

Teignbridge District Council

Audit Scrutiny

18 June 2025

Part 1

INTERNAL AUDIT PROGRESS REPORT

Purpose of Report

To advise the internal audit work completed and progress against the audit plan.

Recommendation(s)

The Audit Scrutiny Committee is recommended to note the report.

Financial Implications

None. The internal audit service is 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 John Parrot – Executive Member for Corporate Resources

1. INTRODUCTION / BACKGROUND

- 1.1 Internal audit provides an independent opinion on the Council's risk management, internal control and governance arrangements. A [plan of audit work](#) was approved by members in August 2024. This report shows progress against that plan. It also summarises the findings of completed audits.

2. AUDIT PLAN PROGRESS 2024-2025

SYSTEM		STATUS	ASSURANCE
<u>Core Financial Systems</u>			
Main Accounting / Budgetary Control	DAP	Completed	Good
Creditor Payments	TDC	Completed	Good
Debtors (Corporate Debt Oversight)	DAP	Draft Report	-
Payroll	TDC	Completed	Good
<u>Other Systems / Projects</u>			
Housing Household Support Fund	TDC	Completed	Excellent
Democratic Services Review	DAP	Draft Report	-
Procurement	DAP	Completed	Fair
Climate Change	DAP	Draft Report	-
Business Continuity Management	TDC	Completed	Fair
Emergency Planning	TDC	Completed	Good
Purchasing Cards (new system)	TDC	Completed	Good
Partnerships & Funding Arrangements	TDC	Completed	Good
Communications – Social Media	TDC	Completed	Good
Waste and Recycling	DAP	Completed	Good
Risk Management	TDC	Draft Report	-
Transparency Code	TDC	Completed	Good
National Fraud Initiative	TDC	Ongoing	-
Fraud Risk Analysis	TDC	Ongoing	-
Governance	TDC	Ongoing	-
Housing Temporary Accommodation	DAP	25/26* see below	-
Housing Finance	DAP	25/26* see below	-
Ombudsman Complaint Code	TDC	25/26* see below	-
Data Protection	TBC	25/26* see below	-

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.

These ratings will be changing in the 2025-2026 audit year. Please see separate report on the agenda for details.

2.3 As previously reported the two housing audits of temporary accommodation and finance, and the Ombudsman complaint code review have been carried forward to the 2025-2026 audit plan at the request of the service. Data Protection needs to be audited independently due to the Audit Managers' operational responsibility for some of the elements involved and there is a current shortage of resource in this area to support an audit review.

2.5 Follow up checks are undertaken to review progress with action plans agreed during audits. These are included in the summary below. Follow up progress is also monitored by the Council's Corporate Governance Group.

3. CONCLUSION

Four of the sixteen reports due to be delivered are at draft report stage, however these should be completed in the next week, just pending final comments from auditees. Members are asked to note progress.

Internal Audit Findings – Overview 18 June 2025

PROJECT TITLE	SUMMARY
<p>Creditors</p> <p>Audit Opinion: Good ★★</p>	<p>The creditors system is used to manage the payment of goods and services received by the authority. The sampling exercise confirmed that creditor vouchers are being properly certified, authorised and the goods received before payment.</p> <p>Controls are in place to double check creditor bank detail changes before amending the creditor master file which was verified through the sampling exercise. This is to comply with the measures recommended by the National Anti-Fraud Network (NAFN).</p> <p>In addition, there are internal controls in place to prevent overpaying invoices twice. For example, after each creditor run a listing of all due payments are double checked prior to the Bacs run and the P-Creditors system will not allow the processing of the same invoice date with the same amount.</p> <p>The number of orders being raised after invoice since 1 April 2024 accounted for 27% which is similar to previous years. However, a new financial management system is being introduced in this financial year which will encourage officers to raise orders as the e-invoicing facility will automatically match purchase invoices to orders in the system.</p> <p>The council aims to pay all invoices within 30 days from the invoice date or the date the invoice is received, as prompt payment is essential for the council's suppliers. Prompt payment annual performance data is published on the council's website as statutory under the Public Contracts Regulations 2015. Once Section 69 of the Procurement Act 2023 comes into force, councils will instead publish Payment Compliance Notices every six months on a central digital platform.</p> <p>Furthermore, the council is currently paying one company with standard deduction rates under the Construction industry Standard (CIS) scheme. There are several companies with 'gross payment' status shown on the HMRC monthly online returns up to and including October 2023. The CIS guidance states that the returns must include all payments made to subcontractors regardless of whether they were paid gross, net of standard or higher deduction. This has been added as a recommendation along with changing the method of gaining the two factor authentication code for the HMRC online facility as currently limited to one officer for business continuity purposes.</p>

