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16 August 2021

## AUDIT SCRUTINY COMMITTEE

A meeting of the **Audit Scrutiny Committee** will be held on **Tuesday, 24th August, 2021** in the **Council Chamber, Forde House, Brunel Road, Newton Abbot, TQ12 4XX** at **10.00 am**

PHIL SHEARS  
Managing Director

### **Membership:**

Councillors Clarence, Colclough, H Cox, Goodman-Bradbury, Morgan, Mullone, Rollason and Thorne

**Please Note:** The public can view the live streaming of the meeting at [Teignbridge District Council Webcasting \(public-i.tv\)](#) with the exception where there are confidential or exempt items, which may need to be considered in the absence of the press and public.

## **A G E N D A**

### **Part I**

1. **Apologies for Absence**
2. **Election of Chair**
3. **Election of Deputy Chair**
4. **Minutes of the previous meeting** (Pages 3 - 6)  
To approve and sign the minutes of the meeting held on

5.	<b>Declarations of Interest.</b>	
6.	<b>External Audit Plan</b>	(Pages 7 - 28)
7.	<b>Strategic and Corporate Risk Report</b>	(Pages 29 - 44)
8.	<b>Internal Audit Annual Report 2021-2022</b>	(Pages 45 - 50)
9.	<b>Ombudsman Annual Report</b>	(Pages 51 - 54)
10.	<b>Annual Governance Statement</b>	(Pages 55 - 66)
11.	<b>Draft Final Accounts and Treasury Management</b>	(Pages 67 - 80)
12.	<b>Internal Audit Plan and Charter 2021-2022</b>	(Pages 81 - 90)

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**AUDIT SCRUTINY COMMITTEE****24 MARCH 2021****Present:**

Councillors Clarence, Colclough, H Cox, Goodman-Bradbury, Morgan (Chair), Rollason (Vice-Chair) and Thorne

**Members in Attendance:**

Councillors

**Apologies:**

Councillors Mullone

**Officers in Attendance:**

Julie Masci, Audit Director

Martin Flitcroft, Chief Finance Officer & Head of Corporate Services

Claire Moors, Principal Technical Accountant

Christopher Morgan, Trainee Democratic Services Officer

**61. MINUTES OF THE PREVIOUS MEETING**

The minutes of the previous meeting were signed as a correct record by the Chair.

**62. INTERNAL AUDIT PROGRESS REPORT**

The report was presented by the Audit Manager. She informed the Committee of the internal audits undertaken and the audit work would be supplemented by gathering assurance information across the council. A fraud risk analysis is maintained and this was in the process of being updated.

In response to questions from Councillors, the Audit Manager confirmed that they were content with the progress that had been made, and explained to the Committee what anti-fraud measures the Council had in place.

Resolved

That the Committee note the report.

**63. FINANCIAL INSTRUCTIONS AND CONTRACT PROCEDURE RULES  
WAIVER REPORT**

The report was presented to the Committee by the Audit Manager.

In response to a question from a Councillor, the Audit Manager informed the Committee that BEIS was an acronym for the Department of Business, Energy, and Industrial Strategy.

Resolved

That the Committee note the report.

**64. ANNUAL AUDIT LETTER**

The report was presented to the Committee by representatives from Grant Thornton. They introduced the new External Audit Manager to the Committee.

Resolved

That the Committee note the report.

**65. AUDIT PROGRESS REPORT & SECTOR UPDATE**

The report was presented to the Committee by Grant Thornton. They informed the Committee they had concluded the certification work to the DWP extended deadline, and there were no major technical changes in their risk assessment for 2020-2021. They outlined major changes in the Value for Money assessment which would be much broader in scope and will involve a separate report with recommendations for improvement if required.

In response to questions from Councillors, the representative from Grant Thornton advised the Committee that the report for 2019-2020 had been completed in January. They also clarified what constituted a significant control weakness in the audit process and that this was a judgemental view which was subject to a moderation process; explained the cross over between value for money work and accounts work; and gave details of the adjustment that had been made in the Housing Benefit report.

Resolved

That the Committee note the report.

**66. INFORMING THE AUDIT RISK ASSESSMENT FOR TEIGNBRIDGE DISTRICT COUNCIL 2020/21**

The report was presented to the Committee by the Audit Director from Grant Thornton. She informed the Committee of the new auditing standard which required them to formalise more of what they do at the risk assessment stage as well as the impact of Covid-19.

In response to comments from Councillors, the Audit Director informed the Committee that the aim of the report is to ensure members had opportunity to



comment on the responses provided by the Section 151 Officer and the Internal Audit Manager. Members were advised to check whether these are commensurate with their own understanding of the arrangements in place.

Resolved

That the Committee note the report.

The meeting commenced at 10.00 am and finished at 10.40 am.

Chair  
Councillor Sally Morgan

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# External Audit Plan

**Year Ending 31 March 2021**

Teignbridge District Council  
26 July 2021



# Contents



## Your key Grant Thornton team members are:

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### Gail Turner-Radcliffe

Audit Manager

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In-charge

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Key matters

## Factors

### New Code of Audit Practice

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which came into effect from audit year 2020-21. The Code introduced a revised approach to the audit of Value for Money (VFM). These changes are explained in more detail on page 13 but the main points are that there are a new set of key criteria, there is more extensive reporting requirements and the replacement of the binary qualified approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

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### Adoption of new auditing standards - Estimates

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures which includes significant enhancements in respect of the audit risk assessment process for accounting estimates. As we explain in more detail on page 8, this will require greater disclosure by the Authority as well as additional work by the auditor.

### Local Government developments – Covid-19

Local Government funding continues to be stretched with increasing cost pressures and demand and the outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of a large number of public sector organisations. The significance of the situation cannot be underestimated and the implications for individuals, organisations and communities remains highly uncertain. For our public sector audited bodies, we appreciate the significant responsibility and burden your staff have to ensure vital public services are provided. As far as we can, our aim is to work with you in these unprecedented times, ensuring there is up to date communication and flexibility where possible in our audit procedures.

## Our response

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on.

The revisions to the standard have been incorporated into our audit approach and methodology. We have already identified the material accounting estimates likely to be impacted by the new auditing standard and will work with management to agree the information required and the disclosures required in the financial statements.

We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.

At this time we have not identified a specific Covid-19 significant audit risk (as we did for all Local Government audits in 2019-20 which covered a number of risks including the availability of the Authority's staff to produce accounts, valuation uncertainties in relation to land and buildings and council dwellings, and valuation of pension fund assets). We will revisit this assessment should the current pressures the sector faces continue and impact year-end accounting and auditing processes.

# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit Teignbridge District Council ('the Council') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA). We draw your attention to both of these documents.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit Scrutiny Committee).

We are also responsible for undertaking sufficient work to be able to satisfy ourselves as to whether, in our view, the Council has put arrangements in place that support the achievement of value for money.

The audit of the financial statements does not relieve management or the Audit Scrutiny Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of Land and Buildings
- Valuation of Pension Fund Net Liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £1.405m (PY £1.405m) which equates to 2% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.070m (PY £0.070m).

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following risks of significant weakness:

- Ensuring financial sustainability for the medium term

Further details are set out on page 13.

## Audit logistics

Our interim visit will take place in March 2021 and our final visit will take place from July to September 2021. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £58,740 (PY: £51,541) for the Council, subject to the Council delivering a good set of financial statements and working papers. We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	<p>We will:</p> <ul style="list-style-type: none"> <li>• Evaluate the design effectiveness of management controls over journals</li> <li>• Analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence</li> <li>• Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>
Valuation of Land and Buildings (Rolling Revaluation)	<p>The Council revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>• Evaluate the competence, capabilities and objectivity of the valuation expert</li> <li>• Write to the valuer to confirm the basis on which the valuation was carried out</li> <li>• Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>• Test revaluations made during the year to see if they had been input correctly into the Council's asset register</li> <li>• Evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> </ul>

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Pension Fund Net Liability	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial Statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£86 million in the Authority's balance sheet at 31/03/2020) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• Assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;</li> <li>• Assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;</li> <li>• Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>• Agree the advance payment made to the pension fund during the year to the expected accounting treatment and relevant financial disclosures.</li> <li>• Obtain assurances from the auditor of the Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul>
The revenue cycle includes fraudulent transactions	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams of the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of public sector bodies, including the Authority, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore we do not consider this to be a significant risk for the Authority.</p>



# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The expenditure cycle includes fraudulent transactions (rebutted)	Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states: "As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition". Public sector auditors therefore need to consider whether they have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit.	We have rebutted this presumed risk for Teignbridge District Council because: <ul style="list-style-type: none"> <li>• expenditure is well controlled and the Council has a strong control environment;</li> <li>• there is no incentive for management to mis-represent expenditure; and</li> <li>• the Council has clear and transparent reporting of its financial plans and financial position to those charged with governance.</li> </ul> We therefore do not consider this to be a significant risk for Teignbridge District Council.

# Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

## Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Scrutiny Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



# Accounting estimates and related disclosures

## Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings
- Depreciation
- 15. Year end provisions and accruals
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates

## The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



### Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- 1 9 How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

### Planning enquiries

As part of our planning risk assessment procedures we have made inquiries of management that will be presented at Audit Scrutiny Committee.

### Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540\\_Revised-December-2018\\_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- 47 We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2020/21 financial statements, consider and decide upon any objections received in relation to the 2020/21 financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
  - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

## Going concern

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a "SORP-making body" for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 has recently been updated to take account of revisions to ISAs (UK), including ISA (UK) 570 on going concern. The revisions to PN 10 in respect of going concern are important and mark a significant departure from how this concept has been audited in the public sector in the past. In particular, PN 10 allows auditors to apply a 'continued provision of service approach' to auditing going concern, where appropriate. Applying such an approach should enable us to increase our focus on wider financial resilience (as part of our VfM work) and ensure that our work on going concern is proportionate for public sector bodies. We will review the Council's arrangements for securing financial sustainability as part of our Value for Money work and provide a commentary on this in our Auditor's Annual Report (see page 14). We will also need to identify whether any material uncertainties in respect of going concern have been reported for the Council's subsidiary. If such a situation arises, we will consider our audit response for the Council.

# Materiality

## The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

We have determined financial statement materiality based on a proportion (2%) of the gross expenditure of Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1.405m (PY £1.405m). We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

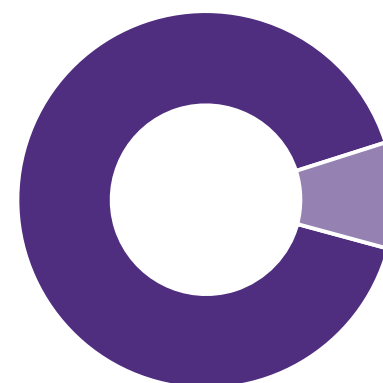
## Matters we will report to the Audit Scrutiny Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Scrutiny Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. We propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.070m (PY £0.070m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Scrutiny Committee to assist it in fulfilling its governance responsibilities.

## Prior year gross operating costs

£70.259m  
(PY: £70.259m)



■ Prior year gross operating costs  
■ Materiality

## Materiality

£1.405m  
financial statements materiality  
(PY: £1.405m)

£0.070m  
Misstatements reported to the Audit Scrutiny Committee  
(PY: £0.070m)



# Value for Money arrangements

## Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary qualified/unqualified approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out here.



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



# Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

## Risks of significant weakness

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.

20



### Financial Sustainability

The Council set a balanced budget for 2020/21, but the longer term picture looks more challenging. The February 2021 budget identified a budget gap for 2022-23 of £1.2 million and £2.6 million for 2023/24. Service reviews within the Council are exploring further savings that can be made this year and in the future. Consideration will need to be made of any future developments regarding funding changes from business rates retention and changes to New Homes Bonus.

There is a risk that financial plans are not sufficiently developed to close the funding gap, which in turn could impact on the Council's ability to deliver services. The Council needs to fully understand the risks involved in utilising its revenue reserves to support its financial position and ensure that it has clear plans in place through its 'Better 22' initiative to realise the necessary savings and efficiencies across the Council.

Due to the inherent uncertainty we have concluded that there is a significant risk of weakness in arrangements for delivering financial sustainability. We will review the council's arrangements for identifying and monitoring risks to financial delivery, review the robustness of the council's medium term financial strategy and savings plans.

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

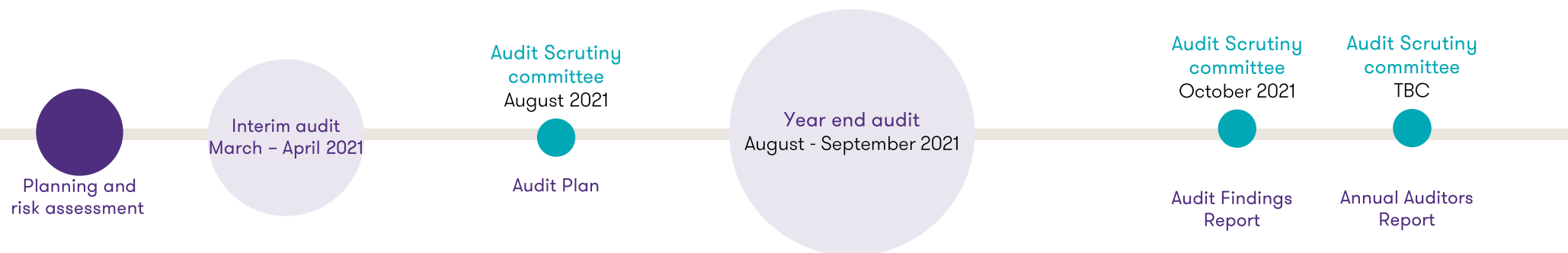


### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements



# Audit logistics and team



Julie Masci, Key Audit Partner

Julie leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Council.



Gail Turner-Radcliffe, Audit Manager

Gail plans, manages and leads the delivery of the audit, is your key point of contact for your finance team and is your first point of contact for discussing any issues.

Paige Tan, Audit Incharge

Paige's role is to assist in planning, managing and delivering the audit fieldwork, ensuring the audit is delivered effectively and efficiently. Paige supervises and co-ordinates the on-site audit team.

## Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

# Audit fees

In 2017, PSAA awarded a contract of audit for Teignbridge District Council to begin with effect from 2018/19. The fee agreed in the contract was £37,240. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2020/21 audit.

As referred to on page 13, the 2020/21 Code introduces a revised approach to our VFM work. This requires auditors to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach. Auditors now have to make far more sophisticated judgements on performance, as well as issue key recommendations if any significant weaknesses in arrangements are identified during the audit. We will be working with the NAO and other audit firms to discuss and share learning in respect of common issues arising across the sector.

