

**Teignbridge District Council**  
**Audit Scrutiny**  
**26 June 2024**  
**Part 1**

**INTERNAL AUDIT ANNUAL REPORT**

**Purpose of Report**

To advise the work undertaken by internal audit in respect of the 2023-2024 Audit Plan, and provide the Audit Manager's annual opinion on the effectiveness of the systems of governance, risk management and control for the year ending 31<sup>st</sup> March 2024.

**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 An annual report must be provided by the Audit Manager, which summarises the performance of the internal audit service, and 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.

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

## 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 we have been provided with
- insight from our internal 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 2023. Alongside the plan was the Internal Audit Charter which set out how the service would be delivered. Throughout 2023-2024 and for the past few years it has been a hybrid service provided part internally, supplemented with a number of days bought in from the Devon Audit Partnership.
- 2.3** Each Audit is 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 service managers prior to commencement of each audit assignment, and results are communicated in audit reports which capture agreed actions for any recommendations.
- 2.4** Each area audited is allocated one of the following assurance ratings:

<b>Key to Assurance Opinions:</b>	
<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.

- 2.5** Audit plans are naturally susceptible to change due to unforeseen events and changes in priorities. Some planned audits were postponed due to circumstances set out below, and several pieces of ad hoc unplanned work were undertaken instead, namely special investigations and fact finding audits requested by management. Our internal auditor also carried out post Covid business grant reconciliations for BEIS which were still ongoing in the early part of the year.

- **Housing Finance** - the service involved was under pressure due to staff changes and shortage of resources.
- **Business Continuity** - pending business continuity lead recruitment.
- **Purchasing Cards** – pending implementation of a new income management system.

**2.6** Completed audits and their assurance ratings are as follows:

<b>PROJECT</b>	<b>ASSURANCE OPINION</b>
<b><u>Financial Systems</u></b>	
Main Accounting	<b>Excellent</b>
Payroll	<b>Good</b>
Council Tax	<b>Excellent</b>
Business Rates	<b>Good</b>
Housing Benefit and Council Tax Support	<b>Good</b>
Housing Finance	(Carried fwd 24-25)
<b><u>Other</u></b>	
Safeguarding	<b>Good</b>
Health and Safety - Corporate	<b>Fair</b>
Health and Safety - Housing Stock	<b>Fair</b>
Housing Grants (Disabled Facilities Grants)	<b>Excellent</b>
Councillors Community Fund	<b>Good</b>
Register of Interests, Gifts and Hospitality	<b>Good</b>
Risk Management	<b>Pending</b>
Building Control	<b>Good</b>
Estates - follow up of previous audit	<b>Good</b>
Car Park income – follow up of previous audit	<b>Good</b>
Mobile Billing (requested audit)	<b>Good</b>
Governance and Annual Governance Statement	<b>(Ongoing)</b>
Fraud Risk Analysis and Counter Fraud Polices	<b>(Ongoing)</b>
National Fraud Initiative	<b>(Ongoing)</b>
Grant Certifications – various schemes	<b>N/A</b>

- 2.7 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**

- 2.8 The Council's ICT is provided by Strata Service Solutions under the tripartite agreement between Exeter City, Teignbridge and East Devon District Councils as founding partners.
- 2.9 Strata commission their own internal audit service from the Devon Audit Partnership (DAP), however the results are shared with us to enable us to take their work into account and avoid duplication.

#### **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**

- 2.10 The Council has participated in the National Fraud Initiative (NFI). This is a Cabinet Office data matching exercise comparing data from organisations across the public sector and some private sector bodies to help prevent and detect fraud. A biannual exercise is compulsory and involves numerous data sets including Council Tax, Housing Benefit, Licences, Electoral Register, Payroll and Creditor data. Teignbridge also participated in a recent pilot to test the effectiveness of deceased cases matching to Council Tax records.

**2.11** A Fraud Risk Analysis has also been maintained for all Council services which highlights areas susceptible to fraud and records the mitigations in place. Overall, the risk of fraud in the Council is considered to be low.

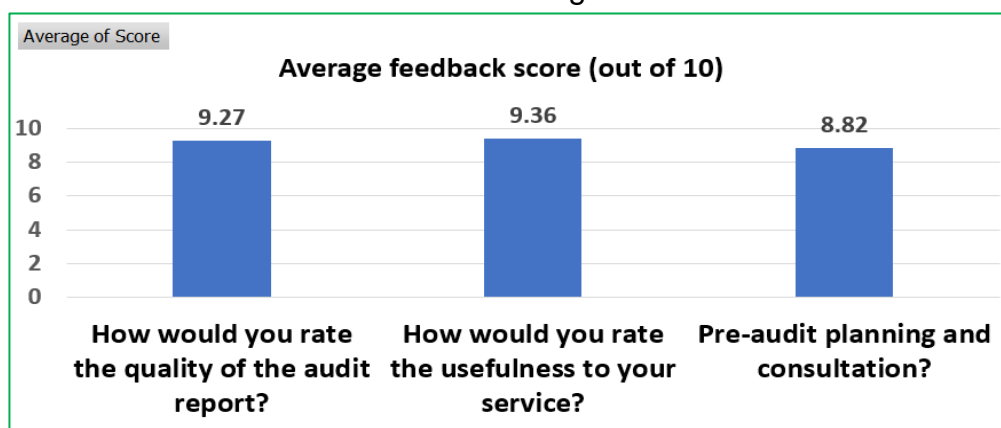
### Internal Audit Performance and Quality Assurance

**2.12** “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.

**2.13** A self-assessment against the standards indicates 95% compliance. Independent validation of this is being commissioned and must be completed to enable the internal element of the service to be fully compliant.

**2.14 Performance outcomes:** a short survey is sent on the completion of each audit. Feedback shows relatively good levels of satisfaction from auditees when asked for their views on the following:



### **Audit Independence and Acceptance of Findings**

- 2.15** 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.
- 2.16** 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 2023-2024 year and for the period up to date, to allow me to draw a conclusion on the adequacy and effectiveness of Teignbridge District Council's control environment.

It should be noted that assurance can never be absolute. The most that internal audit can provide is reasonable assurance based on the internal audit work undertaken, and matters that came to internal audit's attention during the course of this work.

I confirm that in my opinion, the framework for governance was as described in the Annual Governance Statement; risks were managed consistently; and controls were generally effective.

As noted in the Annual Governance Statement, there are a number of improvements in progress in relation to governance, which have been highlighted by reviews undertaken by the Centre for Governance and Scrutiny, the external auditor, and the recent [Local Government Peer Challenge](#). These recommendations should continue to be implemented at pace in order to strengthen Council governance.

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.