PROJECT TITLE	SUMMARY
<p>Payroll</p> <p>Audit Opinion: Good ☆☆☆</p>	<p>The council uses iTrent, a fully integrated HR and Payroll system, for the management of employee information. Access to the system is segregated between the HR and Payroll staff.</p> <p>The sampling exercise of starters, leavers and adjustments to pay were all accurately input into the payroll system promptly matching the supporting documentation and calculated correctly. However, not all starter forms were authorised by the three signatories, i.e. employee, Business Lead / Manager and HR Business Partner and managers not following the leaver process flowchart. Recommendations have been included for HR to work with managers to remind them of the correct procedures, recognising that this may not be possible in some cases.</p> <p>Since the February 2025 pay run, the Payroll Specialist (who commenced in January 2025 to replace the retiring Payroll Manager) has strengthened internal controls by introducing the checking of iTrent payroll validation reports prior to payroll processing to identify any potential incorrect or missing information that may lead to incorrect pay or deductions.</p> <p>Monthly reconciliations are made between the payroll system and the Financial Management System (FMS). There is a separation of duties between Payroll and Finance, however, the monthly reconciliations need to be independently reviewed and authorised. Also, there is separation of duties for the Bacs pay runs.</p> <p>Internal controls need to be put in place for the parameter data to be independently checked after input by another member of the payroll team to prevent errors as one scale point for 2023-2024 was £10.00 short. The parameter data for 2024-2025 was accurate.</p>
<p>Social Media</p> <p>Audit Opinion: Good ☆☆☆</p>	<p>The Communications team recently undertook a social media audit to understand and monitor the corporate online social media presence. From this, a list of users for platform with their permission levels were provided giving the assurance that officers have appropriate access for their job role.</p> <p>The Digital Communications Officer informed that all social media users are trained by the Communications Team with evidence provided of the individual training sessions taken place during 2024-2025 including training on the new Orlo platform. In addition, there is social media guidance on the council's intranet including details of the social media platforms and tips on how to use them, as well as a link to the council's social media policy dated 2023 which includes the 'Do's and Don't's at a glance'.</p>

PROJECT TITLE	SUMMARY
	<p>The council follows the National Cyber Security Centre guidance to maintain security of social media sites including only authorised staff can publish content, two-step verification on all social media platforms, using social media platforms with good security features, using work devices to create and publish content. All social media accounts have to be registered with the Communications Team including the login details so the council can still gain access to the account.</p> <p>All council staff are required to complete mandatory cyber and data security awareness training and remain alert to threats such as phishing, scams, impersonation and resulting ransomware attacks. This e-learning forms part of the corporate induction plan, as well as adhering to the council's ICT Acceptable Use and Security Policy.</p> <p>Recommendations include for the social media recovery plan to be tested to ensure that it works in practice, for users to sign up to the social media policy and guidance, and for Finance to set a single transaction limit on the corporate purchasing card to limit the financial risk if the Facebook account that it is linked to is compromised.</p>
<p>Transparency Code</p> <p>Audit Opinion: Good ☆☆☆</p>	<p>The Local Government Transparency Code 2015 embeds transparency in councils and sets out the minimum data that councils should be publishing, the frequency it should be published and how it should be published. An update was issued on 29 January 2025 including guidance for reconciling publication requirements of the Procurement Act 2023 and the Local Government Transparency Code 2015.</p> <p>We compared the mandatory datasets which must be published against the information available on the council's website. This exercise highlighted areas which were incomplete. For example, the annual pay policy statement showing the ratio between the highest paid salary and the median salary of the workforce has been published for 2022-2023 but missing for 2023-2024 and 2024-2025.</p> <p>However, other areas exceeded the minimum data needing to be published. For example, expenditure data the council publishes all creditors and purchasing card transactions on a monthly basis regardless of value. Whereas the Transparency Code stipulates details of all transactions over £500, including grants, payments to suppliers, and expenses.</p>

PROJECT TITLE	SUMMARY
	Identified responsible officers are currently collating missing information which will be published on completion. It is the intention to have a separate transparency page on the council's website with links to the various datasets once all have been completed.
Procurement Audit Opinion: Fair ☆☆	<p>This audit covered the following risks:</p> <ol style="list-style-type: none"> 1. Inadequate preparation for the new Procurement Act 2. Poor contract arrangements may impact Council efficiency and compliance leading to financial mismanagement, delays in service deliver and non-compliance with contractual obligations <p>Controls to manage the first risk were found to be of good standard, with preparatory work and training delivered to officers, however, the absence of a current Procurement Strategy, and the need to ensure the contract register is accurate and contractor performance monitored, were the main contributing factors to the Fair opinion for risk 2.</p> <p>Other recommendations included:</p> <ul style="list-style-type: none"> • implementing the Contract Rules recently updated and approved by Council • review the service risks within the risk register relating to procurement • member training as appropriate for members involved in spending decisions • implementing a central record of suppliers with current contact details • regular communication with ProActis, the procurement system provider
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>	
Partnership and Funding Arrangements Audit Opinion:	<p>Original audit: November 2024</p> <p>Followed up: February, April and May 2025</p>

PROJECT TITLE	SUMMARY
Good ☆☆☆	4 of the 7 recommendations actioned and implemented. The remaining recommendations are evidence of the Teign Estuary and Coastal Partnership Agreement and action plan / monitoring process, the outcome of the counting house review and service risks needed to be reviewed.
Purchasing Card Audit Opinion: Good ☆☆☆	Original audit: September 2024 Followed up: April 2025 4 of the 7 recommendations actioned and implemented. The remaining three recommendations are dependent upon the introduction of virtual cards which are due to be implemented by 31 July 2025.
Waste and Recycling Audit Opinion: Good ☆☆☆	Original audit: February 2025 Followed up: May 2025 9 of the 17 recommendations actioned and implemented. Progress is being made for the remaining eight recommendations.