The new approach will be more challenging for audited bodies, involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years. Our estimate is that for your audit, this will result in an increased fee of £9,000. This is in line with increases we are proposing at all our local audits.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as noted in the number of revised ISA's issued by the FRC that are applicable to audits of financial statements commencing on or after 15 December 2019, as detailed in Appendix 1..

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2020/21, as set out below, is detailed overleaf.

	Actual Fee 2019/20	Proposed fee 2020/21
Council Audit	£37,240	£37,240
Additional Fee	£14,211*	£21,500
Total audit fees (excluding VAT)	£51,451	£58,740

\* Included within the additional fees for 2019/20 was £8,211 for the factors related to Covid-19.

## Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

# Audit fees – detailed analysis

Scale fee published by PSAA	£37,240
<i>Ongoing increases to scale fee first identified in 2019/20</i>	
Raising the bar/regulatory factors	£2,500
Enhanced audit procedures for Property, Plant and Equipment	£1,750
Enhanced audit procedures for Pensions	£1,750
<b>Audit fee 2019/20</b>	<b>£43,240</b>
<i>New issues for 2020/21</i>	
Additional work on Value for Money (VfM) under new NAO Code	£9,000
Increased audit requirements of revised ISAs	£6,500
<i>Proposed increase to agreed 2019/20 fee</i>	<i>£15,500</i>
<b>Total audit fees (excluding VAT)</b>	<b>£58,740</b>

# Independence and non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams and component audit firms providing services to the Council.

## Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Benefit	10,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,500 in comparison to the total fee for the audit of £58,740 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.







# Appendix 1: Revised Auditor Standards and application guidance

## FRC revisions to Auditor Standards and associated application guidance

The following Auditing Standards and associated application guidance that were applicable to 19/20 audits, have been revised or updated by the FRC, with additional requirements for auditors for implementation in 2020/21 audits and beyond.

	Date of revision	Application to 2020/21 Audits
ISQC (UK) 1 – Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Service Engagements	November 2019	✓
ISA (UK) 200 – Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (UK)	January 2020	✓
ISA (UK) 220 – Quality Control for an Audit of Financial Statements	November 2019	✓
ISA (UK) 230 – Audit Documentation	January 2020	✓
ISA (UK) 240 – The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements	January 2020	✓
ISA (UK) 250 Section A – Consideration of Laws and Regulations in an Audit of Financial Statements	November 2019	✓
ISA (UK) 250 Section B – The Auditor’s Statutory Right and Duty to Report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector	November 2019	✓

# Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 260 – Communication With Those Charged With Governance	January 2020	
ISA (UK) 315 – Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and Its Environment	July 2020	
ISA (UK) 500 – Audit Evidence	January 2020	
ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures	December 2018	
ISA (UK) 570 – Going Concern	September 2019	
ISA (UK) 580 – Written Representations	January 2020	
ISA (UK) 600 – Special considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)	November 2019	
ISA (UK) 620 – Using the Work of an Auditor’s Expert	November 2019	
ISA (UK) 700 – Forming an Opinion and Reporting on Financial Statements	January 2020	

# Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 701 – Communicating Key Audit Matters in the Independent Auditor’s Report	January 2020	✓
ISA (UK) 720 – The Auditor’s Responsibilities Relating to Other Information	November 2019	✓
Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom	December 2020	✓





**Teignbridge District Council  
Audit Scrutiny Committee  
24 August 2021  
Part i**

**Strategic and Corporate Risk Report**

**Purpose of Report**

To provide Members with an overview of the current status of the Strategic & Corporate risks.

**Recommendation(s)**

The Committee RESOLVES to:

- (1) Note the actions being taken to reduce risks to the achievement of the council's objectives.

**Financial Implications**

The financial implications are contained within risk ST02 Failure to control and manage finance and other risks including ST14 Fraud & corruption and ST24 Breach of finance and contract rules.

Principal Technical Accountant & Deputy Chief Finance Officer

Email: [Claire.Moors@teignbridge.gov.uk](mailto:Claire.Moors@teignbridge.gov.uk)

**Legal Implications**

No direct implications beyond effective risk management is key to meeting Council's legal duties.

Monitoring Officer

Email: [Karen.Trickey@teignbridge.gov.uk](mailto:Karen.Trickey@teignbridge.gov.uk)

**Risk Assessment**

Effective risk management will aid decision making, focus and make better use of resources, provide a duty of care, comply with legislation, reduce costs, provide a continuity of service and reduce the risk of not meeting the council's objectives.

Head of Community Services and Improvement

Email: [Amanda.Pujol@teignbridge.gov.uk](mailto:Amanda.Pujol@teignbridge.gov.uk)

**Environmental/ Climate Change Implications**

Environmental and climate change implications have been identified alongside mitigating actions within the Report; the most relevant risks include:

ST31 – the impact of not reducing our energy use and contribution to CO<sub>2</sub>. ST42 – Failure to deliver the council strategy. ST44 – Flood risk resilience. ST45 – Flood risk management.

Climate Change Officer

Email: [william.elliott@teignbridge.gov.uk](mailto:william.elliott@teignbridge.gov.uk)

## Report Author

Data & Performance Analyst

[Jack.Williams@teignbridge.gov.uk](mailto:Jack.Williams@teignbridge.gov.uk)

## Executive Member

Corporate Resources – Cllr Alan Connett

## Appendices/Background Papers

Appendix A – Risk report

## PURPOSE

To provide Members with an overview of the current status of the Council's corporate and strategic risks.

## BACKGROUND

There are 3 types of risk to manage and these are:

**Strategic Risks** – these are the big issues that impact heavily on our service delivery or are fundamental changes in the district or something that may cause a lot of bad publicity. These risks are managed by Business Leads and Business or Service Managers.

**Corporate Risks** – also called 'common risks' because they apply to many sections of the Council and we have corporate processes in place to deal with them e.g. Attacks on staff. These risks are also managed by Business or Service Managers.

**Service Risks** - These are risks and opportunities that apply primarily to a service and that generally won't have too many consequences on the rest of the Council. These are managed by Business or Service Managers and Team Leaders.

In addition, reports to decision makers (both Members and the Strategic Leadership Team) for major projects or service changes, should include an analysis of risks so these are considered when important decisions are made. These risks may be referred for inclusion in the Corporate or Strategic Risk Registers if they are likely to be significant issues

## RISK OVERVIEW

Covid-19 continues to create significant uncertainties for all as we work through the potential impacts. The Council had already moved from being 'risk averse' to 'risk aware' pre Covid-19 and the platform of being 'risk aware' will continue having been heightened by the complexities of Covid-19.

Our operations may be impacted by local lockdowns, economic changes, unemployment and business closures but we will help to manage and support this with the resources we have available and any ongoing/additional support from Government as part of our response and recovery plans.

The risk ST47 Impact of Covid-19 on service delivery & resourcing has been used to monitor the ongoing impact.

Risks have been reviewed by Officers who have taken into consideration the impact of COVID-19 on their areas of risk management. This is reflected in the mitigated risk score and status of the mitigations. Where appropriate risk mitigations have been updated and additional work undertaken or ongoing has been noted.

There are 26 risks in the Strategic Risk register which are the risks we consider could impact heavily on our ability to deliver essential services and meet important objectives. In addition there are 11 corporate risks, 'common risks', that apply to many sections of the council and we have corporate processes in place to deal with them.

Of these 37 risks 6 have a very high unmitigated risk score 9 (3x3) i.e. the risk if we took no action to reduce the risk. The risk Responsible Officers have actions (mitigations) in place to reduce the risk scores.

The risk matrix below shows how many risks have very high (9), high (6), medium (3-4) or low (1-2) mitigated risk score, which takes into account the effectiveness of actions (mitigations) to reduce the risk.

- 3 risks have a medium impact and high likelihood score of 6 (2x3)
- 7 risks have a high impact and medium likelihood score of 6 (3x2)

Corporate & Strategic Risk Matrix				
Risk Likelihood	3 - High	No Risks	3 Risks <u>ST02</u> , <u>ST08</u> , <u>ST41</u> ,	No Risks
	2 - Medium	No Risks	11 Risks <u>CP01</u> , <u>CP12</u> , <u>CP08</u> , <u>ST37</u> , <u>ST19</u> , <u>ST09</u> , <u>ST06</u> , <u>ST40</u> , <u>CP14</u> , <u>ST46</u> , <u>CP11</u> ,	7 Risks <u>CP09</u> , <u>ST29</u> , <u>ST17</u> , <u>ST11</u> , <u>ST20</u> , <u>ST42</u> , <u>ST45</u> ,
	1 - Low	2 Risks <u>CP05</u> , <u>ST26</u> ,	10 Risks <u>ST14</u> , <u>CP13</u> , <u>CP07</u> , <u>ST25</u> , <u>ST24</u> , <u>ST21</u> , <u>ST31</u> , <u>ST28</u> , <u>ST32</u> , <u>ST43</u> ,	4 Risks <u>CP16</u> , <u>ST44</u> , <u>CP15</u> , <u>ST47</u> ,
		1 – Low	2 – Medium	3 - High
Risk - Impact				

## Risk reviews

These are carried out by the risk Responsible Officer monthly for very high (9) risks, quarterly for high (6) twice a year for medium risk (3-4) risks and once a year for low (2) risks. This includes a review of each risk, its mitigations and risk impact and likelihood scores.

In addition to the regular reviews, meetings with the Risk Responsible officer and those managing the risk are held to review the scope of the risk, causes and impact, and mitigations in more depth.

## RISK REPORTS

A report listing the Corporate & Strategic risks is provided as Appendix A

Details of those risks with 'Action needed' mitigations statuses or a very high mitigated status of 9, are provided below. The 'Action needed' statuses are colour coded to match the risk matrix above.

### CP11 Breach of code of conduct by members

#### Risk mitigated status: 6 – high

Mitigation Status	Mitigation	Info
Action needed	Member engagement to meet Council duty (promote & maintain high standards of conduct)	Centre for Governance and Scrutiny is currently working with officers and Members to assist Members in this regard, addressing uncertainties in relation to roles and responsibilities, values and behaviours, mechanics of debate and agreeing a way forward with suggestions for the Councils ethical framework'

Review note: Update 29.07.21 on action taken to address outstanding mitigation: proposed LGA review of standards is in part being progressed by CFGS as part of wider review of governance and scrutiny; new code updated on 22.4.21 with detailed commentary; standards / conduct training taking account of any CFGS report recommendations is due to be included in Procedures Committee work in autumn 21 by DMO.

#### **ST06 Statutory requirements not met**

##### **Risk mitigated status: 4 - medium**

Mitigation Status	Mitigation	Info
Action needed	Ensure appointment of appropriate professional and technical Officers	Ensure that appropriate professional and technical officers are appointed across the authority to ensure that legislative and procedural requirements are met

Review note: The system currently in place to ensure that reports to committee, Executive and full Council are being reviewed from a corporate governance perspective helps ensure statutory requirements are met. In order to address key issues in a more timely and efficient fashion and assist in pursuit of savings required in the medium and long term corporate analysis of management of time and resources and sufficient skill sets to oversee the increasing number of reports and management of projects is being investigated. This is required to ensure all grant conditions and timings are met.

#### **ST29 Failure to maintain sufficient management capacity & capability**

##### **Risk mitigated status: 6 - high**

Mitigation Status	Mitigation	Info
Action needed	Leadership training programmes for managers and supervisors	Leadership training programmes for managers and supervisors
Action needed	Staff have the necessary skills for future new models of service delivery	Staff have the necessary skills for future new models of service delivery

Review note: This was reviewed at SLT on 7th July. Some mitigations/actions need updating. 9 mitigations on going and 2 actions needed on training programmes and staff skills development. HR are putting together training programmes which will take place in September 2021 which covers the two actions needed.

## ST32 Non-compliance with Section 106 agreements and CIL notices

**Risk mitigated status: 2 - low**

Mitigation Status	Mitigation	Info
Action needed	Monitor monies received from time constrained S106 agreements and not yet spent	Spread sheet provided by accountants used to monitor monies received and discuss with departments at meetings

Review note: We have an ongoing project to get S106 agreements into Exacom to enable better monitoring. This is a key integration requirement for our future FMS. Significant non-compliance is very unlikely and we have taken legal action on these previously.

## Major projects/service changes

The current major council projects are listed in the table overleaf, which provides assurance that project risks have been assessed and registers or strategic risks are in place and being managed.

The One Teignbridge Transformation Board meets monthly to review major systems and the digital platform projects. This includes a review of the project risk registers. The Capital Review Group meets every other month to review projects in the capital programme including key risks and issues.

T10	Title	Description	Responsible Officer(s)	Current Risk Register
GP	Energy Services Company	Formation of a public sector joint venture energy company to provide district heating networks	TBA	Yes
GP	GESP	Joint Local Plan with Exeter, East Devon & Mid Devon	Michelle Luscombe / Alex Lessware	See ST40, 41, 43
IIP	Newton Abbot Town Centre Development	Bradley Lane redevelopment	Tom Butcher	Yes
IIP	Newton Abbot Town Centre Development	Newton abbot garden community project	Fergus Pate	To be developed
IIP	Future High Street Fund	New cinema	Tom Butcher/Leigh Florence	Yes
IIP	Future High Street Fund	Market Hall / Alexandria cinema refurbishment	Tom Butcher/Louisa Brinton	Yes
IIP	Future High Street Fund	Queen street public realm improvements	Estelle Skinner / DCC	Yes

IIP	Future High Street Fund	National cycle network 2 improvements	Estelle Skinner / DCC	Yes
IIP	Brunswick Street, Teignmouth re-development	Delivery plan in process, focusing on re-development of vacant Brunswick Street sites, George St & Northumberland Place	Tom Butcher	Yes
IIP	East Street and Drake Road	Development of two Council owned parcels of land to deliver 7 social rented homes. East street is progressing well and Drake Road is close to completion.	Graham Davey, Pete Briscoe	Yes
OA A	Leisure Centre Refurbishment	New Project - Delivery phase of Leisure centre refurbishment for Broadmeadow and Dawlish to be developed	James Teed/ Leigh Florence	To be developed

## ALTERNATIVE OPTIONS

None, risk management is a mandatory function of the Council.

## CONCLUSION

Effective risk management will aid decision making, focus and make better use of resources, provide a duty of care, comply with legislation, reduce costs, provide a continuity of service and reduce the risk of not meeting the council's objectives.

