreements Bio Diversity Net Gain Commuted Sums	Public Health: Budget Pressures Business Continuity Fund led Audit Communities: Asylum Seekers Domestic Abuse Modern Slavery Incoming Serious Violence	SEND – Savings Review People Strategy Spend Analysis – Eight Point Plan Financial Resilience of Key Suppliers – Business Continuity Best Value Governance & Commissioning of Corporate Contracts Single Sign-On Lone Worker Absence Devices	Corporate Governance Follow Up Reviews Audit Planning and Coordination Contingency
Adaptive Plan	Unscheduled Resource, Options: OT & SW Recruitment Community Services	Unscheduled Resource, Options: Children’s Homes Compliance with the Care Act Requirement	Unscheduled Resource, Options: Tree Management System – Ash Dieback Fees & Charges	Unscheduled Resource, Options: Public Health – Impact of Covid Prosperity - Animal Disease Emergency/Contingency Plans	Sickness/Absence Management Climate Change Core Systems Replacement -Finest – CareFirst	Counter Fraud
Core Assurance	Key Financial Systems (Material Systems) - Payroll, Creditors, Debtors, Income Collection, Bank Reconciliation, Treasury Management, Main Accounting System Inc interface systems & reconciliations.					
	Grants - Troubled Families, Grants Out -Governance and monitoring					
	ICT – Disaster Recovery, Firewalls, Access Controls, IT Asset Management, Capacity & Availability, ICT Cyber Security – Vulnerability Management					

Adaptive Plan – areas of review (priorities)

Key:

- Initial priorities
- Revised priorities

Corporate and Strategic

- Budget Targets – Delivery of Savings/Accountability
- SEND – Savings Review
- People Strategy – **C/fwd to 24/25 to work on SEND**
- Financial Resilience of Key Suppliers – Business Continuity
- Governance & Commissioning of Corporate Contracts
- Budget Setting Processes
- Barclaycard / Procurement Card Spend
- Procurement Card Spend – Schools
- Business Spend / Car Hire Expenses
- Financial Regulations
- Attraction, Recruitment & Retention of Registered Professionals
- Single Sign-on – **pause until 24/25 due to on-going work in this area**
- Lone Worker Absence Devices – **on hold until 24/25 to allow the devices to be procured and training to be given**
- Sickness/Absence Management-**no longer a priority**
- Expenses
- Climate Change
- Core Systems Replacement – Finest - CareFirst

Adult Care and Health

- Supporting Living - **C/fwd to 24/25 to work on SEND**
- Impact Assessment - **C/fwd to 24/25 to work on SEND**
- Services Consultation Process (Service Closure)
- ACH System Replacement Project
- CQC – Assurance of Adults Social Care
- ICB Savings Plan
- Review of S75 Arrangements – **moved to 24/25 due to an external review currently underway**
- Direct Payments – System Development
- Liberty Protection Standard – **on hold until after the next General Election**
- CHC F/Up

- **Community Services**
- Effective replacement care offer to avoid carer breakdown – **no longer a priority**
- Transitions – Project Board
- Review Programme 18-64
- Direct Payments – (F/Up)

Children’s Services

- Children’s Services Social Care – Ofsted Monitoring – **removed to work on SEND**
- Financial Arrangements of EHCP Payments to Independent Schools
- Payments to Independent Placements – Social Care
- Paid by Results - **C/fwd to 24/25 to work on SEND**
- Consultant Process for Schools Forum Financial Arrangements
- Financial Intervention Panel (FIPS)
- Direct Payments – Virtual Wallet
- MASH IT System (F/Up)
- Direct Payments – (F/Up)
- **Children’s Homes**
- Compliance with the Care Act Requirements - **C/fwd to 24/25 to work on SEND**
- **CS Direct Payments Spend Analysis – (F/Up)**

