

**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  
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**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:	
<b>Excellent</b> ☆☆☆	The areas reviewed were found to be well controlled, internal controls are in place and operating effectively. Risks against achieving objectives are well managed.
<b>Good</b> ☆☆☆	Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some areas for improvement have been identified.
<b>Fair</b> ☆☆☆	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.
<b>Poor</b> ☆	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.