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## Risk status report for AS

Annual report for 2021/22 and 2021

No headings

Filtered by Prefix: Include Risk Prefix: ST, CP

*Key to Performance Status:*

Risks:

**Review  
overdue (0+)**

**Very High  
(9+)**

**High (6+)**

**Medium (3+)**

**Low (1+)**

### Risk status report for AS

Risks						
Status	Code	Title	Risk Impact	Risk Likelihood	Executive Member	Risk Responsible Officer
High (6)	ST02	<u>Failure to control and manage finance</u>	2 - Medium	3 - High	Corporate Resources	Martin Flitcroft, Philip Shears
High (6)	CP11	<u>Breach of Code of Conduct by Members</u>	2 - Medium	3 - High	Corporate Resources	Karen Trickey, Paul Woodhead
High (6)	CP09	<u>Staff health and wellbeing (was Staff Absence/Stress/Morale)</u>	3 - High	2 - Medium	Corporate Resources	Tim Slater
High (6)	ST29	<u>Failure to maintain sufficient management capacity &amp; capability</u>	3 - High	2 - Medium	Strategic Direction	Neil Blaney, Martin Flitcroft, Lorraine Montgomery, Amanda Pujol, Philip Shears
High (6)	ST17	<u>Inability to Recruit and Retain Staff</u>	3 - High	2 - Medium	Corporate Resources	Philip Shears, Tim Slater
High (6)	ST08	<u>Economic Uncertainty</u>	2 - Medium	3 - High	Business, Economy and Tourism	Neil Blaney, Martin Flitcroft, Philip Shears
High	ST11	<u>Failure to Comply with Health &amp; Safety</u>	3 - High	2 - Medium	Corporate Resources	Paul Nicholls, Philip Shears

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## Risk status report for AS

Risks						
Status	Code	Title	Risk Impact	Risk Likelihood	Executive Member	Risk Responsible Officer
(6)		<u>Legislation</u>				
High (6)	ST20	<u>Poorly Managed Election</u>	3 - High	2 - Medium	Corporate Resources	Philip Shears
High (6)	ST41	<u>Local Plan - Planned Development Delayed or Not Happening</u>	2 - Medium	3 - High	Planning	Fergus Pate, Philip Shears
High (6)	ST37	<u>Failure of ICT infrastructure and systems not meeting business needs or not being fit for purpose</u>	3 - High	2 - Medium	Corporate Resources	Amanda Pujol
High (6)	ST42	<u>Failure to deliver the Council Strategy</u>	3 - High	2 - Medium	Strategic Direction	Philip Shears
High (6)	ST45	<u>Flood risk resilience</u>	3 - High	2 - Medium	Waste Management and Environmental Health	Neil Blaney, David Eaton
Medium (4)	CP01	<u>Attacks on Staff</u>	2 - Medium	2 - Medium	Corporate Resources	John-Paul Bove, Paul Nicholls
Medium (4)	CP12	<u>Breach of Code of Conduct by Staff</u>	2 - Medium	2 - Medium	Corporate Resources	Tim Slater
Medium (4)	CP08	<u>Future proofing the workforce (was Failure to Improve Staff Capability and Capacity)</u>	2 - Medium	2 - Medium	Corporate Resources	Tim Slater
Medium (4)	ST21	<u>Failure to ensure data quality</u>	2 - Medium	2 - Medium	Corporate Resources	Amanda Pujol
Medium (4)	ST19	<u>Poor or Ineffective Business Continuity Management</u>	2 - Medium	2 - Medium	Corporate Resources	Neil Blaney, David Eaton
Medium	ST09	<u>Inadequately prepared to manage the</u>	2 -	2 - Medium	Waste Management	Lorraine Montgomery, Philip

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## Risk status report for AS

Risks						
Status	Code	Title	Risk Impact	Risk Likelihood	Executive Member	Risk Responsible Officer
(4)		<u>impacts of a major emergency in the District</u>	Medium		and Environmental Health	Shears
Medium (4)	ST06	<u>Statutory Requirements Not Met</u>	2 - Medium	2 - Medium	Corporate Resources	Philip Shears, Karen Trickey, Paul Woodhead
Medium (4)	ST40	<u>Local Plan - Infrastructure Delivery Delay</u>	2 - Medium	2 - Medium	Planning	Fergus Pate, Philip Shears
Medium (4)	CP14	<u>Non-compliance with the Data Protection Act and General Data Protection Regulations</u>	2 - Medium	2 - Medium	Corporate Resources	Sue Heath
Medium (4)	ST46	<u>Failure of ICT security measures leading to a cyber attack</u>	2 - Medium	2 - Medium	Corporate Resources	Amanda Pujol
Medium (3)	CP16	<u>Lack of Effective Risk Management</u>	3 - High	1 - Low	Corporate Resources	Martin Flitcroft, Philip Shears, Jack Williams, Steve Wotton
Medium (3)	ST44	<u>Flood risk management</u>	3 - High	1 - Low	Waste Management and Environmental Health	Neil Blaney, Richard Rainbow
Medium (3)	CP15	<u>Project management</u>	3 - High	1 - Low	Corporate Resources	Lloyd Purchase
Medium (3)	ST47	<u>Impact of Covid-19 on service delivery &amp; resourcing</u>	3 - High	1 - Low	Corporate Resources	Neil Blaney, Lorraine Montgomery, Amanda Pujol
Low (2)	ST14	<u>Fraud and Corruption</u>	2 - Medium	1 - Low	Corporate Resources	Sue Heath, Philip Shears
Low (2)	CP13	<u>Safeguarding</u>	2 - Medium	1 - Low	Corporate Resources	Rebecca Hewitt
Low	CP07	<u>Failure to Collect or Loss of Income</u>	2 -	1 - Low	Corporate Resources	Sue Heath

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## Risk status report for AS

Risks						
Status	Code	Title	Risk Impact	Risk Likelihood	Executive Member	Risk Responsible Officer
(2)			Medium			
Low (2)	ST25	<u>High Levels of Customer Dissatisfaction</u>	2 - Medium	1 - Low	Corporate Resources	Tracey Hooper, Amanda Pujol
Low (2)	ST24	<u>Finance - Breach of Financial Instructions &amp; Contract Rules</u>	2 - Medium	1 - Low	Corporate Resources	Neil Blaney, Martin Flitcroft, Lorraine Montgomery, Amanda Pujol, Philip Shears
Low (2)	ST31	<u>Climate Change - the impact of not reducing our energy use and contribution to CO2 emissions</u>	2 - Medium	1 - Low	Waste Management and Environmental Health	David Eaton, Lorraine Montgomery
Low (2)	ST28	<u>Major damage to our physical premises and/or working environment</u>	2 - Medium	1 - Low	Corporate Resources	David Eaton, Philip Shears
Low (2)	ST32	<u>Non Compliance with Section 106 Agreements and CIL notices</u>	2 - Medium	1 - Low	Planning	Neil Blaney, Philip Shears
Low (2)	ST43	<u>Failure to adopt Teignbridge Local Plan</u>	2 - Medium	1 - Low	Planning	Michelle Luscombe, Philip Shears
Low (1)	CP05	<u>Contractor Poor Performance/Failure</u>	1 - Low	1 - Low	Corporate Resources	Rosie Wilson
Low (1)	ST26	<u>Poor Public Relations Management</u>	1 - Low	1 - Low	Strategic Direction	Amanda Pujol, Louise Raymond

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## ST47 Risk Management Report

Report for 2021/22

Filtered by Risk: Impact of Covid-19 on service delivery & resourcing  
Not Including Child Projects records, Including Mitigation records

### Key to Performance Status:

Mitigation: **Action needed** **Action ongoing** **Action completed** **No status set**

Risks: **Review overdue (0+)** **Very High (9+)** **High (6+)** **Medium (3+)** **Low (1+)**

## ST47 Risk Management Report

<b>Risk: Impact of Covid-19 on service delivery &amp; resourcing</b> The continuing impact and uncertainty surrounding the future resourcing and delivery of services due to the global covid-19 pandemic.					<b>Risk Code: ST47</b>
<b>Unmitigated Status: Very High (9)</b>		<b>Unmitigated Risk Impact: 3 - High</b>		<b>Unmitigated Risk Likelihood: 3 - High</b>	
<b>Date Identified: 04 Nov 2020</b>				<b>Service: Strategic Leadership Team</b>	
<b>Mitigation records</b>					
<b>Mitigation Status</b>	<b>Mitigation</b>	<b>Info</b>	<b>Responsible Person</b>	<b>Date Identified</b>	<b>Last Review Date</b>
Action ongoing	Advising	Promotion of advice and guidance to staff and public, signposting advice and resources available	Louise Raymond	04/11/2020	01/08/2021
Action ongoing	Agile working	Development and maintenance of capacity for remote working	Amanda Pujol	04/11/2020	01/08/2021
Action ongoing	Business continuity	Development/ updating service business continuity plans	David Eaton	04/11/2020	01/08/2021
Action ongoing	Communications	Clear and timely communications to accurately inform stakeholders and reduce any potential negative reputational	Louise Raymond	04/11/2020	01/08/2021
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## ST47 Risk Management Report

### Mitigation records

Mitigation Status	Mitigation	Info	Responsible Person	Date Identified	Last Review Date
		impacts. Internal and external information, warning informing, and reassurance. Managing expectations of stakeholders.			
Action completed	Contracted services	Identification of key Contracts, vulnerabilities. Negotiation of reduced service/ costs/savings.	Rosie Wilson	04/11/2020	01/08/2021
Action ongoing	Emergency planning	Joint working with Devon Emergency Planning Partnership, providing mutual support, advice and planning to give resilience to TDC role.	David Eaton	04/11/2020	01/08/2021
Action ongoing	Finance planning	Financial recovery planning – budget forecasting	Martin Flitcroft	04/11/2020	01/08/2021
Action ongoing	Finance savings	Implement measures to reduce spend and generate savings	Martin Flitcroft	04/11/2020	01/08/2021
Action completed	HR/Payroll information	Compilation and maintenance of accurate personnel information to enable furlough/ job support schemes	Martin Flitcroft	04/11/2020	01/08/2021
Action ongoing	Partnerships	Partnership/ joint working with neighbouring authorities and community organisations to maximise on	Philip Shears	04/11/2020	01/08/2021

## ST47 Risk Management Report

### Mitigation records

Mitigation Status	Mitigation	Info	Responsible Person	Date Identified	Last Review Date
		resources and reduce duplication of effort.			
Action ongoing	PPE	Ongoing identification of appropriate PPE and securing supply	Chris Braines	04/11/2020	01/08/2021
Action ongoing	Public health and safety	Preparation and ongoing review of risk assessments per service area advised by health and safety manager	John-Paul Bove	04/11/2020	01/08/2021
Action ongoing	Record Maintenance	Maintain records of risk assessment training of Covid-19 secure working arrangements	Tim Slater	11/11/2020	01/08/2021
Action completed	Resource prioritisation	Development of redeployment plan, per service and corporately.	Philip Shears	04/11/2020	01/08/2021
Action ongoing	Staff and safety	Preparation/ ongoing review of risk assessments per service area advised by health and safety manager	John-Paul Bove	04/11/2020	01/08/2021
Action ongoing	Support socio-economic recovery	Development of a recovery plan	Neil Blaney	04/11/2020	01/08/2021
Action ongoing	Unoccupied buildings	Review of facility management arrangements for unoccupied/ reduced occupation particularly in relation to fire and legionella	Daron Hand	04/11/2020	01/08/2021

## ST47 Risk Management Report

### Mitigation records

Mitigation Status	Mitigation	Info	Responsible Person	Date Identified	Last Review Date
Action ongoing	Workforce health and wellbeing	DSE Assessments for working environment, development of a health and wellbeing programme, employee assistance programme.	Tim Slater	04/11/2020	01/08/2021
Action ongoing	Working arrangements	Development and review of Covid-19 secure working policy and arrangements for Council buildings and work areas	John-Paul Bove	04/11/2020	01/08/2021

**Mitigated Status:**  
Medium (3)

**Mitigated Risk Impact:** 3 - High

**Mitigated Risk Likelihood:** 1 - Low

**Risk Responsible Officer:** Neil Blaney, Lorraine Montgomery, Amanda Pujol

**Review Note:** This was reviewed by SLT on 7th July. 15 mitigations are still ongoing, 3 have been completed, and 1 action to be taken on continuity plan development for services.

01.08 - Business continuity is already covered by ST19 so has been changed to ongoing.

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**Teignbridge District Council  
Audit Scrutiny  
24 August 2021  
Part 1**

**INTERNAL AUDIT ANNUAL REPORT 2020-2021**

**Purpose of Report**

To summarise the work of internal audit and provide the Audit Manager's annual opinion on the systems of governance, risk management and control for the year ending 31<sup>st</sup> March 2021.

**Recommendation(s)**

**The Audit Scrutiny Committee resolves to note the report.**

**Financial Implications**

None. The service was delivered within current budget.

**Legal Implications**

None. The Council is meeting its statutory duty to provide an internal audit.

**Risk Assessment**

Not applicable.

**Environmental/ Climate Change Implications**

None.

**Report Author**

Sue Heath – Audit and Information Governance Manager  
Tel: 01626 215258 Email: sue.heath@teignbridge.gov.uk

**Executive Member**

Councillor Richard Keeling – Executive Member for Resources

## 1. PURPOSE

To summarise the work of internal audit and provide the Audit Manager's annual opinion on the systems of governance, risk management and control for the year ending 31<sup>st</sup> March 2021.

## 2 BACKGROUND

2.1 The Accounts and Audit Regulations (2015) require the Council to:

***“undertake an internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”***

2.2 An annual report must be provided which gives an opinion on the adequacy of the control framework. It should be noted that the most any internal audit service can provide is a *reasonable*, not *absolute* assurance that there are no major weaknesses in the Council's processes.

2.3 This report can be used to inform the Committee's review of the Annual Governance Statement which forms part of the Council's accounts.

## 3. INTERNAL AUDIT OPINION 2020/21

3.1 The following issues are usuallpp taken into account in providing an opinion:

- the results of all completed audits and follow up action in respect of previous audits
- management's acceptance of our findings and recommendations
- the effects of any significant changes to systems
- any limitations that may have been placed on the scope of internal audit
- the quality of internal audit work and performance
- the results from other sources of assurance where available
- insight from our involvement with various corporate working groups and projects, and attendance at meetings including management team.

