

Teignbridge District Council

Audit Scrutiny

9 October 2024

Part 1

INTERNAL AUDIT PROGRESS REPORT

Purpose of Report

To advise members of the internal audit work completed and in progress.

Recommendation(s)

The Audit Scrutiny Committee is recommended to note the report.

Financial Implications

None. The internal audit service is currently within budget.

Legal Implications

None. The Council is meeting its statutory duty to undertake an internal audit in accordance with the Accounts and Audit Regulations.

Risk Assessment

Risks are taken into account when planning internal audit work.

Environmental / Climate Change Implications

None.

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Executive Member

Councillor Richard Keeling – Executive Member for Resources

1. INTRODUCTION / BACKGROUND

- 1.1 Internal audit provides an independent opinion on the Council's risk management, control environment, and governance. A plan of audit work was approved by Audit Committee members in August 2024, showing areas to be audited. This report shows progress against that plan. It also summarises the findings previous audits.

2. AUDIT PLAN PROGRESS 2023-2024

SYSTEM	STATUS	ASSURANCE
<u>Core Financial Systems</u>		
Main Accounting & Budgetary Control	Planned Q4	-
Creditor Payments	Planned Q4	-
Debtors	Planned Q4	-
Payroll	Planned Q4	-
<u>Other Systems / Projects</u>		
Housing Temporary Accommodation	June 2025	-
Housing Finance	June 2025	-
Housing Household Support Fund	Completed	Excellent
Procurement	Planned Dec 2024	-
Ombudsman Complaint Code	Planned Q4	-
Democratic Services Review	In Progress	-
Data Protection	Planned Q4	-
Climate Change	Planned Q4	-
Business Continuity Management	Planned Q3	-
Emergency Planning	Planned Q3	-
Purchasing Cards (new system)	Completed	Good
Partnerships and Funding Arrangements	In Progress	-
Communications – Social Medis	Planned Q3	-
Waste and Recycling	Planned Q4	-
Risk Management	Planned Q4	-
National Fraud Initiative	Ongoing	-
Fraud Risk Analysis	Ongoing	-

Governance	Ongoing	-
Health and Safety*	Completed	Fair
Council Tax*	Completed	Good
Housing Benefits and Council Tax Support *	Completed	Good
Housing Grants *	Completed	Excellent
Main Accounting System *	Completed	Excellent
Business Rates*	Completed	Good
Payroll *	Completed	Good

(Audits marked with “*” were not included in this year’s plan but were completed since the previous monitoring report.)

2.2 The Assurance Opinion descriptions for the work listed above are as follows:

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.

2.3 The following follow up audits were also undertaken to check progress with agreed actions. Details are shown in the Appendix.

Safeguarding	Housing Health and Safety
Building Control	Debtors (2023)
Housing Benefits (2023)	

3. CONCLUSION

Internal Audit work is progressing reasonably well and assurance has generally been positive.

Internal Audit Reports – Overview 9 October 2024

PROJECT TITLE	SUMMARY
<p>Household Support Fund</p> <p>Audit Opinion: Excellent ☆☆☆</p>	<p>Teignbridge District Council has been allocated £297,517.18 to distribute under the Household Support Fund for the period 1 April to 30 September 2024 to households who are experiencing financial difficulties and need essential financial support.</p> <p>This funding is being delivered through a combination of direct one off £40.00 Post Office vouchers to households receiving working age council tax reduction and care leavers and an open application scheme where support is provided by payment of goods and supermarket vouchers. Also, through funding provided to the Teignbridge Community and Voluntary Sector and Exeter Community Energy.</p> <p>The sampling exercise gave assurance that the direct award payments and application based awards were paid to eligible applicants and reconciled to the Financial Management System. Supermarket voucher spreadsheets are being maintained and monthly management reports submitted to Devon County Council showing the combined cumulative spend.</p> <p>A recommendation has been included for access to the supermarket voucher spreadsheets to be restricted.</p> <p>It was announced on 2 September 2024 that the Household Support Fund would be extended for another six months period up to April 2025 with an additional funding allocation.</p>

PROJECT TITLE	SUMMARY
<p>Managing Health and Safety within the Council</p> <p>Audit Opinion: Fair ☆☆</p>	<p>The Council has a statutory duty to manage its workplace with due regard to the health and safety of the workforce and those affected by the Council's activities.</p> <p>The main requirements on employers are to carry out risk assessments and record any significant findings, plan to assist with the implementation of necessary measures, appoint competent advisors to implement the arrangements and help managers understand the technical and legal issues, set up emergency procedures, arrange for clear information and training of employees.</p> <p>There are good health and safety management systems for DSE assessments, first aid provision, incident reporting and investigating, together with reporting mechanisms to the Strategic Leadership Team and Health and Safety Committee.</p> <p>Recommendations have been included for monitoring systems to be introduced to ensure that all staff have completed the mandatory health and safety e-learning module refresher training, risk assessments are up-to-date and fire risk assessments completed by competent officers. Staff awareness needs to be raised of fire exits, routes, extinguisher locations and training in how to use them. As well as a corporate health and safety action plan to be implemented with key performance indicators identified to enable measurement and monitoring of performance along with a programme of periodic health and safety inspection and audits across services to monitor compliance. Also, for Duty holders and/or 'Responsible persons' to be identified for statutory duties of asbestos, water, gas, electrical, lift and fire safety along with specialised training for these roles and responsibilities.</p> <p>The internal Health and Safety team consists of the Food, Health and Safety Manager / Health and Safety Manager with support from the Regulatory Support Officer. These limited resources are used for reactive work with additional competent resources needed to make the necessary improvements identified. This also applies in waste, assets, leisure, and housing services to fulfil their health and safety compliance.</p>