Public Health, Community & Prosperity

- Mobility Aids– **C/fwd to 24/25 to work on SEND**
- Learn Devon– **removed to work on SEND**
- External Funding with Community Renewal Funds – **removed to work on SEND**
- Budget Pressures – **this is being picked up as part of the Budget Targets – Delivery of Savings review**
- Business Continuity – **no longer a priority**
- Fund Led Audit – **no longer a priority**
- **Sexual Health**
- PHSE – **C/fwd to 24/25 to work on SEND**
- Asylum Seekers (Migration & Resettlement) – **no longer a priority look to review in 24/25**
- Domestic Abuse
- Modern Slavery
- Incoming Serious Violence Duties – **on-going liaison with external bodies, consider for 25/26 plan.**

- Impact of Covid – **No longer a priority**
- Animal Disease Emergency/Contingency Plans – **no longer a priority, plans tested in real time last year.**

Climate Change, Environment & Transport

- Lack of capacity or capability to respond effectively to highway safety related issues
- Lack of capacity or capability to effectively respond to extreme weather events
- Waste Strategy – **this will be included within the Section 106 audit**
- Transport – Impact of Covid-19 – **No longer a priority**
- Sustainable Urban Drainage System
- Section 106 Agreements
- Bio Diversity Net Gain – **No longer a priority**
- Commuted Sums - **C/fwd to 24/25 to work on SEND**
- Tree Management System – Ash Dieback **C/fwd to 24/25 to work on SEND**
- Fees and Charges – **C/fwd to 24/25 to work on SEND**
- Planning Team Processes
- SEND Transport – (F/Up)

Digital Transformation & Business Support

- Disaster Recovery – **C/fwd to 24/25 to work on SEND**
- Firewalls
- Access Controls
- IT Asset Management
- Capacity and Availability – **moved to 24/25 plan to allow capacity to undertake the limited assurance follow-ups**
- ICT Cyber Security – Vulnerability Management Availability – **moved to 24/25 plan to allow capacity to undertake the limited assurance follow-ups**
- Cyber Security (Focus Governance Arrangements 22-23) – (F/Up)
- Change Management – Compliance with Internal Policy and Procedure – (F/Up)
- Project Management 22-23 – (F/Up)
- Cyber Security 21-22 – (F/Up)
- Data Storage – (F/Up)
- Shadow IT – (F/Up)
- Vulnerability Management – (F/Up)
- Data Protection – (F/Up)

Progress Against Plan

There has been a growing trend in the sector towards more flexible audit plans to enable internal audit to be more responsive to changing risks, in turn maximising resource focus to clients’ needs as and when needed – *Agile Auditing*. This principle looks set to continue and has several benefits with ever changing priority and related risks. Key benefits provide for:

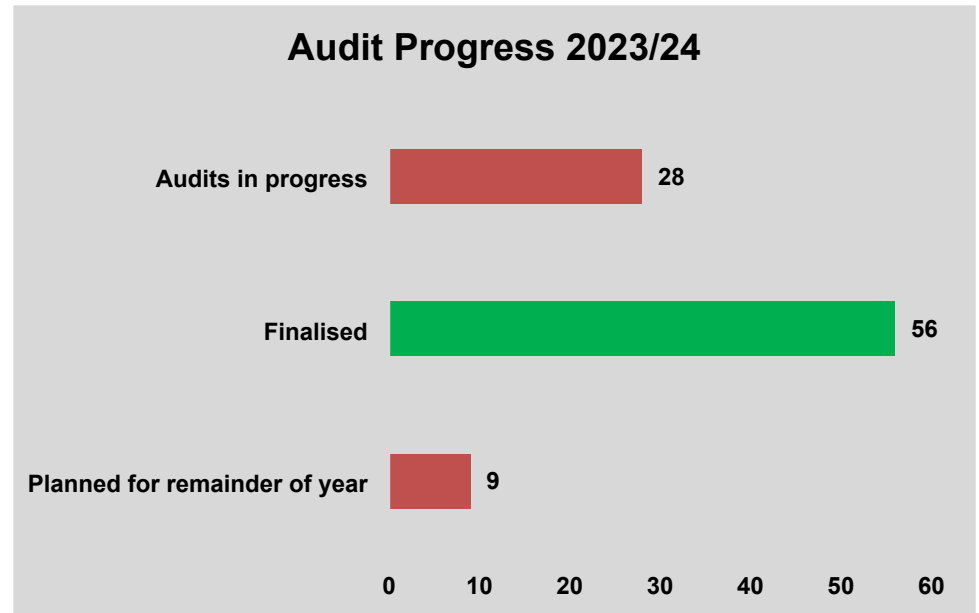
- Reduction in non-productive resource planning.
- Improved opportunity to keep plan aligned to current risks within Service Areas and as a whole for the Authority.
- More effective and timely pre-audit engagement with Service Leads.
- Greater and more regular discussion with client leads – supporting current risk and work priorities.
- The current trend for more flexible audit plans – agile auditing.
- Experience that plans change regularly.
- Changes in external risk drivers are more easily picked up in audit assurance needs.