## Audit Work

- 3.2** Normally, a plan of audit work would be approved by the Audit Scrutiny Committee, at the beginning of each audit year (i.e. April 2020). The Plan would ordinarily cover a range of auditable systems. Given the impact of Covid-19, the traditional rigid plan approach was abandoned as audit resources were re-directed to the Council's pandemic response.
- 3.3** The main focus of audit work has been the Covid grants whereby audit staff have ensured that new processes for grant payments were properly risk assessed and controlled in order to protect public funds and minimise fraud. A substantial amount of post payment assurance testing has also been carried out in this respect, and is ongoing through 2021-2022.
- 3.4** In addition to Covid payment work, key systems audits were also undertaken on the core financial and risk management systems as shown in the table below:

PROJECT	OPINION
Governance Review and AGS	<b>Good</b>
Risk Management	<b>Good</b>
Payroll	<b>Good</b>
Main Accounting	<b>Good</b>
<b>Covid Work:</b>	
Small Business Grants	<b>Good</b>
Discretionary Business Grants	<b>Good</b>
Coronavirus Hardship Fund	<b>Excellent</b>
Self Isolation Payments	<b>Good</b>
Local Restrictions Grants (LRG) (Closed)	<b>Good</b>
Christmas Support Payment	<b>Good</b>
LRG (Closed) Addendum and Lockdown Payment	<b>Good</b>
Tier 2 Local Restrictions Grants (Closed)	<b>Good</b>
Tier 2 Local Restrictions Grants (Open)	<b>Good</b>
Additional Restrictions Grant (Open)	<b>Good</b>




3.5

Key to Assurance Opinions:		
Excellent	☆☆☆☆	The areas reviewed were found to be well controlled, internal controls are in place and operating effectively. Risks against achieving objectives are well managed.
Good	☆☆☆	Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some areas for improvement have been identified.
Fair	☆☆	Basic control framework in place, but most of the areas reviewed were not found to be adequately controlled. Generally risks are not well managed and require controls to be strengthened to achieve system objectives.
Poor	☆	Controls are seriously lacking or ineffective in their operation. No assurance can be given that the system's objectives will be achieved.

- 3.6 Ongoing assurance has also been gained from audit involvement in the Council's transformation project One Teignbridge, the Corporate Management Team, and the Council's Covid response and recovery work.

### ICT Assurance

- 3.7 The Council's ICT is provided by Strata Service Solutions. Strata is audited by the Devon Audit Partnership (DAP). DAP have kindly shared their assurance so we can include this in our opinion:

Overall Conclusions (including Strategy & IT Operations)	
Effective service delivery occurs when an IT organization performs an IT service (business process, application, IT skills, hardware, software, or infrastructure service) that the customer values and desires and that the customer cannot or does not want to perform itself.	Good Standard 
Project Management & Solution Delivery Processes	
Service Design (Project Fulfilment) - Processes to transform the strategic requirements of Strata (and its clients) into effective business solutions are effective.	Good Standard 
Cyber Security	
Cyber (Security) can be considered to be a body of technologies, processes and practices designed to protect networks, computers, programs and data from attack, damage or unauthorised access.	Good Standard 

## Counter Fraud

- 3.8** The Audit Manager acts as the Key Contact for the National Fraud Initiative. This is a Cabinet Office data matching exercise matching data from organisations across the public sector to help prevent and detect fraud. The Council has participated in the NFI including the more recently incorporate Business Grants data for which matches were investigated for further assurance in respect of our counter fraud arrangements.
- 3.9** A Fraud Risk Analysis has been maintained for all Council services.

## Internal Audit Performance and Quality Assurance

- 3.10** “Proper practice” for internal audit in local government is defined by the Public Sector Internal Audit Standards.
- 3.11** Following self-assessment against the standards the service is shown to be **95% compliant**. External validation of this is needed to fully comply with the Standards. Unfortunately, due to Covid, our plans to do this in 2020-2021 slipped and it is now an action for 2021-2022.
- 3.12** Performance outcomes:

### Client Satisfaction Surveys

**Feedback** received at the conclusion of audits showed good levels of satisfaction from auditees when asked for their views on:

- Pre-audit planning and Consultation
- Quality of the audit report
- Communication during the audit, and
- Usefulness to your service

## Audit Independence and Acceptance of Findings

- 3.13** The Internal Audit Charter enables us to access all Council staff and systems for the purpose of audit work. There were no restrictions in this respect and no declared relationships that would have given rise to conflicts of interest in the work undertaken by the auditors this year.
- 3.14** Management have engaged positively with, and been supportive of the audit process.

#### **4. OPINION**

I have considered the work of internal audit work and other sources of assurance for the 2020-2021 year, to allow me to draw a reasonable conclusion on the adequacy and effectiveness of Teignbridge District Council's control environment.

I confirm that in my opinion, for the year ended 31 March 2021, the framework for governance was as described in the Annual Governance Statement; Risk Management operated consistently; and controls were generally effective and operated consistently across the Council. Action plans have been put in place to address required improvements where needed.

Sue Heath  
Audit and Information Governance Manager

#### **7. MAIN IMPLICATIONS**

The implications members need to be aware of are as follows:

##### **7.1 Legal**

The Council is meeting its statutory obligation to undertake an internal audit of its systems.

##### **7.2 Resources**

The service was delivered within budget.

#### **8. GROUPS CONSULTED**

Not applicable.

#### **9. ENVIRONMENTAL/CLIMATE CHANGE IMPACT**

Not applicable.

#### **10. DATE OF IMPLEMENTATION (CONFIRMATION OF DECISION SUBJECT TO CALL-IN)**

Not applicable.

21 July 2021

*By email*

Mr Shears  
Managing Director  
Teignbridge District Council

Dear Mr Shears

## **Annual Review letter 2021**

I write to you with our annual summary of statistics on the decisions made by the Local Government and Social Care Ombudsman about your authority for the year ending 31 March 2021. At the end of a challenging year, we maintain that good public administration is more important than ever and I hope this feedback provides you with both the opportunity to reflect on your Council's performance and plan for the future.

You will be aware that, at the end of March 2020 we took the unprecedented step of temporarily stopping our casework, in the wider public interest, to allow authorities to concentrate efforts on vital frontline services during the first wave of the Covid-19 outbreak. We restarted casework in late June 2020, after a three month pause.

We listened to your feedback and decided it was unnecessary to pause our casework again during further waves of the pandemic. Instead, we have encouraged authorities to talk to us on an individual basis about difficulties responding to any stage of an investigation, including implementing our recommendations. We continue this approach and urge you to maintain clear communication with us.

## **Complaint statistics**

This year, we continue to focus on the outcomes of complaints and what can be learned from them. We want to provide you with the most insightful information we can and have focused statistics on three key areas:

**Complaints upheld** - We uphold complaints when we find some form of fault in an authority's actions, including where the authority accepted fault before we investigated.

**Compliance with recommendations** - We recommend ways for authorities to put things right when faults have caused injustice and monitor their compliance with our recommendations. Failure to comply is rare and a compliance rate below 100% is a cause for concern.

**Satisfactory remedy provided by the authority** - In these cases, the authority upheld the complaint and we agreed with how it offered to put things right. We encourage the early resolution of complaints and credit authorities that accept fault and find appropriate ways to put things right.

Finally, we compare the three key annual statistics for your authority with similar types of authorities to work out an average level of performance. We do this for County Councils, District Councils, Metropolitan Boroughs, Unitary Councils, and London Boroughs.

Your annual data will be uploaded to our interactive map, [Your council's performance](#), along with a copy of this letter on 28 July 2021. This useful tool places all our data and information about councils in one place. You can find the decisions we have made about your Council, public reports we have issued, and the service improvements your Council has agreed to make as a result of our investigations, as well as previous annual review letters.

I would encourage you to share the resource with colleagues and elected members; the information can provide valuable insights into service areas, early warning signs of problems and is a key source of information for governance, audit, risk and scrutiny functions.

As you would expect, data has been impacted by the pause to casework in the first quarter of the year. This should be considered when making comparisons with previous year's data.

### **Supporting complaint and service improvement**

I am increasingly concerned about the evidence I see of the erosion of effective complaint functions in local authorities. While no doubt the result of considerable and prolonged budget and demand pressures, the Covid-19 pandemic appears to have amplified the problems and my concerns. With much greater frequency, we find poor local complaint handling practices when investigating substantive service issues and see evidence of reductions in the overall capacity, status and visibility of local redress systems.

With this context in mind, we are developing a new programme of work that will utilise complaints to drive improvements in both local complaint systems and services. We want to use the rich evidence of our casework to better identify authorities that need support to improve their complaint handling and target specific support to them. We are at the start of this ambitious work and there will be opportunities for local authorities to shape it over the coming months and years.

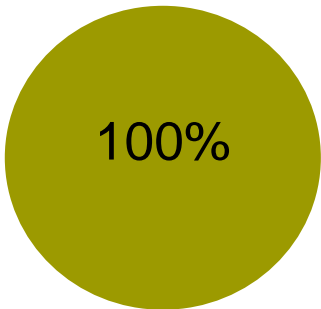
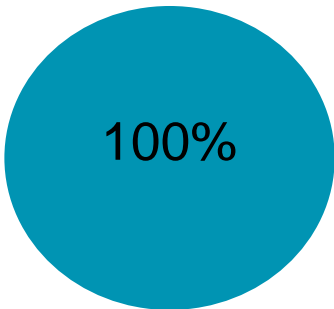
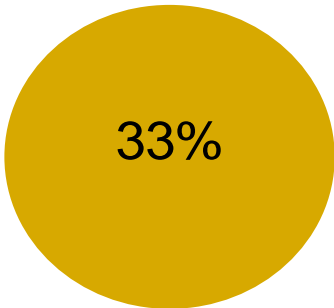
An already established tool we have for supporting improvements in local complaint handling is our successful training programme. During the year, we successfully adapted our face-to-face courses for online delivery. We provided 79 online workshops during the year, reaching more than 1,100 people. To find out more visit [www.lgo.org.uk/training](http://www.lgo.org.uk/training).

Yours sincerely,



Michael King  
Local Government and Social Care Ombudsman  
Chair, Commission for Local Administration in England



Complaints upheld		
	<p><b>100%</b> of complaints we investigated were upheld.</p> <p>This compares to an average of <b>53%</b> in similar authorities.</p>	<p><b>3</b> upheld decisions</p> <p>Statistics are based on a total of 3 detailed investigations for the period between 1 April 2020 to 31 March 2021</p>
Compliance with Ombudsman recommendations		
	<p>In <b>100%</b> of cases we were satisfied the authority had successfully implemented our recommendations.</p> <p>This compares to an average of <b>100%</b> in similar authorities.</p>	<p>Statistics are based on a total of 2 compliance outcomes for the period between 1 April 2020 to 31 March 2021</p>
<ul style="list-style-type: none"> <li>Failure to comply with our recommendations is rare. An authority with a compliance rate below 100% should scrutinise those complaints where it failed to comply and identify any learning.</li> </ul>		
Satisfactory remedy provided by the authority		
	<p>In <b>33%</b> of upheld cases we found the authority had provided a satisfactory remedy before the complaint reached the Ombudsman.</p> <p>This compares to an average of <b>16%</b> in similar authorities.</p>	<p><b>1</b> satisfactory remedy decision</p> <p>Statistics are based on a total of 3 detailed investigations for the period between 1 April 2020 to 31 March 2021</p>

**NOTE:** To allow authorities to respond to the Covid-19 pandemic, we did not accept new complaints and stopped investigating existing cases between March and June 2020. This reduced the number of complaints we received and decided in the 20-21 year. Please consider this when comparing data from previous years.

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**Teignbridge District Council  
Audit Scrutiny  
24 August 2021  
Part 1**

**ANNUAL GOVERNANCE STATEMENT 2020-2021**

**Purpose of Report**

To consider the Annual Governance Statement and recommend it to Council for approval.

**Recommendation(s)**

**The Audit Scrutiny Committee RECOMMENDS to Council that the Annual Governance Statement is approved.**

**Financial Implications**

None.

**Legal Implications**

None. The publication of an Annual Governance Statement is a statutory requirement which the Council is meeting.

**Risk Assessment**

Not applicable.

**Environmental/ Climate Change Implications**

The Annual Governance Statement includes an overview of the Council's actions in this respect.

**Report Author**

Sue Heath – Audit and Information Governance Manager  
Tel: 01626 215258 Email: [sue.heath@teignbridge.gov.uk](mailto:sue.heath@teignbridge.gov.uk)

**Executive Member**

Councillor Richard Keeling – Executive Member for Resources

## 1. PURPOSE

To present the Annual Governance Statement for members' consideration, prior to recommending it to Council for approval.

## 2. BACKGROUND

- 2.1 The preparation and publication of an Annual Governance Statement (AGS) is a mandatory requirement for local government. It describes the processes and procedures in place to enable the Council to carry out its functions and must be included with the Council's Financial Statements.
- 2.2 "Delivering Good Governance in Local Government" published by the Chartered Institute of Public Finance Accountants (CIPFA) and Society of Local Authority Chief Executives (SOLACE) is cited by CIPFA as the proper practice for production of an AGS.
- 2.3 The Audit Scrutiny Committee should consider whether the AGS fairly reflects the arrangements within the Council.

## 3. GOVERNANCE REVIEW

- 3.1 Existing processes have been compared to the CIPFA / SOLACE framework to determine whether the Council has systems in place to meet the expected governance principles. A and B provide the overarching requirements for acting in the public interest, while the remainder relate to the more detailed processes and achieving outcomes.

A	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
B	Ensuring openness and comprehensive stakeholder engagement

C	Defining outcomes in terms of sustainable economic, social, and environmental benefits
D	Determining the interventions necessary to optimise the achievement of the intended outcomes
E	Developing the entity's capacity, including the capability of leadership and individuals within it
F	Managing risks and performance through robust internal control and strong public financial management
G	Implementing good practices in transparency, reporting, and audit to deliver effective accountability

3.2 The review is also informed by other assurance sources including:

- Internal and external audits, internal audit's annual assurance opinion
- Performance and risk management systems and reports
- Reports from other review functions such as the Ombudsman
- Review of contingent liabilities and legal cases to ascertain whether these were generated by governance weaknesses
- The key systems and processes that regulate, monitor and control the Council's activities
- Assurance Statements completed by the Council's senior managers certifying they have understood their managerial responsibilities and put procedures in place to ensure their service objectives were achieved; legal requirements were met; performance and risks were managed; and budgets were controlled.

3.3 The AGS must reflect the arrangements in place for the 2020-2021 year, but also remain current up until the date it is published. It therefore reflects the effects the Covid pandemic has had on our governance arrangements.

3.4 The draft AGS members are considering today, has been reviewed and approved by the Council's Strategic Leadership Team.

