

AUDIT SCRUTINY COMMITTEE

CHAIRMAN: Councillor Chris Clarence

DATE: 21 June 2018

REPORT OF: Audit Manager

SUBJECT: INTERNAL AUDIT
ANNUAL REPORT AND OPINION 2017-2018

PART I

RECOMMENDATION

To note the report, and use it as a source of assurance to support the Annual Governance Statement.

1. PURPOSE

1.1 This report summarises the work of internal audit during 2017-2018 and provides the Audit Manager's annual opinion on the systems of governance, risk management, and control for the year ending 31 March 2018.

2. BACKGROUND

2.1 The requirement for an internal audit function in local government is included in the Accounts and Audit Regulations 2015 which states that a relevant body must:

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

2.2 An annual report must be produced which gives an opinion on the adequacy of the control framework. The annual report should cover:

- the Audit Manager's overall audit opinion;
- a summary of the work that supports the opinion;
- a statement on conformance with the Public Sector Internal Audit Standards, and the results of internal audit's quality assurance and improvement programme.

2.3 In giving the audit opinion, it should be noted that the most that any internal audit service can provide is a *reasonable*, not *absolute* assurance that there are no major weaknesses in the Council's processes.

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3. INTERNAL AUDIT OPINION 2017-2018

I am satisfied that sufficient internal audit work has been undertaken 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 2018, the systems of governance, risk management and control were generally effective and operated consistently across the Council.

There are no specific governance, risk management or internal control issues of which Internal Audit have been made aware during the year which cause any qualification of the above opinion.

**Sue Heath
Audit Manager**

3.1 The following have been taken into account when forming the opinion:

- the results of all completed audit reviews;
- the acceptance of significant recommendations by management;
- the effects of any significant changes to systems or objectives;
- any limitations that may have been placed on the scope of internal audit;
- the quality of internal audit performance;
- the results of the work of other sources of assurance where possible;
- insight from our internal presence within the Council; involvement with various corporate working groups and projects; and reviews of management team meeting agendas and minutes.

Audit Work

3.2 Internal audit work has been carried out broadly in line with the 2017-2018 Audit Plan which was approved by the Audit Scrutiny Committee in March 2017.

3.3 The individual areas audited have each been given an "assurance rating". These are reported to auditees and management upon the conclusion of each audit, and are also used collectively to inform our annual opinion. They are:

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.

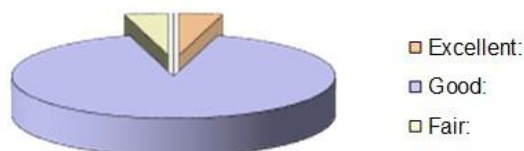
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Good	☆☆☆	Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some areas for improvement have been identified.
Fair	☆☆	There is a basic control framework in place, but most of the areas reviewed were not found to be adequately controlled. Generally risks are not well managed and require controls to be strengthened to ensure the achievement of 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.

3.4 During the 2017-2018 year, **23 of the 26 planned audits were completed.**

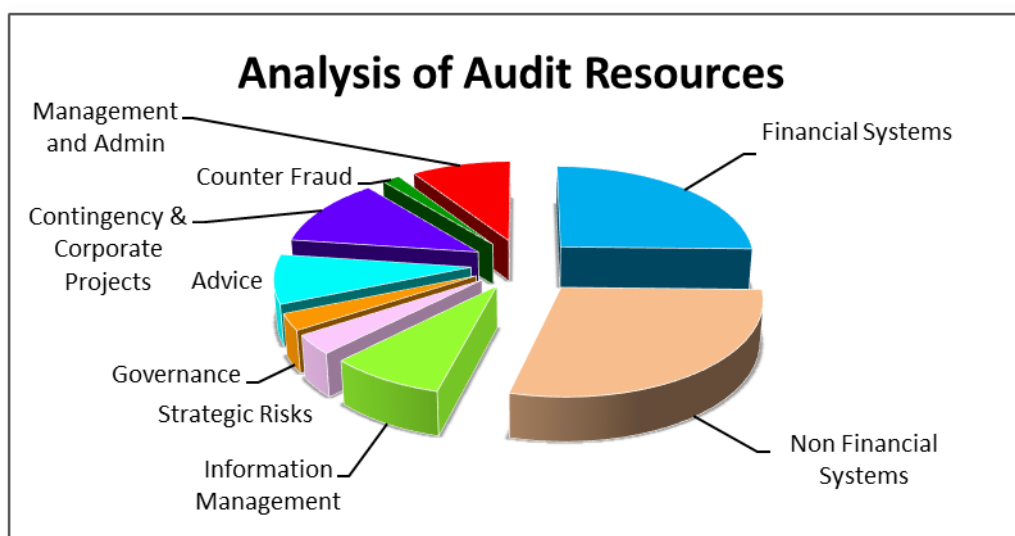
Of these:

- **21** received a **Good** opinion
- **1** were rated **Excellent**
- **1** was rated **Fair**



3.5 **2** audits were carried forward to 2018-2019 and **1** was in progress at the time of writing which means that **88%** of planned work was completed in-year. Within this, **100%** of the core financial systems work was achieved. Progress with previously agreed actions to address high risk issues was monitored through a series of follow up audits. Various unplanned requests such as involvement in corporate projects and ad hoc investigations were also accommodated and over many instances of general advice and assistance were logged.

3.6 Auditor time was spent across the following areas:



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3.7 Summary of 2017-18 audits and other projects:

PROJECT	STATUS	OPINION
Governance Review and AGS	Complete	Good
Housing Enforcement	Complete	Good
Planning	Complete	Good
LAHS Housing Data	Complete	Good
Corporate Purchasing Cards	Complete	Good
Coastal Monitoring Programme	Complete	Good
Community Infrastructure Levy (CIL)	Complete	Good
Emergency Planning & Business Continuity	Complete	Good
Health & Safety	Complete	Good
Building Control	Complete	Good
Information Governance	Complete	Good
Risk Register	Complete	Good
Register of Interests, Hospitality & Gifts	Complete	Good
Council Tax	Complete	Good
Benefits & Council Tax Support	Complete	Good
BACS / Smarter Pay	Complete	Good
Creditor Payments	Complete	Good
Debtors	Complete	Good
Main Accounting & Budgetary Control	Complete	Good
NDR (Business Rates)	Complete	Good
Treasury Management	Complete	Excellent
Payroll	Complete	Good
Teign Estuary Partnership	Complete	Fair
Safeguarding	In progress	-
Election Fees Review	C/Fwd 18-19	-
HR	C/Fwd 18-19	-
<p><u>Consultancy / Other Work</u></p> <ul style="list-style-type: none"> ○ Information Management Group ○ Complaints Review Board ○ Health and Wellbeing Task and Finish Group ○ Infrastructure Requirements Board ○ One Teignbridge transformation project – GDPR and Project Assurance roles ○ Investigating Officer for a number of internal matters and 1 internal fraud ○ Regulation of Investigatory Powers (RIPA) Inspection ○ Ongoing advice and assistance (230 instances logged) 		
<p><u>Strata Service Solutions Ltd</u></p> <p>The Council's ICT services are provided through a mutual trading company which is owned and controlled equally by Exeter City, East Devon and Teignbridge Councils.</p> <p>The Head of the Devon Audit Partnership, as provider of internal audit services to Teignbridge's shared ICT company, has provided "Significant Assurance" on the internal control framework within Strata. The scope of the audit included the following areas: Risk Management; Performance Management; Business Continuity; Cyber Security; Key Operational Functions and Service Design.</p>		

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Counter Fraud

- 3.8 The Audit Manager also acts as the Key Contact for the Cabinet Office National Fraud Initiative. Results from the current matching programme are as follows:

Dataset	Matches Investigated	Savings Identified
Housing Benefit	285	£7,653
Council Tax Reduction	758	£44,365
Payroll	14	Nil
Creditors	407	£1,000
Council Tax Discounts	4,109	£63,897

- 3.9 The Nil results for Payroll give positive assurance due to the fact that the all reported matches all had valid reasons, hence no fraud or error was detected.
- 3.10 A Fraud Risk Analysis has been maintained for all Council functions which has helped to inform audit work and fraud concerns have been investigated accordingly.