Our audit plans are always built around the Risks identified through Risk Management, audit needs and perceptions of current issues and in discussion with client management. The audit resource delivery envelope has been set to provide opportunity for greater depth of coverage and further extension of counter fraud work.

Our approach is to scope, schedule and resource plans throughout the year with Service Leads in an agile way, incorporating risk changes as necessary. Resource allocation will be decided based on need at this time.

We endeavour to ensure that sufficient coverage across the Council is maintained to ensure that we can provide an inclusive end of year annual assurance opinion.

The positive engagement from staff across the Council has enabled us, as of 19th January 2024, to have 56 pieces of work finalised for the 23/24 financial year and a further 28 audits in progress. We plan (subject to changes in risk and priorities) to complete a further 9 audits before the end of the financial year along with our current work on SEND in Children’s Services (as mentioned on page 3).



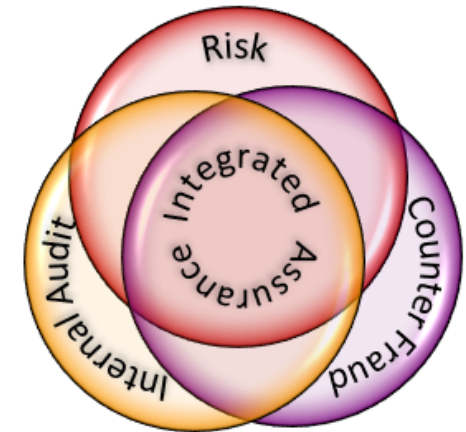
Value Added

We know that it is important that the internal audit services seek to "add value" whenever it can. We obtained feedback from those audited during the year to date who considered we were able to add value by:

- Providing objective and relevant assurance.
- Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.
- Linking across Risk, Counter Fraud and Audit to respond to issues that occur.

Investigations and Irregularities

We work collaboratively with the Counter Fraud team and further detail of the DAP Counter Fraud activity can be found in the Counter Fraud Report provided separately by DAP.



Customer Value

Public Sector Internal Audit Standards (PSIAS)

Conformance - Devon Audit Partnership conforms to the requirements of the PSIAS for its internal audit activity. The purpose, authority and responsibility of the internal audit activity is defined in our internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*.

Our internal audit charter was approved by senior management and the Audit Committee in February 20. This is supported through DAP self-assessment of conformance with Public Sector Internal Audit Standards & Local Government Application note.

Quality Assessment - Through external assessment in December 2021 'DAP is continuing to operate in conformance with the standards. External Assessment provides independent assurance against the Institute of Internal Auditors (IIA) Quality Assessment & Public Sector Internal Audit Standards (PSIAS).

The Head of Devon Audit Partnership also maintains a quality assessment process which includes review by audit managers of all audit work. The quality assessment process and improvement are supported by a development programme.