#### **4. CONCLUSION**

4.1 The draft AGS is attached at Appendix A. Members are asked to review this and recommend it to Council for approval.

#### **5. MAIN IMPLICATIONS**

The implications members need to be aware of are as follows:

##### **5.1 Legal**

The Council is meeting its statutory obligation to undertake an internal audit of its systems.

##### **5.2 Resources**

The service was delivered within budget.

**6. GROUPS CONSULTED**

Internally, the Corporate Management and Strategic Leadership Teams, and key officers have been consulted.

**7. ENVIRONMENTAL/CLIMATE CHANGE IMPACT**

Not applicable.

**8. DATE OF IMPLEMENTATION (CONFIRMATION OF DECISION SUBJECT TO CALL-IN)**

Not applicable.

## Introduction

Teignbridge District Council must ensure its business is conducted in line with the law and proper standards, and use public money economically, efficiently and effectively. It is the Council's duty to put in place arrangements for the governance of its affairs, and effective delivery of services.

To achieve good governance, we have systems for managing and overseeing what we do. These arrangements are intended to ensure that we deliver intended outcomes while acting in the public interest at all times.

We have measured ourselves against the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework for Delivering Good Governance in Local Government. The following statement explains how Teignbridge District Council has complied with the principles and also meets the requirements of the Accounts and Audit Regulations (England) 2015 in relation to the publication of an Annual Governance Statement. We have also outlined how our arrangements were affected by the Covid-19 pandemic which impacted us from March 2020.

## The Guiding Principles



## The governance framework

The governance framework comprises the systems, processes, culture and values which direct and control our daily business, and includes the methods we use to engage, lead and account to the community. It enables us to monitor how we are doing and to consider whether our plans have helped us deliver appropriate services that are value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives and can therefore only provide reasonable but not absolute protection. The management of risk is an ongoing process designed to identify, prioritise and manage risks to the achievement of the Council's aims and objectives, and maximise opportunities.

The governance framework has been in place at Teignbridge District Council for the year ended 31 March 2021 and up to the date we approved the statement of accounts.

## Impacts of the Covid-19 Pandemic on Governance

The Covid-19 pandemic caused us to make a number of changes to our normal governance arrangements, as we responded to emerging issues and new ways of working. These changes were carefully considered to ensure that the modified procedures have adequate controls in place and all urgent decisions were documented.

As the full impacts of the pandemic emerged from March 2020, the Council put in place an Incident Management Team which provided leadership and managed risk on a daily basis, ensuring the delivery of essential services was maintained safely for customers and staff. We worked closely with central Government, neighbouring authorities and the voluntary sector in providing community support to address the needs of our most vulnerable customers, delivering urgent financial support such as business and welfare grants, and regularly communicating with our staff and residents on how to stay safe and limit the spread of the virus. We developed a Recovery Plan in response to the pandemic across 5 work streams: Economy; Communities; Environment; Place; and Vital Viable Council.

Lockdown required arrangements for virtual Council meetings to be made urgently. These were facilitated using Zoom initially and latterly Webcasting as meetings recommenced upon the ending of restrictions in May 2021. This enabled our democratic and decision making processes to remain open and accessible.

Remote working systems were implemented rapidly for office based staff with both technical and wellbeing support for home working provided throughout. Plans are currently in place for a phased return from September 2021, and an associated office accommodation review has taken place. We have implemented ever changing guidance for our operational staff such as our waste crews, who were unable to socially distance at work. In general we have managed well with limited cases. Our arrangements were effective with not a single outbreak from any office setting and minimal disruption to our waste collection service.

A review of the Council's Ten Year Strategy resulted in some projects being put on hold due to the extreme financial and economic uncertainty caused by the pandemic. The Strategy will be further reviewed during 2021 taking account of the recovery work being undertaken and particularly our understanding of the impact the pandemic has had on our communities.



Reports on the Council's response to the pandemic and its impacts can be found in our Executive and Overview and Scrutiny Committee reports [here](#). Governance has remained effective, and the commitment and resilience of our workforce has been commendable.

The key things we do to comply with the good governance principles are as follows:

### Behaving with integrity, demonstrating strong commitment to ethical values, and being lawful

- The Council's Constitution, Councillor and Officer Codes of Conduct, and Vision and Values statement set out required standards of members and officers.
- The Constitution was reviewed in 2020 with improved clarity over delegations. Further work is planned to further ensure it meets the Council's needs.
- A Procedures Committee has been set up to oversee future operation of the Constitution
- Registers of Interests are maintained to avoid conflicts, prejudice or bias.
- The designated statutory Head of Paid Service, Financial Officer and Monitoring Officer help ensure business is conducted lawfully.
- Internal and external audit scrutinise Council activities and report independently on the extent to which laws, policies and procedures are complied with.
- Audit Scrutiny, Standards Committee and the Monitoring Officer provide oversight.
- Anti-Fraud and Corruption and Whistleblowing policies are in place.
- Council services are led by trained and professionally qualified staff.
- Comments and complaints processes are in place and are publicised, including how to complain to the Ombudsman.
- Our 'fair for all' ethos is incorporated in the work we do, and we publish our adherence to the Equality Act duties annually.
- The Centre for Governance and Scrutiny have been invited to review officer/member roles and responsibilities, including consideration of values, behaviours, and ethical issues, and the constitutional provisions supporting these.

### Ensuring openness and comprehensive stakeholder engagement

- Our Consultation and Community Engagement Strategy and Toolkit encourages all members of the community to contribute to, and participate in the work of the Council.
- Members of the public have access to Council meetings, minutes and agendas. As a result of lockdown, some meetings had to be cancelled until legislation was enacted, and IT solutions put in place to enable us to hold these virtually. Meetings were available to the public through the Council's YouTube channel which has improved the transparency of decision making.
- Our Residents Panel "Talking Teignbridge" is used as a sounding board. A review of this is planned, to ensure it is demographically representative.
- A Customer Reading Group ensures publications can be understood. Plain English principles are used in publications and digital content meets accessibility standards with a 100% AA rating on our website. Our website has been continually improved based on what customers need.
- We have developed a Digital Strategy to guide the way services will be delivered with a digital first approach.
- We survey customers on a number of services for views to help shape future direction.
- A Statement of Community Involvement sets out engagement processes for planning policy and applications, and a revision of our Local Plan is in progress. Consultations are being carried out virtually due to the impact of the pandemic, which is resulting in a higher level of engagement than traditional "village hall" face to face consultations.

## Defining outcomes in terms of sustainable economic, social and environmental benefits

- A Ten Year Council Strategy guides our work. This was implemented following extensive research and consultation with residents, business and partners, and is underpinned by ten “Super Projects” each having a widespread impact on the economy, community wellbeing, and environment. However, a number of projects are now on hold or will not continue due to the extreme financial and economic uncertainty caused by the pandemic. The Strategy will be reviewed in light of the recovery work being undertaken and particularly our understanding of the impact the pandemic has had on our communities.
- Our elected members called a Climate Emergency in 2019. Since then we have begun to measure our organisational carbon footprint and develop a pathway to net-zero emissions. We have also become a signatory of the Devon Climate Emergency and together with our partners across Devon, we are working towards a Devon Carbon Plan that will set Devon on a pathway to net-zero emissions by 2050 at the latest.
- Various carbon reduction grant funded works are in progress at leisure centres and Forde House. Other district themes include a Tree Strategy; green infrastructure connecting with nature; Future High Street fund and Newton Abbot and Kingsteignton Garden Communities project. The new Local Plan also includes climate change mitigations measures.
- Budgets, financial plan and capital programme direct financial resources to priorities.
- We have a Procurement Strategy in conjunction with other Devon Districts which defines our commitment to support local economies.
- An Economic Development Plan aids local businesses and the local economy, together with a Jobs Plan which was implemented in June 2021.
- A number of small grants and funding schemes are provided, which benefit local communities, and a crowdfunding initiative has been joined.
- We belong to the Greater Exeter Partnership which is developing a non-statutory joint plan for joined-up decision making on planning and infrastructure matters, and we are members of the Heart of the South West Local Enterprise Partnership.

## Determining the interventions necessary to achieve intended outcomes

- Performance measures track progress with delivery of our Strategy.
- A medium term financial strategy outlines how we intend to raise and manage the resources needed to deliver our services and priorities over the medium term. This is constantly under review to address the severe financial impacts of the pandemic.
- Executive Key decisions are publicised in advance so they can be scrutinised in line with decision making and Overview and Scrutiny arrangements.
- Overview and Scrutiny review groups are appointed to look at Council policy, services, and particular issues of local concern. Although some 2020 meetings had to be cancelled due to lockdown, Scrutiny resumed in July following the implementation of virtual meetings.
- A digital transformation programme “One Teignbridge” and annual business planning and review exercises “BETTER2022” drive service improvement and performance.
- A Partnership toolkit aids collaborative working and strong partnership governance.

## Developing capacity including the capability of leadership and the individuals within it

- Recognised recruitment and selection procedures and induction programmes are followed for both staff and members.

- Training and development needs are tracked through annual personal development and performance interviews for staff. Member development needs are co-ordinated by the Democratic Services Team Leader who plans to introduce a member development programme in 2021. The newly formed Procedures Committee will also oversee member development.
- HR policies aim to promote the health and wellbeing of the workforce, which has been especially important during lockdown, and the Investors in People accreditation is maintained.

## **Managing risks and performance through robust internal control and strong public financial management**

- Our Risk Management Strategy is reviewed annually and risk management reports are reviewed by the Strategic Leadership Team (SLT) and the Audit Scrutiny Committee.
- The Strategy requires risks to be managed at all levels including service, strategic, and project levels, and in all decision making risk must be identified.
- Some risks have inevitably increased as a result of the pandemic and these have been kept under review to ensure appropriate mitigations are in place. A separate risk matrix supports our Covid-19 recovery plan.
- Robust performance monitoring using a basket of indicators is undertaken by the SLT and Overview and Scrutiny Committees. These are also kept under review as we revisit our priorities to accommodate the impacts of the pandemic.
- As mentioned above, a programme of reviews (BETTER2022) help ensure value for money in services is scrutinised, for efficient service delivery.
- Our Head of Corporate Services is the designated officer responsible for the proper administration of the Council's financial affairs.

## **Being transparent, with good practices in reporting and audit, to deliver effective accountability**

- Agendas, reports, and minutes of meetings are published, along with Key Decisions and meetings are accessible with live stream and recordings on our website.
- An internal audit function reports to the SLT and Audit Scrutiny Committee who also receive and consider the external auditors' findings.
- Key data is published, and timely responses are given to Information Requests.

## **How do we know our arrangements are working?**

At least annually, we review the effectiveness of the governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance systems; the Audit Manager's annual report; and by comments made by external auditors, and other review agencies and inspectorates. Further assurance is provided by:

- Assurance statements completed by the Council's management team, which cover their areas of control, acknowledge accountability for risk management and internal control, and certify their satisfaction with the arrangements in place throughout the year.

- Key officers' views on the standards of governance within the Council – specifically the Section 151 Officer (responsible for the Council's financial affairs), the Monitoring Officer, the Audit Manager, and the Health and Safety Manager.
- The Council's Monitoring Officer has a legal responsibility to look into matters of potential unlawfulness within the Council. The Monitoring Officer also reviews the operation of the Constitution, to ensure it is up to date, and reflects best practice and legal requirements.
- The Standards Committee is available to support the Monitoring Officer on standards of conduct and probity issues, and has dealt with a number of matters referred to it.
- The Overview and Scrutiny process has monitored the Council's policies and performance on an ongoing basis (with the exception of the meetings cancelled during lockdown period). Portfolio Holders have also kept issues under review during meetings with managers.
- The Audit Scrutiny Committee has reviewed arrangements for managing risk concluding that adequate risk management arrangements are in place.
- Counter fraud arrangements have been kept under review through a Fraud Risk Assessment and fraud controls are evaluated during internal audit work. Internal audit have also provided assurance over the numerous Covid-19 support grants and payments distributed throughout the pandemic.
- The Council's external auditor provided the Council with an unqualified opinion on the Council's accounts and positive Value for Money report within their Annual Audit and Inspection letter. They attend Audit Scrutiny Committee meetings where their reports have been considered.
- As a significant group relationship, our IT provider Strata Service Solutions Limited has been provided with positive assurance from the Devon Audit Partnership, as the provider of its internal audit services in 2020-2021. Strata's performance has been monitored closely by the Council's IT Requirements Board, and by the Joint Executive and Scrutiny Committees.
- Strata, has maintained compliance with the Government PSN (Public Services Network) Code of Connection, which is a mandatory set of security standards Councils must meet in order to connect to this secure network. Assurance has also been given in respect of cyber risk in deployment of the following: National Cyber Security Centre's (NCSC) 10 Steps to Cyber Security, the Open Web Application Security Project (OWASP) website principles and use of NCSC WebCheck, MailCheck, Protective Domain Name System security, and the Early Warning Vulnerability Service. Strata are also working towards Cyber Essentials Plus accreditation.
- The Electoral Commission's real time monitoring of performance concluded that the Council met their standards. The elections due in May 2020 took place in May 2021 in line with government guidance.
- The Local Government Ombudsman upheld 3 of the 15 complaints referred to it.
- A review of legal proceedings and contingent liabilities revealed no issues arising from weaknesses in control or governance.
- CIPFA guidance on the role of the Chief Financial Officer in public service organisations was used to benchmark the Council's arrangements, showing how these standards are met.

- Financial Management was also assessed against CIPFA's Financial Management Code with positive findings. This has a particular focus on financial resilience which is particularly important in current times.
- Based on the assurance work undertaken by internal audit, the Audit Manager has provided an opinion on the control environment which concluded that this was adequate and effective. It should, however, be noted that all risks of failure cannot be eliminated, and the assurance given is therefore reasonable and not absolute.
- Information Governance is overseen by the Audit Manager. There have been no major reportable data breaches and average processing time for Freedom of Information and Environmental Information Regulation requests was 13 days in the 18 month AGS period.
- Corporate governance arrangements Council-wide have been assessed against the requirements of the governance framework outlined in the CIPFA / SOLACE Framework for Delivering Good Governance in Local Government.
- Specific reviews have been commissioned to look at areas of concern: Office of Government Scrutiny review mentioned above (outcome pending) and Planning Advisory Service review of the planning decisions making process, the findings of which were positive.

## Conclusion

Our governance arrangements continue to be regarded as fit for purpose, in accordance with the governance framework. Set out below, are the challenges highlighted by this review which we aim to address during 2021-2022.