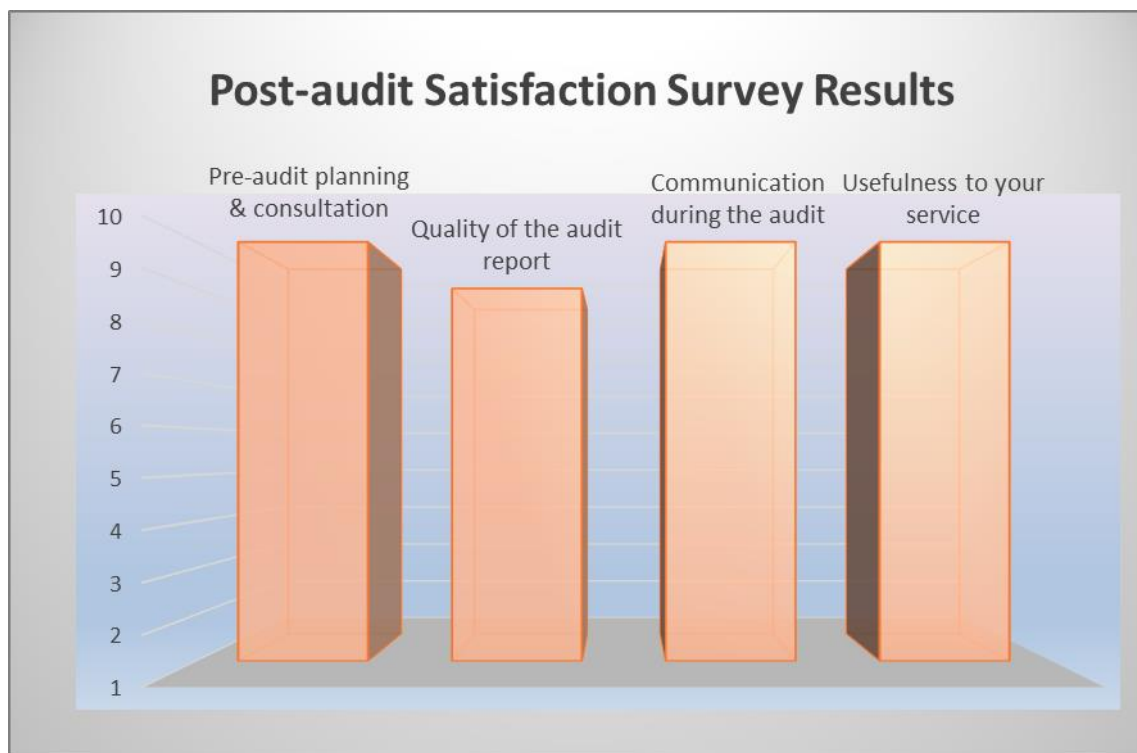
Conformance with UK Public Sector Internal Audit Standards (PSIAS), Quality Assurance, and Review of Effectiveness.

- 3.11 “Proper practice” for internal audit in local government is defined by the Public Sector Internal Audit Standards.
- 3.12 The annual self-assessment of compliance with the standards confirms the service is **97% compliant**. External validation is due to take place in July 2018.
- 3.13 Performance outcomes for 2017-2018 are as follows:

Indicator	Target	Actual
Audit Plan: Percentage of core system audits completed.	100%	100%
Audit Plan: Percentage of all planned audits completed.	100%	88%

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Feedback received at the conclusion of audits was as follows:



3.14 Day-to-day quality controls help ensure work is performed to standard. These include:

- Internal Audit Manual (provides guidance and audit procedure);
- qualified and experienced staff;
- terms of reference outline each audit's scope, timing, and reporting line;
- project review of reports and working papers by the Audit Manager;
- periodic appraisal of audit staff skills and training;
- subscription to professional update and advisory services;
- benchmarking and knowledge sharing with other internal audit services.

3.15 The service is provided in house by a team of 2.5 staff, supplemented by a small budget for external resource as required. Chartered Institute of Internal Auditor (CMIIA) qualifications are held by two of the team. One is CIPD qualified (Chartered Institute of Personnel and Development) and holds the General Data Protection Regulation Practitioner Certificate.

Acceptance of Audit Findings

3.16 The Strategic Leadership and Corporate Management Teams are supportive of internal audit and Managers have responded positively to issues raised in all service areas.

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Independence

- 3.17 The Internal Audit Charter provides for universal access to all Council premises, systems, staff and documents for the purpose of audit work. There were no areas from which we were prevented or restricted in this respect.
- 3.28 Audit staff sign declarations of independence annually. There were no declared relationships that would have caused any conflicts of interest in the work undertaken by the auditors this year.

4. ACKNOWLEDGEMENT

- 4.1 On behalf of the audit team, I would like to thank all staff who have provided information and assistance during audit reviews throughout the year, and to the Teignbridge management team for being receptive to our findings.

5. RECOMMENDATION

- 5.1 To note the opinion of the Audit Manager, and use it as a source of assurance for the Council's Annual Governance Statement.

Sue Heath
Audit Manager

Wards affected	<i>N/A</i>
Contact for any more information	<i>Sue Heath – Audit Manager – 01626 215258</i>
Background Papers (For Part I reports only)	<i>Audit Plan & Audit Reports 2017-2018</i>
Key Decision	<i>N/A</i>
In Forward Plan	<i>N/A</i>
In O & S Work Programme	<i>N/A</i>