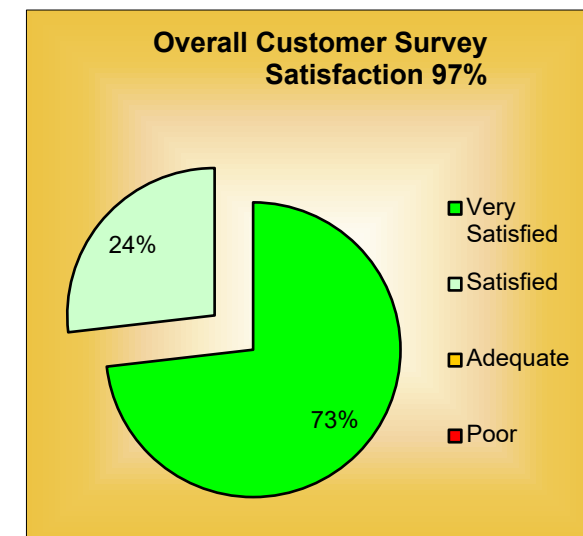
Improvement Programme - DAP maintains a rolling development plan of improvements to the service and customers. All recommendations of the external assessment of PSIAS and quality assurance were included in this development plan and have been completed. This will be further embedded with revision of our internal quality process through peer review.

Customer Service Excellence

DAP maintains accreditation by G4S Assessment Services of the CSE standard during the year. We have had some very complimentary feedback of where our team have been able to add value to the Council and these may be found upon our [webpage](#). The chart on the right of this page summarises the customer satisfaction results received to date during 2023/24.

Inherent Limitations

The opinions contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed.



Appendix 1 - Summary of audit reports and findings from November 2023 to January 2024 (since last Audit Committee meeting)

Integrated Adult Social Care

Risk Area / Audit Entity	Audit Report
	Residual Risk / Audit Comment

The Following audits from 2023/24 have been completed and finalised since November

Direct Payments 2021/22 Follow Up Limited Assurance Status: Final	<p>Since our last review in March 2023, work has progressed in respect of the introduction of the auto-recovery process for accounts with surplus balances, and the first reclaim took place at the end of November 2023. There has also been an increase to the number of annual care assessment and financial assessment reviews taking place, however, this still falls short of all reviews being processed within the required 12-month period.</p> <p>Whilst Children's and Young People's Future (CYPF) have now procured the new Virtual Wallet system for Direct Payments, which is in the process of being implemented, Integrated Adult Social Care (IASC) have yet to make a decision on whether to move away from the current EML pre-paid card system. Management have advised that the Virtual Wallet does remain an option for IASC, but this is dependent on successful implementation by CYP.</p>
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Other work on-going:

- Service Consultation
- CHC Follow Up review from 21/22
- Governance and Assurance Board for the Care First system replacement, Transitions, Community Services, Care Quality Commission and Direct Payments Development - to provide advice on risk and controls through attendance at meetings.

Public Health, Communities & Prosperity

Risk Area / Audit Entity	Audit Report
	Residual Risk / Audit Comment

The following audits from 2023/24 have been completed and finalised since November

Sexual Health Reasonable Assurance Status: Final	<p>There are generally adequate governance arrangements in place to ensure DCC are meeting the statutory requirements with regards to the provision of sexual health services to its residents.</p> <p>In addition, management are pro-active in identifying areas of potential improvement, for example, a new Power BI dashboard is currently being developed to improve the reporting of data taken from multiple sources and to aid the Sexual Health Needs Assessment.</p> <p>Contract and performance monitoring in respect of Northern Devon Healthcare Trust (as the main provider of integrated sexual and reproduction health services) is adequate and reported to senior management each quarter. However, there is</p>
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no current contract or service specifications for University Hospital Plymouth who took over two separate contracts from Plymouth Sexual Health Service (GUM) and Livewell (Deep Implant Removal and Contraception). As such, payments are continuing as per the legacy arrangements from approximately four years ago, albeit with no apparent issue.

This has been recognised by management on the service risk register, but the risk has not been fed into the DCC's Corporate Risk Management System.

Other work on-going:

- Modern Slavery
- Domestic Abuse

Children and Young People's Futures

Risk Area / Audit Entity	Audit Report
	Residual Risk / Audit Comment

The following audits from 2023/24 have been completed and finalised since November