2021-2022 Challenges	Planned Action
<u>Financial Sustainability</u>  The Coronavirus pandemic has had a significant financial impact on the Council, and will continue to affect fees and charges and commercial income throughout 2021 and beyond. The Government support packages have helped but these only cover part of the year 2021-2022. The Council also has a number of capital projects at different stages which could also be impacted.	The Chief Finance Officer and Strategic Leadership Team continuously monitor the financial situation to understand the level of budget variation and progress with capital schemes. Budgets have been realigned, savings found and further savings will be identified from service reviews to assist with budget gaps identified in the medium term financial plan.
<u>Member and Officer roles and relationships</u>  The Centre for Governance and Scrutiny (CfGS) have been invited to review officer/member roles and responsibilities, including consideration of values, behaviours, and ethical issues, and the constitutional provisions supporting these.	We will agree, implement, and monitor an action plan arising from the CfGS work.

2021-2022 Challenges	Planned Action
<p><u>Anti-fraud and Corruption and Whistleblowing policies</u></p> <p>Our governance review found these policies have not been reviewed for some time. It is good practice to review policies on a regular basis to ensure they remain fit for purpose and reflect best practice.</p>	<p>Anti-fraud and Corruption and Whistleblowing policies will be reviewed and updated in 2021</p>

Signed:

**Leader of the Council**

**Managing Director**

**Teignbridge District Council  
Audit Scrutiny  
24 August 2021  
Part i**

**2020/21 DRAFT FINAL ACCOUNTS & TREASURY MANAGEMENT**

**Purpose of Report**

To introduce Members to the draft final accounts for 2020/21. Update on the latest treasury management lending list and draft results for 2020/21.

**Recommendation(s)**

**The Audit Scrutiny Committee note:**

- (1) That the draft statement of accounts for 2020/21 have been published**
- (2) The current authorised lending list at appendix 1**
- (3) The draft treasury management results for 2020/21 at appendix 2**

**Financial Implications**

The financial implications are contained throughout the report. The main implication is that the accounts have been closed and general reserves are slightly above the budgeted level anticipated at 31 March 2021 - £2.060 million. See section 3

Martin Flitcroft – Chief Finance Officer

Tel: 01626 215246 Email: [martin.flitcroft@teignbridge.gov.uk](mailto:martin.flitcroft@teignbridge.gov.uk)

**Legal Implications**

See section 7 – the Accounts and Audit Regulations 2015 set out the requirements for the production and publication and audit of the annual statement of accounts.

Martin Flitcroft – Chief Finance Officer

Tel: 01626 215246 Email: [martin.flitcroft@teignbridge.gov.uk](mailto:martin.flitcroft@teignbridge.gov.uk)

**Risk Assessment**

Major risks are summarised in section 6. The most significant of these is the level of future funding from Central Government and the level of reserves held to meet future unexpected variations in income

Martin Flitcroft – Chief Finance Officer

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## **Environmental/Climate Change Implications**

The revenue budget supports the funding of a Climate Change Officer and associated budget – see section 9.

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## **Report Author**

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Tel: 01626 215246 Email: martin.flitcroft@teignbridge.gov.uk

## **Executive Member**

Councillor Richard Keeling – Executive Member for Resources

## **Appendices/Background Papers**

Appendix 1 – Treasury management lending list  
Appendix 2 – Draft Treasury management results 2020/21

### **1. PURPOSE**

- To introduce Members to the draft statement of accounts for 2020/21
- To report the latest treasury management lending list as shown in Appendix 1
- To report on the draft financial results of the treasury management function for the year ended 31 March 2021 as shown in Appendix 2

### **2 BACKGROUND**

- 2.1** The accounts and audit regulations 2015 set out the requirements for the production and publication of the annual statement of accounts. The statement usually has to be produced and certified by the chief finance officer by 31 May however the Covid 19 pandemic has triggered amendments to this deadline by extending this to the end of July. Ordinarily the accounts have to be brought for full council approval after external audit and by 31 July however again this has been amended to the end of September.
- 2.2** The statement of accounts and financial records are being audited by our external auditors Grant Thornton during August and September. If any alterations are required the details will be reported to Audit Scrutiny Committee with the external audit accounts report in October. Any revenue or capital resource effects will be brought to Executive in the budget monitoring



report planned for 2 November 2021. Grant Thornton is required to provide the opinion on the statement of accounts by the end of September but this will not be finalized until the Full Council meeting in November.

- 2.3** The availability of the accounts and records for inspection by interested persons has been advertised on the website [www.teignbridge.gov.uk/statementofaccounts](http://www.teignbridge.gov.uk/statementofaccounts) see Draft Statement of Accounts 2020-2021. This also advises that the external auditor will be accessible to receive in writing any objections to the accounts from 2 August to 13 September 2021.
- 2.4** An updated treasury management statement and authorised lending list was approved at the 2021 February budget meeting. This was based on the latest edition of the treasury management code published by the Chartered Institute of Public Finance & Accountancy (CIPFA). Further changes were reported to Executive on 5 July 2021. The updated statement is detailed in section 4 below and is shown for information at Appendix 1

### **3 DRAFT STATEMENT OF ACCOUNTS 2020/21**

- 3.1** The draft statement of accounts has been certified by Martin Flitcroft as the responsible finance officer and is available on the website. [www.teignbridge.gov.uk/statementofaccounts](http://www.teignbridge.gov.uk/statementofaccounts) see public inspection notice Audit of Accounts 31 March 2021 in the downloads section. The final version will be brought to the next meeting of Audit Scrutiny Members with further explanation for consideration and recommendation to 30 November 2021 Council.
- 3.2** A brief explanation and overview of the figures is given in the narrative statement on pages 8 to 21. Capital expenditure and details of property, plant and equipment are given in the balance sheet on page 32 and relevant notes 14 to 16 and 23 from page 65. Reserves are shown on the balance sheet and analysed on page 31. The draft closing general reserves at 31 March 2021 of £2.060 million are an improvement on the original budget of £80,000. Savings were also identified as part of the reaction to the Covid 19 pandemic to deal with likely shortfalls over the medium term financial plan which have been added to earmarked reserves.
- 3.3** An analysis of the variations to budget is contained within the narrative statement. These have arisen mainly because of the budget alignment exercise taken to Full Council in September 2020 and further ongoing work to identify savings to offset losses in income – in particular from fees and charges – car parks and leisure being badly hit and loss of rental income. Subsequent Government funding for income losses through the fees and charges compensation scheme and general grants have helped to further support the lost income and deliver additional funds to earmarked reserves. The Government also finalised a support scheme for losses from council tax and business rates. Savings were made in expenditure in many areas including staffing, fuel/mileage, gas, electricity, repairs & maintenance,

contractors costs, cleansing and grounds maintenance, printing, postage, stationery, advertising, a significant reduction in revenue contributions to capital outlay and other miscellaneous costs.

#### **4. TREASURY MANAGEMENT AUTHORISED LENDING LIST (Appendix 1)**

- 4.1** The authorised treasury management lending list was approved at the 2021 February budget meeting. Following the appointment of treasury management advisors in 2019, additional highly-rated institutions were added to the Council's official lending list. From 1 January 2019, the largest UK banks had to separate core retail banking from investment banking in order to support financial stability and make any potential failures easier to manage without the need for a government bailout. The banks addressed ring-fencing, each taking their own approach about which side of the bank is best suited for local authorities. In some cases, ring-fencing affected ratings. Officers continue to monitor all ratings to ensure they meet the Council's lending criteria.
- 4.2** The lending list has been updated for the latest ratings and is included at appendix 1. Nottingham Building Society has been removed as its downgraded ratings do not currently meet minimum criteria. Clydesdale Bank has been reinstated and its subsidiary Virgin Money's ratings have improved so they have been added in tier 3. Skipton Building Society have been moved from tier 3 to tier 2 due to improved ratings. Royal Bank of Scotland and NatWest Bank have both moved up from tier 2 to tier 1 due to improved ratings.

#### **5. TREASURY MANAGEMENT RESULTS 2020/21 (Appendix 2)**

- The financial results of the treasury management function have to be reported to Council in accordance with the Chartered Institute of Public Finance and Accountancy 'Treasury Management Code 2017'. Teignbridge's lending has been carried out in accordance with its defined strategy and with adherence to its restricted list of approved investment institutions. There was no long term borrowing in 2020/21. Current forecasts do not anticipate long-term external borrowing during 2021/22 however this is dependent on the rate of progress for a number of capital schemes.
- The Council's treasury team continue to use internal borrowing in order to minimise interest costs. As at the end of 2020-21, the capital financing requirement (CFR) (underlying need to borrow) was £19.6 million. By using existing balances to fund this internally rather than borrowing externally, the Council saves around £371,000 per annum. This is based on the cost of borrowing 50% of CFR at the PWLB's 10-year certainty rate and 50% at the 25-year certainty rate, less potential interest earned at the 2020-21 average rate of 0.07%. Any borrowing which is undertaken will be in line with the Council's prudential indicators and treasury management strategy which were approved at the February 2021 Council budget meeting.

The average funds available for investment increased in 2020/21 by £7.4 million to £23.3 million, from £15.9 million in 2019/20. This is mainly due to one-off payments from central government for Covid-19 grants.

Net interest earned has decreased from £120,625 in 2019/20 to £15,945 in 2020/21. The average rate achieved has decreased from 0.75% in 2019/20 to 0.07% in 2020/21. The Bank of England's base rate was reduced to 0.1% in March 2020, where it has remained since. Economic forecasts do not anticipate a rise in base rate during 2021/22. Call account rates continue to be low because of the current banking regulations requiring banks to keep greater capital buffers.

Interest rates earned have been consistently better than the average standard benchmark 7 day London Interbank Bid Rate (LIBID) which for the same lending would have averaged -0.05% for the year (0.57% in 2019/20).

Full details of draft treasury management results and prudential indicators are shown in Appendix 2.

## **6. RISKS**

The major risks to be aware of are around future funding and the adequacy of reserves going forward as further action may be required to address the impacts of the Covid 19 pandemic. General reserves are maintained at a value higher than originally budgeted and earmarked reserves have been increased to help deal with future forecast funding changes and on going reductions in income. Further clarity is required on the level of Government support for both this year and next. These risks may impact on the performance of treasury management and borrowing levels moving forward. Preparation and approval of the accounts are required by the Accounts and Audit Regulations 2015 and if these regulations are not adhered to the auditors could qualify the accounts.

## **7. MAIN IMPLICATIONS**

The implications members need to be aware of are as follows:

### **7.1 Legal**

The Financial Accounts for 2020/21 need to be produced and audited in accordance with the Accounts & Audit Regulations 2015.

Monitoring and reporting of the treasury management results is required by the CIPFA Treasury Management Code.

### **7.2 Resources**

The report notes that general reserves have been maintained at a level slightly higher than originally budgeted at 31 March 2021 and interest earned

in 2020/21 from treasury management has decreased from that obtained in 2019/20.

**8. GROUPS CONSULTED**

The draft accounts are advertised as available for inspection and are available on the website. The external auditors have been auditing the financial records and accounts during August.

**9. ENVIRONMENTAL/CLIMATE CHANGE IMPACT**

The revenue budget supports the appointment of a climate change officer and associated budget.

**10. DATE OF IMPLEMENTATION (CONFIRMATION OF DECISION SUBJECT TO CALL-IN)**

10.00 a.m. on 31 August 2021

**TEIGNBRIDGE DISTRICT COUNCIL TREASURY MANAGEMENT:**  
**AUTHORISED LENDING LIST FROM 24 AUGUST 2021**

**Lending list**

The current authorised lending list has been updated to take account of changes in ratings and banks and is shown below for approval.

**Specified Investments**

Type of Lender	Details	
1. Current Banker	Lloyds Bank	£3,000,000 limit
2. Local Authorities	All	No limit
3. UK Debt Management Office Deposit Facility (UK government AA-/Aa3/AA rated) no limit.		
4. UK Treasury Bills (UK government AA-/Aa3/AA rated) no limit.		
5. Money market funds, subject to maintenance of AAmmf rating.		
CCLA Public Sector Deposit Fund	AAmmf	£3,000,000 limit
Aberdeen Liquidity Fund	AAmmf	£3,000,000 limit
Blackrock Liquidity Fund	AAmmf	£3,000,000 limit
LGIM Liquidity Fund	AAmmf	£3,000,000 limit
Morgan Stanley Liquidity Fund	AAmmf	£3,000,000 limit
7. Top UK-registered Banks and Building Societies, subject to satisfactory ratings. Updated below to reflect information provided by treasury advisors.		
8. <b>Non-specified:</b> CCLA Property and Diversified Income Funds - £2,000,000 limit		

Institution	Tier	90 day limit	180 day limit	364 day limit	Overall limit
		£	£	£	£
Goldman Sachs International Bank	1	3,000,000	2,000,000	1,000,000	3,000,000
Handelsbanken plc	1	3,000,000	2,000,000	1,000,000	3,000,000
HSBC Bank plc	1	3,000,000	2,000,000	1,000,000	3,000,000
Lloyds Bank plc and Bank of Scotland plc	1	3,000,000	2,000,000	1,000,000	3,000,000
NatWest Bank	1	3,000,000	2,000,000	1,000,000	3,000,000
Royal Bank of Scotland	1	3,000,000	2,000,000	1,000,000	3,000,000
Santander UK plc	1	3,000,000	2,000,000	1,000,000	3,000,000
Sumitomo Mitsui Banking Corporation Europe Ltd	1	3,000,000	2,000,000	1,000,000	3,000,000
Close Brothers Ltd	2	2,000,000	1,000,000		2,000,000
Coventry Building Society	2	2,000,000	1,000,000		2,000,000
Nationwide Building Society	2	2,000,000	1,000,000		2,000,000
Skipton Building Society	2	2,000,000	1,000,000		2,000,000
Standard Chartered Bank	2	2,000,000	1,000,000		2,000,000
Clydesdale Bank	3	1,000,000			1,000,000
Leeds Building Society	3	1,000,000			1,000,000
Principality Building Society	3	1,000,000			1,000,000
Virgin Money	3	1,000,000			1,000,000
Yorkshire Building Society	3	1,000,000			1,000,000

**TEIGNBRIDGE DISTRICT COUNCIL TREASURY MANAGEMENT:**  
**AUTHORISED LENDING LIST FROM 24 AUGUST 2021**

Bank regulations force banks to maintain “capital buffers”, classifying their deposits according to duration. Instant access accounts and short deposits are not attractive to banks as they cannot be counted towards those buffers. For this reason, in addition to current economic factors, interest rates on most “call” accounts remain low.

**Other Non-specified investments**

These will be considered on a case-by case basis, using the decision-making framework laid out in the Commercial Strategy.

