

**Teignbridge District Council
Audit Scrutiny
30 August 2022
Part 1**

INTERNAL AUDIT ANNUAL REPORT

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 31st March 2022 and to the date of this report.

Recommendation(s)

The Audit Scrutiny Committee resolves to note the report.

Financial Implications

None. The service was delivered within current budget.

Legal Implications

The Council is meeting its statutory duty to provide an internal audit of its activities.

Risk Assessment

Not applicable.

Environmental/ Climate Change Implications

None.

Report Author

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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 31st March 2022.

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 2021/22

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

- the results of completed audits and follow up action from 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 work, and attendance at meetings including management team.

Audit Work

- 3.2** A plan of audit work was approved by the Audit Scrutiny Committee, last year. The need for ongoing flexibility was recognised as the impacts of Covid continued to be felt. For the second year running, internal audit devoted a lot of time to counter fraud work for the various government support schemes.
- 3.3** The main focus of the counter fraud work was to ensure that new processes for grant payments were properly risk assessed and controlled in order to protect public funds and minimise fraud. The final Covid grant scheme closed on 31 March 2022. We are now working with BEIS (Dept of Business, Energy and Industrial Strategy, undertaking reconciliation for each scheme, providing evidence for their sampling exercises, and completing data requests.
- 3.4** Some audit work had to be postponed as the services involved were under immense pressure to deliver the grants, and latterly the Homes for Ukraine and Energy Rebate schemes which local authorities were required to administer. The Debtors and Housing Finance audits have subsequently been carried forward to 2022/23. Other audits were delayed beyond the end of March 2022. This is simply a timing issue, hence they are still included below as they contribute to the overall opinion.
- 3.5** Each area audited is allocated one of the following assurance ratings:

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 Completed audits and assurance opinions are as follows:

PROJECT	ASSURANCE OPINION
<u>Financial Systems</u>	
Main Accounting	Good
Payroll	Good
Creditors	Good
Housing Benefit / Council Tax Support	Good
Covid Grants (various) *	Good
Debtors & Income Reconciliation	(carried forward 22-23)
Housing Finance	(carried forward 22-23)
<u>Other</u>	
Community Infrastructure Levy (CIL)	Good
Estates	Good
Car Parks	Good
Utilities	Fair
Teignbridge 100	Good
Governance Review and AGS	Good
Equality Impact Assessment compliance	Good
Climate Change (in progress)	-

*Covid Grants audited:

- Additional Restrictions Grant and Top up (5 January to 15 February 2021)
- Local Restrictions Support Grant (Closed) Addendum (16 Feb to 31 March 21)
- Additional Restrictions Grant Top up (16 February to 31 March 2021)
- Restart Grant (1 April to 31 July 2021)
- Additional Restrictions Grant Extended (1 April to 30 July 2021)
- Omicron Hospitality and Leisure Grant (30 December 2021 to 31 March 2022)
- Omicron Additional Restrictions Grant (30 December 2021 to 31 March 2022)

- 3.7 Broad assurance has also been gained from internal involvement in corporate work; the Corporate Management Team; and insight from the ongoing provision of various audit advice and support to service departments.

ICT Assurance

- 3.8 The Council's ICT is provided by Strata Service Solutions under the partnership agreement between Exeter City, Teignbridge and East Devon District Councils.

Strata is audited by the Devon Audit Partnership (DAP). DAP have kindly shared the findings from their review of Strata as follows:

- 3.9 "The work completed in this year has been focused around Cyber Security and the ongoing strategy approach. This assurance must be read in consideration of the evolving nature of complex ICT provision involving the merged ICT services from the three partner organisations. There is an ever increasing requirement for ICT/ Digital services to drive operational efficiency and improved digital engagement with the local communities."

Overall Statement

Based on the work conducted, our opinion is one of **Reasonable Assurance***
This is defined as *"There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited."*

* Note that this is the equivalent of the former assurance level of "Good Standard"

Counter Fraud

3.10 The Audit Manager acts as the Key Contact for the National Fraud Initiative. This is a Cabinet Office data matching exercise comparing data from organisations across the public sector to help prevent and detect fraud. The Council has participated in the NFI.

3.11 A Fraud Risk Analysis has been maintained for all Council services.

Internal Audit Performance and Quality Assurance

3.12 “Proper practice” for internal audit in local government is defined by the Public Sector Internal Audit Standards, which cover the following aspects of our work:

- Purpose, authority and responsibility
- Independence and objectivity
- Proficiency and due professional care
- Quality assurance and improvement
- Managing the internal audit activity
- Nature of work
- Engagement planning
- Performing the engagement
- Communicating results
- Monitoring progress
- Communicating the acceptance of risks.

3.13 A self-assessment against the standards indicates the service is 95% compliant. External validation of this is needed to fully comply with the Standards. Arrangements are in progress to undertake this in Autumn 2022.

3.14 Performance outcomes:

Client Satisfaction Surveys

Feedback received at the conclusion of audits showed high 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

3.15 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.

3.16 Management have engaged positively with, and have been supportive of the audit process.

4. OPINION

I have considered the work of internal audit work and other sources of assurance for the 2021-2022 year and for the period up to date, 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, the framework for governance was as described in the Annual Governance Statement; Risk Management operated consistently; and controls were generally effective. Action plans have been put in place to address required improvements where needed.

Sue Heath - Audit and Information Governance Manager

5. Acknowledgement

I would like to thank Managers, Officers and Members for their ongoing support which aids delivery of our audit work.

6. MAIN IMPLICATIONS

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

6.1. Legal

The Council is meeting its statutory obligation to undertake an internal audit of its systems in accordance with the Accounts and Audit Regulations 2015, and for the findings to be considered by the Council or one of its committees. The Audit Scrutiny Committee is the designated committee for this purpose.

6.2 Resources

The service was delivered within budget.

7. GROUPS CONSULTED

Not applicable.

8. ENVIRONMENTAL/CLIMATE CHANGE IMPACT

Not applicable.

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

Not applicable.