<p>Financial Intervention Panel for Schools</p> <p>Limited Assurance</p> <p>Status: Final issued 11/01/24</p> <p>Draft issued 24/11/23</p>	<p>The Financial Intervention Panel for Schools (FIPS) meet fortnightly to discuss and consider or meet with schools across Devon that have applied for assistance. Schools receive a proportion of the Dedicated Schools Grant, from which a top slice is apportioned to the FIPS budget code which currently has a balance of c.£1m. The panel consists of six or more officers, chaired by the Head of Education and Learning, from Finance, HR and Schools Improvement, plus others with suitable expertise as required.</p> <p>Schools are required to have a three-year plan in place with a balanced budget. Financial planning and audit tools to aid with this process are provided by the Department for Education centrally, and guidance is available from DCC if a school requires it. Applications for assistance are quality assessed by a finance officer and where these have omissions or errors, these are returned to schools for correction. Records of this process in previous years have sometimes been missing and no system for routine follow-up was evident.</p> <p>Panel meetings are held regularly, generally administered well, with folders normally including agendas, minutes and supporting documents. The information provided by schools currently needs to be transposed into other worksheets for analysis and monitoring purposes. This is not very efficient and could benefit from being imported in directly from other systems and work is underway to make this possible.</p> <p>The process of monitoring schools with licensed deficits is insufficient. There are instances where regular monitoring has not happened consistently in previous years, and this may have led to intervention not happening in a timely manner. Budget deficits are licensed on a year-by-year basis to a maximum of three years after which schools have had some deficits written off. We consider that this may lead to some schools believing that change/action was not urgent and without consequence. We are told that this process is being reviewed at present with a view to 'debts' becoming</p>
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'unlicensed deficits' in the future. This would support alternatives to repay deficits, perhaps on a more structured basis, and the solutions used by some other authorities are being examined.

Of further concern is the fact that we are told that pupil numbers are dropping across the county after a 'wave' of higher students that are now going through secondary schools. A drop in numbers entering education across Devon primary schools is likely to have a swift impact on budgets particularly in smaller schools where deficits are already occurring. This will have a knock-on effect on the demand for FIPS intervention.

The service has recognised some of the shortfalls referred to above and we have seen evidence that work is underway to amend processes, frequency of monitoring etc. We consider that the effect of these revised procedures should be assessed again, once fully implemented.

Overall Management Response

A new Financial Reporting Suite monitoring spreadsheet has been developed consolidating monitoring submissions from each school and calculates the frequency of the recovery plan. In addition, it imports school budget monitoring reports whereby these can be presented individually or as a consolidated view of all budget positions allowing for a detailed review of budgets. A school's recovery plan has recently been developed and is being rolled out during January 2024 to be available for schools to download.

Other work in progress:

- Direct Payment Follow-Up review from 22/23
- Direct Payments Spend Analysis Follow-Up review from 22/23
- MASH IT Follow-Up review from 22/23
- Direct Payments – New System (Virtual Wallet) - To provide advice on risk and controls through attendance at meetings.

Key Financial Systems

Risk Area / Audit Entity	Audit Report
	Residual Risk / Audit Comment

The following audits from 2023/24 have been completed and finalised since November

<p>Fixed Assets</p> <p>Substantial Assurance</p> <p>Status: Final</p>	<p>Previous audit reviews have reported the systems and processes to be of a high standard and there have been no significant changes in the system, nor our findings to warrant a change to that opinion. The Fixed Asset Register is updated on an annual basis at year end, as part of the closedown process and the preparation of the annual Statement of Accounts. Based on our testing we consider that controls in relation to accounting for fixed assets are robust, with adequate procedures in place to appropriately record fixed assets, including additions, disposals and the accurate application of depreciation costs in line with the Councils Financial Regulations.</p> <p>Assets are managed in line with the Capital Programme which is included within the annual accounts. Members are kept informed of the latest capital position and have delegated powers to approve purchases and disposals.</p>
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Key Financial Systems