Investments which may be considered include

- Renewable energy/social impact investments

- On-lending to key partners/stakeholders in relation to jointly beneficial projects

- Lending in instances where doing so would protect the local economy

## Teignbridge District Council Treasury Management Year End Review 2020-21

Teignbridge District Council has adopted CIPFA's *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes 2017 Edition*. One of the requirements is the provision of a year-end report of treasury management activities.

Activities Undertaken: Daily lending and borrowing from 1 April 2020 to 31 March 2021:

### Fixed-term lending

<b>Borrower</b>	<b>Terms %</b>	<b>Amount Lent £</b>	<b>Start date</b>	<b>End date</b>	<b>Days Lent in year</b>	<b>Interest Earned in Year £</b>
Debt Management Office	0.100	44,000,000	01/04/2020	08/04/2020	7	843.84
Debt Management Office	0.040	5,000,000	08/04/2020	09/04/2020	1	5.48
Debt Management Office	0.045	4,500,000	08/04/2020	14/04/2020	6	33.29
Debt Management Office	0.095	34,500,000	08/04/2020	16/04/2020	8	718.36
Debt Management Office	0.055	1,000,000	14/04/2020	17/04/2020	3	4.52
Debt Management Office	0.080	1,000,000	15/04/2020	23/04/2020	8	17.53
Debt Management Office	0.080	1,500,000	15/04/2020	27/04/2020	12	39.45
Debt Management Office	0.040	12,500,000	16/04/2020	17/04/2020	1	13.70
Debt Management Office	0.045	18,000,000	16/04/2020	20/04/2020	4	88.77
Debt Management Office	0.080	500,000	17/04/2020	29/04/2020	12	13.15
Debt Management Office	0.040	1,400,000	20/04/2020	21/04/2020	1	1.53
Debt Management Office	0.045	2,000,000	20/04/2020	22/04/2020	2	4.93
Debt Management Office	0.055	1,000,000	20/04/2020	23/04/2020	3	4.52
Debt Management Office	0.060	5,000,000	20/04/2020	24/04/2020	4	32.88
Debt Management Office	0.080	7,200,000	20/04/2020	27/04/2020	7	110.47
Debt Management Office	0.080	1,000,000	22/04/2020	29/04/2020	7	15.34
Debt Management Office	0.080	3,000,000	24/04/2020	30/04/2020	6	39.45
Debt Management Office	0.080	6,500,000	27/04/2020	04/05/2020	7	99.73
Debt Management Office	0.080	1,000,000	29/04/2020	11/05/2020	12	26.30
Debt Management Office	0.080	1,100,000	30/04/2020	19/05/2020	19	45.81
Debt Management Office	0.080	1,400,000	30/04/2020	22/05/2020	22	67.51
Debt Management Office	0.055	2,000,000	01/05/2020	26/05/2020	25	75.34
Debt Management Office	0.055	1,500,000	01/05/2020	27/05/2020	26	58.77
Debt Management Office	0.040	1,000,000	04/05/2020	06/05/2020	2	2.19
Debt Management Office	0.040	1,000,000	04/05/2020	12/05/2020	8	8.77
Debt Management Office	0.050	3,400,000	04/05/2020	19/05/2020	15	69.86
Debt Management Office	0.040	400,000	11/05/2020	27/05/2020	16	7.01
Debt Management Office	0.040	1,000,000	12/05/2020	27/05/2020	15	16.44
Debt Management Office	0.040	2,000,000	14/05/2020	27/05/2020	13	28.49
Debt Management Office	0.040	1,000,000	15/05/2020	18/05/2020	3	3.29
Debt Management Office	0.040	4,500,000	15/05/2020	27/05/2020	12	59.18
Debt Management Office	0.050	1,000,000	15/05/2020	08/06/2020	24	32.88
Debt Management Office	0.050	2,500,000	15/05/2020	22/06/2020	38	130.14
Debt Management Office	0.040	1,000,000	19/05/2020	20/05/2020	1	1.10
Debt Management Office	0.040	1,000,000	19/05/2020	23/06/2020	35	38.36

## Appendix 2

Borrower	Terms %	Amount Lent £	Start date	End date	Days Lent in year	Interest Earned in Year £
Debt Management Office	0.040	1,400,000	19/05/2020	26/06/2020	38	58.30
Debt Management Office	0.020	1,000,000	26/05/2020	28/05/2020	2	1.10
Debt Management Office	0.020	1,000,000	29/05/2020	24/06/2020	26	14.25
Debt Management Office	0.035	1,000,000	01/06/2020	03/06/2020	2	1.92
Debt Management Office	0.020	1,000,000	01/06/2020	10/06/2020	9	4.93
Debt Management Office	0.020	1,000,000	01/06/2020	02/07/2020	31	16.99
Debt Management Office	0.020	1,000,000	10/06/2020	07/08/2020	58	31.78
Debt Management Office	0.020	4,000,000	15/06/2020	02/07/2020	17	37.26
Debt Management Office	0.020	4,500,000	15/06/2020	07/08/2020	53	130.68
Debt Management Office	0.010	1,000,000	24/06/2020	02/07/2020	8	2.19
Debt Management Office	0.010	1,000,000	26/06/2020	02/07/2020	6	1.64
Debt Management Office	0.010	2,500,000	01/07/2020	02/07/2020	1	0.68
Debt Management Office	0.010	1,000,000	02/07/2020	06/07/2020	4	1.10
Debt Management Office	0.010	4,000,000	15/07/2020	20/07/2020	5	5.48
Debt Management Office	0.010	1,000,000	15/07/2020	23/07/2020	8	2.19
Debt Management Office	0.010	2,000,000	15/07/2020	07/08/2020	23	12.60
Debt Management Office	0.010	1,000,000	23/07/2020	29/07/2020	6	1.64
Debt Management Office	0.010	500,000	29/07/2020	21/08/2020	23	3.15
Debt Management Office	0.010	1,000,000	31/07/2020	07/08/2020	7	1.92
Debt Management Office	0.010	1,000,000	03/08/2020	07/08/2020	4	1.10
Debt Management Office	0.010	500,000	03/08/2020	12/08/2020	9	1.23
Debt Management Office	0.010	1,250,000	03/08/2020	19/08/2020	16	5.48
Debt Management Office	0.010	1,000,000	07/08/2020	14/08/2020	7	1.92
Debt Management Office	0.010	1,000,000	12/08/2020	19/08/2020	7	1.92
Debt Management Office	0.010	500,000	14/08/2020	26/08/2020	12	1.64
Debt Management Office	0.010	500,000	17/08/2020	28/08/2020	11	1.51
Debt Management Office	0.010	250,000	17/08/2020	04/09/2020	18	1.23
Debt Management Office	0.010	250,000	17/08/2020	09/09/2020	23	1.58
Debt Management Office	0.010	2,000,000	17/08/2020	15/09/2020	29	15.89
Debt Management Office	0.010	2,500,000	17/08/2020	21/09/2020	35	23.97
Debt Management Office	0.010	1,250,000	17/08/2020	23/09/2020	37	12.67
Debt Management Office	0.010	1,500,000	01/09/2020	14/09/2020	13	5.34
Debt Management Office	0.010	2,000,000	01/09/2020	30/09/2020	29	15.89
Debt Management Office	0.010	250,000	08/09/2020	25/09/2020	17	1.16
Debt Management Office	0.010	1,000,000	09/09/2020	12/10/2020	33	9.04
Debt Management Office	0.010	1,500,000	15/09/2020	19/10/2020	34	13.97
Debt Management Office	0.010	500,000	18/09/2020	28/09/2020	10	1.37
Debt Management Office	0.010	1,000,000	21/09/2020	22/09/2020	1	0.27
Debt Management Office	0.010	1,000,000	22/09/2020	21/10/2020	29	7.95
Debt Management Office	0.010	1,250,000	23/09/2020	23/10/2020	30	10.27
Debt Management Office	-0.030	1,000,000	01/10/2020	07/10/2020	6	- 4.93
Debt Management Office	-0.025	1,000,000	01/10/2020	09/10/2020	8	- 5.48
Debt Management Office	-0.020	1,000,000	01/10/2020	12/10/2020	11	- 6.03
Debt Management Office	-	1,000,000	01/10/2020	21/10/2020	20	-
Coventry Building Society	0.020	1,000,000	07/10/2020	26/11/2020	50	27.40
Debt Management Office	0.005	1,000,000	09/10/2020	26/11/2020	48	6.58
Debt Management Office	-0.010	7,000,000	15/10/2020	21/10/2020	6	- 11.51
Coventry Building Society	0.020	1,000,000	15/10/2020	26/11/2020	42	23.01
Debt Management Office	0.010	1,000,000	22/10/2020	05/01/2021	75	20.55



## Appendix 2

Borrower	Terms %	Amount Lent £	Start date	End date	Days Lent in year	Interest Earned in Year £
Debt Management Office	-	3,000,000	02/11/2020	19/11/2020	17	-
Debt Management Office	-	600,000	02/11/2020	16/11/2020	14	-
Debt Management Office	-	500,000	03/11/2020	17/11/2020	14	-
Debt Management Office	-	1,500,000	13/11/2020	07/12/2020	24	-
Debt Management Office	-	1,000,000	13/11/2020	18/12/2020	35	-
Debt Management Office	-	1,000,000	13/11/2020	21/12/2020	38	-
Debt Management Office	- 0.010	1,400,000	16/11/2020	23/11/2020	7	- 2.68
Debt Management Office	- 0.005	5,700,000	16/11/2020	26/11/2020	10	- 7.81
Debt Management Office	-	2,400,000	16/11/2020	21/12/2020	35	-
Debt Management Office	-	500,000	17/11/2020	01/12/2020	14	-
Debt Management Office	0.005	1,000,000	20/11/2020	05/01/2021	46	6.30
Coventry Building Society	0.020	1,500,000	27/11/2020	05/01/2021	39	32.05
Debt Management Office	-	500,000	01/12/2020	19/12/2020	8	-
Debt Management Office	-	3,400,000	01/12/2020	01/12/2021	35	-
Debt Management Office	- 0.010	5,000,000	15/12/2020	17/03/2021	92	- 126.03
Debt Management Office	- 0.020	2,000,000	15/12/2020	22/02/2021	69	- 75.62
Debt Management Office	- 0.020	1,000,000	15/12/2020	10/02/2021	57	- 31.23
Principality Building Society	0.060	1,000,000	15/12/2020	10/02/2021	57	93.70
Debt Management Office	- 0.070	500,000	22/12/2020	10/02/2021	50	- 47.95
Debt Management Office	- 0.050	550,000	24/12/2020	24/02/2021	62	- 46.71
Debt Management Office	0.010	2,100,000	04/01/2021	19/01/2021	15	8.63
Debt Management Office	0.010	1,500,000	15/01/2021	22/01/2021	7	2.88
Debt Management Office	0.010	1,500,000	15/01/2021	19/01/2021	4	1.64
Debt Management Office	0.010	6,500,000	15/01/2021	28/01/2021	13	3.15
Debt Management Office	0.010	8,200,000	15/01/2021	10/02/2021	26	8.41
Debt Management Office	0.010	1,000,000	15/01/2021	22/02/2021	38	10.41
Coventry Building Society	0.020	2,000,000	15/01/2021	22/02/2021	38	41.64
Debt Management Office	0.010	500,000	19/01/2021	23/02/2021	35	4.79
Debt Management Office	0.010	1,000,000	21/01/2021	17/03/2021	55	15.07
Debt Management Office	0.010	500,000	22/01/2021	22/03/2021	59	8.08
Debt Management Office	0.010	1,000,000	27/01/2021	22/03/2021	54	14.79
Debt Management Office	0.010	500,000	28/01/2021	22/03/2021	53	7.26
Debt Management Office	0.010	1,000,000	15/02/2021	17/02/2021	2	0.55
Debt Management Office	0.010	1,000,000	15/02/2021	01/03/2021	14	3.84
Debt Management Office	0.010	1,000,000	18/02/2021	04/03/2021	14	3.84
Coventry Building Society	0.010	2,000,000	22/02/2021	22/03/2021	28	15.34
Debt Management Office	-	1,500,000	01/03/2021	02/03/2021	1	-
Debt Management Office	-	2,000,000	02/03/2021	17/03/2021	15	-
Debt Management Office	-	1,000,000	04/03/2021	08/03/2021	4	-
Debt Management Office	-	1,000,000	05/03/2021	10/03/2021	5	-
Debt Management Office	-	1,000,000	05/03/2021	17/03/2021	12	-
Debt Management Office	-	1,000,000	05/03/2021	23/03/2021	18	-
Debt Management Office	-	1,000,000	09/03/2021	22/03/2021	13	-
Debt Management Office	-	1,000,000	10/03/2021	15/03/2021	5	-
Debt Management Office	-	1,500,000	15/03/2021	29/03/2021	14	-
Debt Management Office	-	4,000,000	15/03/2021	06/04/2021	17	-
Debt Management Office	-	2,000,000	19/03/2021	07/04/2021	13	-
Coventry Building Society	0.020	2,000,000	22/03/2021	23/04/2021	10	10.96
<b>Subtotal (fixed lending)</b>						<b>3,298.47</b>

## Appendix 2

Deposits were also made into the following call accounts, dependent upon cash flow:

Bank	Account terms	Interest Earned £
Clydesdale Bank	0.05% 30 days' notice	0.34
Royal Bank of Scotland	0.01% instant access	0.38
Santander UK plc	0.10% to 0.12% instant access	1,652.71
Lloyds plc bonus account	0.01% to 0.02% instant access	117.81
Lloyds plc treasury account	0.01% instant access	14.81
Lloyds plc 95-day notice	0.45% 95-day notice	1,724.45
Lloyds plc 32-day notice	0.10% to 0.20% 32-day notice	674.06
Lloyds plc	0.0% current account	-
Lloyds plc Deposit account	0.0% instant access	-
<b>Subtotal</b>		<b>4,184.56</b>

Deposits were also made into the following money market funds, dependent on cash flow:

Public Sector Deposit Fund	0.03% to 0.41% instant access	4,544.23
Aberdeen Standard	0.01% to 0.41% instant access	3,918.98
<b>Subtotal</b>		<b>8,463.21</b>

**Total interest on lending** **£15,946.24**

Temporary Borrowing 1 April 2020 to 31 March 2021:

Lender	Terms %	Amount lent £	Dates	Days lent in year	Interest paid in year £
Lloyds Bank	Base + 1%	0	Overdraft agreement	2	0.98

## Teignbridge District Council Performance Report for the Period 1 April 2020 to 31 March 2021

	Apr-Mar 2019-20	Apr-Mar 2020-21
<b>(i) Short Term Funds Invested</b>		
Interest received and receivable for the period	£120,632	£15,946
Maximum period of investment on any one loan made in the period	179 days	92 days
"Fixed" investment rates in period.	0.15% – 0.89%	-0.07% - 0.10%
<b>(ii) Short Term Funds Borrowed</b>		
Interest paid and payable for the period	£6.96	£0.98
Number of new loans borrowed in the period	0	0
Maximum period of borrowing on any one loan borrowed in the period.	n/a	n/a

## Appendix 2

"Fixed" borrowing rates.	n/a	n/a
(iii) <b>Average Net Interest Rate Earned</b>	0.75%	0.07%
(iv) <b>Average Short Term Net Lending</b>	£15,916,175	£23,265,742

### Regular Monitoring

A monthly report is prepared for the Chief Finance Officer of forecast of interest receivable for the year. The Chief Finance Officer presents a monthly report to CMT and updates the Executive Committee on a quarterly basis. These reports include any policy updates, such as changes to the official lending list, based on the latest ratings information. Full council receives an annual review and strategy statement and a mid-year review.