PROJECT TITLE	SUMMARY
<p>Purchasing Cards</p> <p>Audit Opinion: Good ☆☆☆</p>	<p>The Lloyds Bank Visa purchasing card is a charge card that enables the council to make electronic payments for goods and services. These cards fall under the procurement framework available to UK public sector bodies owned by the Crown Commercial Service and are provided free of charge.</p> <p>This new purchasing card system has been running in parallel since 1 July 2023 with the existing RBS Visa purchasing card system until June 2024. New Lloyds Bank cards were phased in from June 2023 to June 2024 and are issued in the name of an individual officer rather than a generic service name.</p> <p>The sampling exercise gave assurance that the cards are being used to purchase approved goods and services, providing the relevant VAT receipts, and reconciled to the payments made to the card company.</p> <p>Recommendations have been included for the twenty six cardholders to sign an employee agreement so aware of their responsibilities and appropriate card use as stated in the financial instructions, for single transaction limits to be set and to develop and publish a purchasing card policy / procedures for guidance and transparency purposes.</p>
<p>Payroll</p> <p>Audit Opinion: Good ☆☆☆</p>	<p>The key risk areas for the payroll system are:</p> <ul style="list-style-type: none"> ○ Inappropriate access to the payroll system and loss of data. ○ Inappropriate or inaccurate amendments to the payroll system or to the MAS. ○ Untimely, inappropriate, or inaccurate payments made or not recovered. <p>Based on the tests undertaken, the payroll function was working effectively with no errors evident from the testing. Whilst there has been some progress with previous recommendations, reporting is an ongoing concern, and waste and leisure timesheets are still a manual process. For business continuity, a digital version of the payroll instructions manual needs to be created and kept updated.</p>

PROJECT TITLE	SUMMARY
<p>Council Tax</p> <p>Audit Opinion: Good ☆☆☆</p>	<p>The Council has a statutory obligation to administer and collect council tax within Teignbridge which is shared with Devon County Council, Devon and Cornwall Police & Crime Commissioner, Devon and Somerset Fire and Rescue Service and parishes to provide local services.</p> <p>Annual council tax bills are produced and sent to the liable council taxpayers of each domestic dwelling in the district during March. It is a property tax, with the amount charged according to the valuation band of the individual property. There are some instances where reductions or exemptions of the council tax can occur which are based on nationally set criteria such as student residences and specific unoccupied dwellings. Discounts and disregards are available for single occupancy residences, and in other circumstances.</p> <p>The sampling exercise highlighted that discounts, disregards and exemptions are being correctly awarded. However, regular reviews should be undertaken to ensure that these are still accurate.</p> <p>Recommendations have been included to have a rolling programme of reviews, so all discounts, disregards and exemptions are reviewed at least every two years to ensure that initial award is still accurate. Also, to finalise the National Fraud Initiative which is an annual mandatory exercise matching electronic data between public and some private sector bodies to prevent and detect fraud including council tax records.</p>
<p>Housing Benefits and Council Tax Support</p> <p>Audit Opinion: Good ☆☆☆</p>	<p>Housing Benefit (HB) and Council Tax Support are means tested schemes which help those on low incomes meet their housing rental costs and council tax liabilities. The audit covered the risk of inaccurate or untimely payments being made or not recovered. Tests included:</p> <ul style="list-style-type: none"> ○ Benefit assessments are correctly calculated. ○ Processing is timely and in line with targets. ○ Data being subject to accuracy checks. ○ Changes to parameter data being checked, tested, and authorised. ○ Internal reconciliations, verifications and balancing procedures are regularly undertaken.

	<ul style="list-style-type: none"> ○ Mismatched data being promptly investigated. ○ Authorisation and reconciliation of payments. ○ Overpayments are correctly identified. ○ Prompt and appropriate recovery action is taken. ○ Written off debt is appropriate. <p>The results were good with processing times withing target and Teignbridge comparing favourably to other similar councils, and no issues with accuracy from the sample tested. One minor recommendation was made in respect of publicising the correct recovery action process as this was unclear.</p>
<p>Main Accounting System</p> <p>Audit Opinion: Excellent ☆☆☆☆</p>	<p>The Main Accounting System (MAS) is the primary record of financial transactions used to produce the annual Statement of Accounts. The MAS has been in operation for many years and is a part of the wider Financial Management System (FMS). A replacement FMS system was planned to go live earlier this year, however this project has been postponed until later in 2024/25.</p> <p>The audit covered the following controls:</p> <ul style="list-style-type: none"> ○ Changes to budgets are approved ○ Financial performance is regularly monitored, and appropriate corrective action taken ○ The overall financial position is regularly reviewed by senior management and members ○ There is appropriate separation of duties ○ Internal reconciliations, verifications and balancing procedures are regularly undertaken ○ Periodic bank reconciliations are prepared and independently reviewed <p>Assurance was excellent as compliance was found in all areas. It is recognised that outstanding recommendations from the previous audit cannot be taken forward until the new system is implemented. These include increasing the fund categories available for cash receipting, and a new process to evidence review of reconciliations.</p>