Risk Area / Audit Entity	Audit Report
	Residual Risk / Audit Comment
<p>Payroll</p> <p>Substantial Assurance</p> <p>Status: Final</p>	<p>The control framework for the payroll function remains sound and we consider the key risks associated with the service to be managed effectively and operated by skilled staff.</p> <p>User access onto the payroll system is adequately controlled using unique usernames, passwords and SSO (Single Sign-On) for corporate users. There has however, been a continued delay to MFA (Multi Factor Authentication) which is now expected to be implemented in January 2024, alongside this amended controls regarding password requirements will also be implemented, in line with NCSC's recommended standards.</p> <p>The process for starters and leavers is adequate, however there is an ongoing risk, accepted by management, that new starter forms, which are accessed externally for DCC schools, could be submitted inappropriately, however this risk is low.</p> <p>The contract and arrangements in place with the system provider MHR include appropriate measures regarding business continuity and data security. HR's own business continuity plan is reviewed and updated twice a year, however dry runs to test their effectiveness, are not being undertaken.</p> <p>Observations from previous audits have been considered and some management actions have been applied to mitigate or accept the risks. However, there remains three previously agreed management actions which had not been fully actioned at the time of our audit, these relate to KPI's (Key Performance Indicators), BCP (Business Continuity Plan) dry runs and the implementation of MFA.</p>
<p>Main Accounting System</p> <p>Reasonable Assurance</p> <p>Status: Final</p>	<p>The control framework for the main accounting system (FINEST) remains generally sound and effectively operated by skilled staff. Likewise, there are adequate processes in place regarding bank reconciliations which are routinely undertaken by experienced Finance Officers.</p> <p>Progress has been made since the last audit with regards to processes surrounding user access to the Council's online bank account. However, additional checks for leavers/staff changing roles would further strengthen the current controls in this area.</p> <p>Whilst three of the previously agreed management actions have progressed, there remain some areas where additional measures would enhance the existing control framework and observations have been made accordingly, for consideration and response by management.</p>

Digital Transformation and Business Support

Risk Area / Audit Entity	Audit Report
	Residual Risk / Audit Comment

No audits have been completed and finalised since November

Other work in-progress:

- IT Access Controls
- Firewalls
- Project Management Follow-Up from 22/23
- Change Management Follow-Up from 22/23
- Cyber Security (Governance Arrangements) Follow-Up from 22/23
- Cyber Security Follow-Up from 21/22
- Data Storage Follow-Up from 21/22
- Shadow IT Follow-Up from 22/23
- Patch Management Follow-Up from 22/23
- DCC Data Protection Follow-Up from 22/23

Climate Change, Environment & Transport

Risk Area / Audit Entity	Audit Report
	Residual Risk / Audit Comment

The following audits from 2023/24 have been completed and finalised since November

Sustainable Drainage Systems (SuDS) Limited Assurance Status: Final issued 14/12/23 Draft issued 28/09/23	<p>The obligations DCC will face as the SuDS Approval Body (SAB), will come with significant financial and resource implications.</p> <p>Management within the Environment Team are aware of the potential impact and the pressure on resources and finances which will be required under the new responsibilities as the SAB and have reported this to the Senior Management and the Head Accountant within Climate Change, Environment and Transport (CCET) to ensure this forms part of the Council's Medium Term Financial Strategy.</p> <p>There are several key areas of impact expected from the government requirements under Schedule 3 of the Flood and Water Management Act 2010. These have been detailed as observations/implications and include:</p> <ul style="list-style-type: none"> • Financial resources/costs. • Staff resources. • System resources.
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- Alignment with other local authorities, agencies and organisations.
- Obligation to meet statutory standards, requirements and timescales.

Our overall audit opinion is based on the current position held by the Council corporately, with regards to its preparedness for Implementation of Schedule 3, and not a reflection of the Environment Team or CCET directorate specifically.

Whilst we have given a level of 'Limited Assurance', the difficulties faced with regards to certain areas of planning are understandable as many factors have yet to be decided by government including set up costs, administration of SuDS applications, costings surrounding maintenance fees and appropriate legislation.

However, it would be beneficial to establish a structured, project-based approach from the outset with the key risks identified and consideration of the controls which could help mitigate the risks.

Overall Management Response

The latest information from DEFRA suggests that the planned consultation on Schedule 3 is imminent. There is ongoing expectation of implementation from late 2024/early 2025. The impact on future staffing, systems and finance resource will be put together in a plan/business case to be submitted to Senior Leadership Team as soon as possible when the consultation is issued.

Subject to SLT approval, a business case for an additional officer to lead the planning will be put forward. Costs for the initial additional resources has been included within the Medium-Term Financial Plan from 2024/25.

