

**Teignbridge District Council
Audit Scrutiny
29 August 2023
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 2023.

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. BACKGROUND

1.1 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.”

1.2 The internal audit service for Teignbridge is a “mixed provision” of internal staff (Audit Manager and one Auditor), supplemented with a number of audit days commissioned from the Devon Audit Partnership.

1.3 An annual report must be provided by the Audit Manager, 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.

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

2. INTERNAL AUDIT OPINION 2022/23

2.1 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 the Corporate Management Team meetings.

Audit Work

2.2 A plan of audit work was approved by the Audit Scrutiny Committee, in August 2022. Audits are then individually scoped to provide assurance on the extent to which the risks in the areas examined are managed. Terms of reference outlining risks and the planned approach are provided to services prior to commencement of each audit assignment, and results are communicated in audit reports which capture agreed actions for any recommendations.

2.3 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.

2.4 The plan has remained fluid throughout the year. Some audit work was postponed as the services involved were under pressure to deliver ongoing government schemes, and others were short of resources. A proportion of our time was also used for requested audits such as the review of the Council's management of the Council's Future High Street Fund project. We also provided support and evidence for numerous Department for Business, Energy and Industrial Strategy (BEIS) grant scheme reconciliations. Other ad hoc audits included the Green Business Grant Scheme, the BEIS Alternative Fuel Payment Scheme, and certifications for various funding streams e.g. Biodiversity Net Gain grant, Green Homes grant, and Protect and Vaccinate. These diversions caused the planned audits of Business Rates, Housing Grants and Housing Finance to be carried forward to 2023-2024.

2.5 Completed audits and assurance opinions are as follows:

PROJECT	ASSURANCE OPINION
<u>Financial Systems</u>	
Debtors – corporate system	Good
Main Accounting	Good
Treasury Management	Excellent
Business Rates	(carried forward 23-24)
Housing Finance	(carried forward 23-24)
<u>Other</u>	
South West Coastal Monitoring Programme	Good
Climate Change	Good
Major Projects – Future High Street Fund	Good
Major Projects – Decarbonisation Works	Good
Procurement	Good
Leisure Centres	Good
Risk Management	Good
ICT User Admin Permissions Review	Good
Data Quality	Good
Green Business Energy Grant Scheme	Good
Alternative Fuel Payment Scheme	Good
Energy Bills Support Scheme	Good
Housing Grants	(carried forward 23-24)
Governance and Annual Governance Statement	N/A
Fraud Risk Analysis and Counter Fraud Polices	N/A
National Fraud Initiative	N/A
Grant Certifications – various schemes	N/A

2.6 Further assurance has also been gained from internal involvement in corporate initiatives and Corporate Management Team meetings, and insight from the ongoing provision of audit advice to service departments.

ICT Assurance

- 2.7 The Council's ICT is provided by Strata Service Solutions under the tripartite agreement between Exeter City, Teignbridge and East Devon District Councils.
- 2.8 Strata is audited by the Devon Audit Partnership (DAP). Although this work is commissioned by Strata independently from the Councils, it is shared with us to enable us to take it into account and avoid duplication. DAP have advised their focus this year has been mainly around cyber security. This is understandable given the current threat levels and the number of Councils suffering ransomware attacks.

Devon Audit Partnership - Overall Opinion 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, which has recently been further strengthened, and controls to safeguard the Partners' information assets accord closely to National Cyber Security Centre (NCSC) best practice. Strata are seeking to strengthen service delivery with further alignment with ITIL best practice which, once in place, will be reviewed"*.

Counter Fraud

- 2.9 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.
- 2.10 A Fraud Risk Analysis has been maintained for all Council services.

Internal Audit Performance and Quality Assurance

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

- 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.

2.12 A self-assessment against the standards indicates the service is 95% compliant. External validation of this is needed to fully comply. Last year we reported that external validation would be commissioned in Autumn 2022, however this is still outstanding and needs to be completed in 2023-2024.

2.13 Performance outcomes: auditee feedback is important to us and view are so sought using a short survey sent with the final report for each audit.

Client Satisfaction Surveys	
<p>Feedback received at the conclusion of audits showed high levels of satisfaction from auditees when asked for their views on:</p> <ul style="list-style-type: none"> - Pre-audit planning and Consultation - Quality of the audit report - Communication - Usefulness to your service 	

Audit Independence and Acceptance of Findings

- 2.14** 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.
- 2.15** The senior management of the Council have been supportive of the audit process and engaged positively with audit findings and recommendations.

3. OPINION

I have considered the completed internal audit work and other sources of assurance for the 2022-2023 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 are generally effective.

There are matters relating to member – officer relations and other governance issues that remain to be resolved. Recommendations have been made by the Centre for Governance and Scrutiny which are beneficial, and with a view to aiding resolution.

Sue Heath - Audit and Information Governance Manager

4. Acknowledgement

I would like to thank Managers, Officers and Members of the Audit Scrutiny Committee 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.