Total net interest received in 2020-21 was £15,945.26. This compares to £120,625.41 in 2019-20. The decrease is due to lower interest rates (an average of 0.07% in 2020-21, compared to 0.75% in 2019-20). The Bank of England's base rate was reduced to 0.1% in March 2020, where it has remained since. Average benchmark 7-day LIBID rate for the year was negative at -0.05%. Average daily lending is higher in 2020-21 at £23.3 million compared to £15.9 million in 2019-20. This is mainly due to one-off payments from central government for Covid-19 grants.

### Treasury Management Indicators

These are part of the Prudential Indicators, as agreed at Full Council on 22 February 2021. They are available on request or on the Teignbridge website agenda for that meeting.

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**Teignbridge District Council**  
**Audit Scrutiny**  
**24 August 2021**  
**Part 1**

**INTERNAL AUDIT PLAN and CHARTER 2021-2022**

**Purpose of Report**

To advise members of the internal audit work planned and in progress, and to request approval of the Internal Audit Charter (Terms of Reference).

**Recommendation(s)**

**The Audit Scrutiny Committee APPROVES the Audit Plan and Charter.**

**Financial Implications**

None. The service will be delivered within approved budget.

**Legal Implications**

None. The Council is meeting its statutory requirement to provide an internal audit function.

**Risk Assessment**

Not applicable.

**Environmental/ Climate Change Implications**

Not applicable.

**Report Author**

Sue Heath – Audit and Information Governance Manager  
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**Executive Member**

Councillor Richard Keeling – Executive Member for Resources

## 1. PURPOSE

To present the current plan of internal audit work for 2021-2022, and the internal audit Charter (terms of reference), for Members' approval.

## 2. BACKGROUND

- 2.1 The Council is required under the Accounts and Audit Regulations (2015), to maintain an adequate and effective internal audit service which evaluates the effectiveness of the Council's risk management, control and governance processes.
- 2.2 Audit work must be carried out in conformance with the Public Sector Internal Audit Standards which require audit work to be planned and reported on. The minimal level of audit is not prescribed but it must be considered sufficient to give an annual evidence based assurance opinion at the end of the year.

## 3. AUDIT PLAN 2021-2022

- 3.1 The following factors are taken into account in planning this year's audit work:
- the Council's priorities including recovery plans from the Covid pandemic;
  - the contents of Risk Registers;
  - value or volume of transactions and complexity of systems or functions;
  - vulnerability or past susceptibility to fraud or error;
  - time since last audited and results of any other reviews;
  - knowledge gained through previous audits and from corporate work
  - changes to systems either planned or known to have occurred;
  - local, national and legislative issues;
  - views of the senior management and statutory officers
- 3.2 The plan must be seen as flexible, and potentially subject to in-year changes that may be required, especially given the challenges local authorities are facing in current times.
- 3.3 **Resources** – audits will be delivered by a mixture of in house resource (Auditor and Audit / Information Governance Manager) supplemented by external resource. Where assurance has been provided by other bodies, we will make use of this where appropriate to do so.

### 3.4 **Planned audits** are as follows:

<b>Key Financial Systems:</b>
• Debtors and Income Reconciliation
• Main Accounting
• Payroll
• Creditors
• Housing Benefit / Council Tax Support
• Covid Grants and Payments (in progress)
• Housing Finance
<b>Other Systems and Projects:</b>
• Community Infrastructure Levy (CIL)
• Estates
• Car Parks
• Utilities
• Climate Change
• Teignbridge 100
<b>Corporate:</b>
• Transparency
• Equality Impact Assessment compliance
• Data Quality
<b>IT Assurance:</b>
• As per Strata Internal Audit Plan

## 4. **AUDIT CHARTER**

4.1 Internal Audit's purpose, authority and responsibility must be formally defined to give it the status required to carry out its work independently.

4.2 These terms of reference are provided for through a **Charter** (see Appendix) which members are asked to approve.

## **5. MAIN IMPLICATIONS**

The implications members need to be aware of are as follows:

### **5.1 Legal**

The Council is meeting its statutory obligation to provide an internal audit function.

### **5.2 Resources**

The service will be delivered within budget.

## **6. GROUPS CONSULTED**

Strategic Leadership Team.

## **7. ENVIRONMENTAL/CLIMATE CHANGE IMPACT**

Not applicable.

## **8. DATE OF IMPLEMENTATION (CONFIRMATION OF DECISION SUBJECT TO CALL-IN)**

Not applicable.



## **INTERNAL AUDIT CHARTER 2021-2022**

### **INTRODUCTION**

This document describes the purpose, authority, and principle responsibilities of the Council's Internal Audit Section.

### **DEFINITION, FUNCTION and MISSION OF INTERNAL AUDIT**

Internal auditing is an independent, objective, assurance providing activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal Audit will advise management where internal control systems can be improved, and seek to promote compliance with corporate policies and procedures, and accomplishment of corporate priorities, through its systematic review of the Council's activities. It aims to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

### **AUTHORITY, INDEPENDENCE, and OBJECTIVITY**

Internal Audit's statutory authority is derived from Section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations which state that:

*"a relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control..."*

To be effective, Internal Audit must remain sufficiently independent of the activities it audits to enable auditors to perform their duties in a manner which facilitates impartial and professional judgements and recommendations. Internal Auditors should ideally have no operational responsibilities. Where this is unavoidable, assurance over such functions will be overseen by a third party outside the internal audit activity.

Internal Audit forms part of the Council's Corporate Services. The Audit Manager reports organisationally to the Head of Corporate Services, and functionally to the Audit Scrutiny Committee (*who act as "the Board" for the purposes of the Public Sector Audit Standards*) on audit matters. Close liaison with the Section 151 Officer (responsible for financial affairs) is maintained to ensure his Section 151 duties are fulfilled, and the Audit Manager has direct access to the Managing Director as and when required.

Internal Audit staff have unrestricted access at any time to such records, assets, personnel and premises, including those of partner organisations, as necessary for the proper fulfilment of their responsibilities. Any officer, or member of the Council shall, if required, make available such documents or records required for audit purposes and shall supply the auditor with such information and explanation as considered necessary for that purpose.

This statutory role and rights of access are recognised and endorsed within the Council's Financial Instructions (Constitution) and Internal Audit Manual.

## STANDARDS & PROFESSIONALISM

There is a statutory requirement for Internal Audit to work in accordance with 'proper audit practices'. Proper practice is defined by the Public Sector Internal Audit Standards which are used to guide audit activity. Team members are also governed by the Code of Ethics of their professional body as well as the Council's internal Code of Conduct.

For an internal audit function to be effective, the following core principles must be present:

- Integrity
- Competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with strategies, objectives and risks of the organisation
- Demonstrates quality and continuous improvement
- Effective communication
- Promotes organisational improvement
- Is insightful, proactive and future focussed

## SCOPE AND RESPONSIBILITIES

Heads of Service and Service Managers are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their services.

The scope of Internal Audit allows for unrestricted coverage of the control environment comprising risk management and corporate governance. This means that all of the Council's operations, resources, services and responsibilities are included. Where the scope of Internal Audit's work extends to services provided through partnership, an assessment will be made as to whether Internal Audit staff conduct assurance work themselves, or rely on assurance provided by others.

Internal Audit activity includes:

- Reviewing, appraising and reporting on the soundness and adequacy of systems of internal control, whether operations are being carried out as planned, and corporate priorities being met
- Reviewing, appraising and reporting on the reliability and integrity of financial and management information, including data quality and performance measurement
- Assessing and reporting on the extent to which assets and interests are accounted for and safeguarded from loss
- Supporting and encouraging improvements in the efficiency, economy and effectiveness of services
- Provision of advice on all risk and control, including interpretation of the Council's Financial Instructions and Contract Procedure Rules
- Advising on control and risk implications of enhancements to existing/new systems
- Promoting best practice in the Council's risk management and governance processes
- Working in partnership with other bodies to secure robust internal control that protects the Council's interests
- Co-ordinating with the work of external auditors and other review functions

- Investigating frauds and irregularities where necessary and undertaking other special investigations where appropriate

## INTERNAL AUDIT MANAGEMENT

The Audit and Information Governance Manager is responsible for:

- Managing the Internal Audit service, determining the scope and methods of audit activity
- Ensuring that Internal Audit staff operate within current auditing standards and ethical standards of the professional bodies of which internal auditors are members
- Ensuring that Internal Audit staff are impartial, unbiased, and avoid conflicts of interest
- Developing operational Audit Plans based on an assessment of risk and in consultation with senior management; reporting Audit Plans to the Audit Scrutiny Committee for approval; and implementation thereafter
- Taking account of the adequacy and outcomes of risk management, performance management and other assurance processes when compiling Audit Plans
- Maintaining a suitably resourced, professional audit staff with sufficient knowledge, skills and experience to carry out planned audits
- Liaison with the Council's external auditors to achieve co-ordination of work where possible both with external audit and other review agencies where appropriate
- Reporting to the Strategic Leadership Team (*i.e. "senior management" as defined by the Public Sector Internal Audit Standards*) and the Audit Scrutiny Committee on the results of audit activities, and the effectiveness of the actions taken by management to implement agreed recommendations
- Reviewing the Council's risk management and governance arrangements
- Providing the Strategic Leadership Team and the Audit Scrutiny Committee with an annual assurance report on the adequacy of the Council's internal control systems

## FRAUD AND CORRUPTION

Managing the risk of fraud and corruption is the responsibility of management. Internal Audit procedures alone, cannot guarantee that fraud and corruption will be detected. Internal Audit does not have responsibility for the prevention or detection of fraud and corruption. Internal Auditors will, however, be alert in all their work to the risks and exposures that could provide opportunity for fraud or corruption. They will investigate suspected frauds and irregularities where appropriate, and will act upon reports received via the Council's Whistleblowing Policy in accordance with its Anti Fraud, Theft and Corruption Strategy.

The Audit Manager must be informed of all suspected or detected fraud, corruption or improprieties so they may be considered in terms of the adequacy of the relevant internal controls, and be evaluated for the annual opinion on the control environment.

## AUDIT REPORTING

Audit assignments will be the subject of formal reports in order to communicate the findings of the audit and encourage management to take prompt mitigating action if risks have been identified.

Reports will be issued in draft form to the managers responsible for the area under review for agreement of the factual accuracy of findings. On receipt of management comments, including acceptance or rejection of recommendations, reports will be finalised with agreed action dates where applicable. Each report will include an opinion on the adequacy of the control environment governing the activity that has been audited. Reports with Fair or Poor assurance ratings will be reviewed by the Strategic Leadership Team to ensure actions to address risks are adequate.

Full audit reports will be provided to members of the Audit Scrutiny Committee and a summary of all audit work provided quarterly. If the failure to implement an audit recommendation is deemed to present the Council with an unacceptable risk, the matter will be reported to the Audit Scrutiny Committee and the manager concerned may be required to give an explanation.

At the end of each audit year, the Audit Manager will deliver an annual assurance opinion and report which can be used to inform the Council's Annual Governance Statement. The annual opinion will conclude on the overall adequacy of the framework of governance, risk and control, and will summarise the work and other assurance sources that support the opinion.

## LOCAL AND NATIONAL ISSUES AND RISKS

The annual audit planning process ensures that new or emerging risks are considered. The Audit Manager consults the Strategic Leadership Team on the issues and risks inherent to their service areas to help identify any potential areas of concern for audit review. Risk registers are examined to ensure high scoring risks are taken into account. The audit 'universe' (list of auditable activities) and resulting plan are further informed by the review of Council minutes; corporate knowledge, and issues arising from past audits, and service reviews.

The Audit Plan is approved by the Audit Scrutiny Committee, however, it is recognised that this is flexible and can be revised should unforeseen issues arise throughout the year. This is especially important given current times and need to ever changing risks from the Covid pandemic

Individual audit projects within the plan focus on the control systems for key risks within each area. Both systems based and risk based approaches may be used. Mitigating actions from the operational risk register may also be tested to assess how well risks are being managed.

Awareness of national issues is maintained through membership of and subscription to professional bodies such as the Chartered Institute of Internal Auditors and the Chartered Institute of Public Finance Accountants' advisory services; Better Governance Forum; liaison with external audit; and with colleagues in other local authorities.

## PROVISION OF THE SERVICE

The service is provided by an in-house Audit / Information Governance Manager and Auditor. This is supplemented with external resource where needed. Some of the internal audit time is, however, directed to corporate work such as working groups and service reviews. This "mixed provision service from a combination of internal and external resource provides a good skills mix.

The audit team deliver audit work in accordance with the Public Sector Internal Audit Standards.

Service delivery is monitored through a quality assurance and improvement measures which include key performance indicators such as achievement of the Audit Plan, customer feedback, assessment against the Public Sector Internal Audit Standards, and a value for money indicator which can be included to benchmark the cost of the service if required.

## RESOURCES AND SKILLS

The pandemic caused a reduction in resources in the previous year. A revised budget is in place for 2021-2022 which supports the resources (outlined above) to deliver the plan .

Auditors are encouraged to develop their skills and knowledge through undertaking various training programmes. The Council recognises both CIPFA and the Chartered Institute of Internal Auditors (CIIA) qualification for internal auditing. The Audit Manager is a member of the Chartered Institute of Internal Auditors.

Training needs are assessed on an ongoing basis and are reviewed during annual staff Personal Development and Performance meetings. The aim is to ensure auditors are operating at a level which fulfils client requirements and meets professional standards.

If the necessary skills for a particular assignment were not available in house, the external budget provides flexibility to source these externally, as required.

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