Planning Team Processes

Reasonable Assurance

Status: **Final**

This audit focused on how efficient the Council are at responding to both local plan and planning application requests from District Councils in the form of a corporate response. The planning team are very experienced and provide comprehensive corporate responses in a timely manner. However, we have identified some areas of improvement to the current processes such as introducing a threshold to determine which planning applications require a corporate response, record storage and ensuring regular strategic meetings with all District Councils are occurring.

There are a lack of reports available to management providing information on what stage a planning application is at. This includes how planning applications are progressing and deadlines of when a corporate response is due. The service has an oversight on how local plans are progressing by maintaining a manual overview spreadsheet.

There is no specific portfolio holder for planning which results in decisions being made without political oversight. However, if the Council were to assign a planning portfolio holder, they would need to ensure this does not affect corporate response deadlines being issued.

Other work in progress:

- Section 106 Agreements
- SEND Transport Follow-Up from 22/23
- Response to Extreme Weather Events
- Response to Highways Safety Related Issues

Finance & Public Value

Risk Area / Audit Entity	Audit Report
	Residual Risk / Audit Comment

The following audits from 2023/24 have been completed and finalised since November

Budget Setting Processes Substantial Assurance Status: Final	<p>Based on our review we consider the Council’s annual budget setting process to be comprehensive and robust. We have found there to be appropriate controls in place to ensure an accurate, realistic, complete and balanced budget with accompanying Medium Term Financial Plan.</p> <p>Identifying savings is incorporated into the budget setting process. For the 2024/25 budget, this includes a Council wide review of external spend and staffing with input and oversight of the Senior Leadership Team (SLT). At the time of this report (January 2024) proposed budget savings of approximately £52m for the 2024/25 have been identified.</p> <p>Budget risks are considered throughout the budget setting process and are managed on an ongoing basis via the corporate risk management framework.</p> <p>Prior to being formally approved by the Full Council, the budget is subject to review by Section 151 Officer/Director of Finance and Public Value and the relevant Scrutiny Committees. The budget is also subject to consultation with, for example, the Business Community and the Voluntary and Community sector, providing appropriate mechanisms for scrutiny and challenge.</p> <p>The finance staff preparing the budget are highly qualified and experienced professionals operating within an established budget setting framework.</p>
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Other work in progress:

- FINEST System Replacement - To provide advice on risk and controls through attendance at meetings
- Business Spend / Car Hire Spend
- Procurement Card Spend Analysis - Schools
- Budget Targets – Delivery of Savings
- Best Value
- Governance of Corporate Contracts

People & Culture

Risk Area / Audit Entity	Audit Report	
	Residual Risk / Audit Comment	
No audits have been completed and finalised since November		
Other work in-progress:		
<ul style="list-style-type: none"> • Job Evaluation • Expenses • Attraction, Recruitment and Retention of Registered Professionals 		

Grant Claims Certified Since September

Grant Name	Audit Report	
	Grant Certification	Audit Comment – if applicable
S31 – A386 Newton Abbot	Certified	Grant Certification without amendment
S31 – A361 North Devon Link		
Supported Families Programme October	Certified	Sustained Progress. Potential claim 147; tested 15; failed 0; claim made 147 families = £117,600
Supported Families Programme November	Certified	Sustained Progress. Potential claim 197; tested 15; failed 0; claim made 197 families = £157,60
Supported Families Programme December	Certified	Sustained Progress. Potential claim 119; tested 20; failed 0; claim made 119 families = £95,200
Supported Families Programme January	Certified	Sustained Progress. Potential claim 92 ; tested 9; failed 0; claim made 92 families = £73,600

Appendix 2 - Definitions

Definitions of Audit Assurance Opinion Levels

Assurance	Definition
Substantial Assurance	A sound system of governance, risk management and control exist across the organisation, with internal controls operating effectively and being consistently applied to support the achievement of strategic and operational objectives.
Reasonable Assurance	There are generally sound systems of governance, risk management and control exist across the organisation, with internal controls operating effectively and being consistently applied to support the achievement of strategic and operational objectives.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified across the organisation. Improvement is required to the system of governance, risk management and control to effectively manage risks and ensure that strategic and operational objectives can be achieved.
No Assurance	Immediate action is required to address fundamental control gaps, weaknesses or issues of non-compliance identified across the organisation. The system of governance, risk management and control are inadequate to effectively manage risk to the achievement of strategic and operational objectives.




Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay and Devon councils. We aim to be recognised as a high-quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards. The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at tony.d.rose@devon.gov.uk

Definition of Recommendation Priority

High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision. Important recommendations made to improve internal control arrangements and manage identified risks.
Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.
Opportunity	A recommendation to drive operational improvement which may enable efficiency savings to be realised, capacity to be created, support opportunity for commercialisation / income generation or improve customer experience. These recommendations do not feed into the assurance control environment.

Direction of Travel Indicators

Indicator	Definitions
	No Progress has been made. The action plan is not being progressed at this time; actions remain outstanding.
	Progress has been made but further work is required. The action plan is being progressed though some actions are outside of agreed timescales or have stalled.
	Good Progress has/is being made. Good Progress has continued.

Appendix 3 – Audit Authority



Service Provision

The Internal Audit (IA) Service for Devon County Council is delivered by the Devon Audit Partnership (DAP). This is a shared service arrangement constituted under section 20 of the Local Government Act 2000. The Partnership undertakes an objective programme of audits to ensure that there are sound and adequate internal controls in place across the whole of the Council. It also ensures that the Council's assets and interests are accounted for and safeguarded from error, fraud, waste, poor value for money or other losses.

 devon **audit** partnership

Strategy

Internal Audit Strategy sets out how the service will be provided, and the Internal Audit Charter describes the purpose, authority and principal responsibilities of the audit function.

Regulatory Role

There are two principal pieces of legislation that impact upon internal audit in local authorities:

Section 5 of the Accounts and Audit Regulations (England) Regulations 2015 which states that 'a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance....'

Section 151 of the Local Government Act 1972, which requires every local authority to make arrangements for the proper administration of its financial affairs

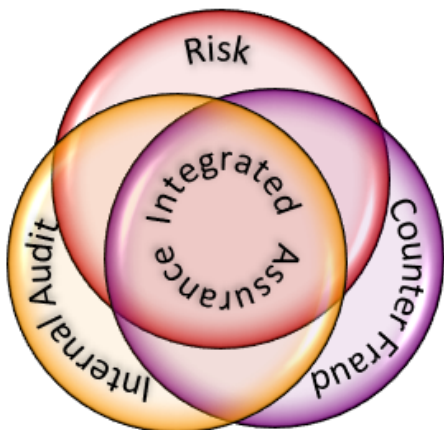
Professional Standards

We work to professional guidelines which govern the scope, standards and conduct of Internal Audit as set down in the Public Sector Internal Audit Standards.

DAP, through external assessment, demonstrates that it meets the Public Sector Internal Audit Standards (PSIAS). Our Internal Audit Manual provides the method of work and Internal Audit works to and with the policies, procedures, rules and regulations established by the Authority. These include standing orders, schemes of delegation, financial regulations, conditions of service, anti-fraud and corruption strategies, fraud prevention procedures and codes of conduct, amongst others.

Our Vision

To be the leading provider of assurances services covering internal audit, counter fraud and risk management to public and not-for-profit organisations in the South West and beyond.



Operational delivery

- **Assurance Audit** Plans based on the best and most up to date risk information
- Agile **Internal Audit** Plan
- Live **risk management** reporting and support across the Council
- Deliver a best in class **risk management framework**
- **Counter Fraud** Team co-ordinate / undertake irregularities work coming through the **audit** plan
- Potential irregularities triaged to **fraud or audit** for review
- **Proactive fraud** work e.g. NFI, developing a delivery plan at client level
- **Investigation** work to be completed jointly (where appropriate) to progress possible fraud review and strengthen internal control frameworks
- **Audit** scoping to include **Counter Fraud** input
- Three-way liaison confirming risk and control
- **Integrated reporting** to be delivered where possible

Our Goals