PROJECT TITLE	SUMMARY
<p>Housing Grants</p> <p>Audit Opinion: Excellent ★★★★★</p>	<p>The systems for administering Disabled Facilities Grants were reviewed covering the following risks:</p> <ul style="list-style-type: none"> ○ Breach of regulations, legislation and Council Policy; ○ Grants are awarded to ineligible people or properties – i.e. scheme criteria not met; ○ Conditions attached to grants are not complied with; ○ Fraud, corruption or misappropriation; ○ System and data security compromised. <p>Only minor recommendations were made, which included speed of processing and prioritisation of OT assessments. Loans are also provided through an external company Lendology audited in December 2023 by the South West Audit Partnership with a substantial assurance opinion provided.</p>
<p>Business Rates</p> <p>Audit Opinion: Good ★★★</p>	<p>The risks to the business rates system include inappropriate or inaccurate amendments to the system and inadequate or inappropriate recovery or write off action.</p> <p>The following tests were carried out to see how well these risks were managed:</p> <ul style="list-style-type: none"> ○ Changes to standing / parameter data being checked, tested, and authorised. ○ Liability calculations are accurately calculated, and appropriate evidence obtained for any discounts, exemptions, or reliefs. ○ Refunds are properly checked and authorised. ○ Prompt and appropriate recovery action is taken in line with procedures. ○ Recovery action via external agencies is effectively monitored. ○ The decision to write off debt is appropriate and properly authorised. ○ Performance targets are set, monitored, and reported, and appropriate action taken. <p>Strong controls were evidenced. The collection rate is extremely high at 99.64% for the 23/24 year. Small Business Rates Reliefs are reviewed using an external company and other reliefs are reviewed internally.</p>

Follow Up Audits	
<p>The effectiveness of audits is increased if agreed actions are implemented. The audit cycle allows for a follow up check to be made on any important recommendations at an agreed time after each review. Details of recently completed follow ups are shown below:</p>	
<p>Housing Benefits and Council Tax Support</p> <p>Audit Opinion: Good ★★★</p>	<p>Original audit: June 2024</p> <p>Followed up: July 2024</p> <p>1 of the 1 recommendation actioned and implemented.</p>
<p>Safeguarding</p> <p>Audit Opinion: Good ★★★</p>	<p>Original audit: November 2023</p> <p>Followed up: March 2024 and July 2024</p> <p>6 of the 11 recommendations actioned and implemented. 5 remain on-going:</p> <ul style="list-style-type: none"> • review of safeguarding policy complete, to be added to the forward plan for adoption by Council. • safeguarding role included in job description. Will be considered as part of the restructure. • safeguarding requirements included in the Hackney Carriages and Private Hire policy, which is being reviewed. • identification of officers needing to undertake higher-level specialised safeguarding training and to arrange face to face safeguarding training for the refuse and street cleansing staff. • to promote safeguarding training for all members
<p>Building Control</p>	<p>Original audit: August 2023</p> <p>Followed up: March 2024 and July 2024</p>

<p>Audit Opinion: Good ☆☆☆</p>	<p>2 of the 5 recommendations actioned and implemented. 3 remain on-going (2 awaiting installation of software):</p> <ul style="list-style-type: none"> • historic personal data in the system requires prioritisation and action from the new software / functionality via Strata. • card payments are being taken by telephone without two-factor authentication, awaiting roll-out by Adelante of PSD (Payment Service Directive) 2 compliant package. • staff processing personal and secure data have not been vetted using DBS. To be implemented April 2024, no new starters as yet
<p>Debtors</p> <p>Audit Opinion: Good ☆☆☆</p>	<p>Original audit: July 2023</p> <p>Followed up: January 2024</p> <p>7 of the 23 recommendations actioned and implemented. The remainder are reliant on the new e-fins system rollout.</p>
<p>Housing H&S Compliance</p> <p>Audit Opinion: Fair ☆☆</p>	<p>Original audit: February 2024</p> <p>Followed up: May 2024, June 2024, and August 2024</p> <p>10 of the 11 recommendations actioned and implemented. 1 remain on-going:</p> <ul style="list-style-type: none"> • For those properties managed in house, there should be housing compliance policies and procedures to ensure that officers are clear about their roles and responsibilities for managing compliance, and health and safety obligations, including timeframes for inspection certifications. Currently in draft.