

## AUDIT SCRUTINY COMMITTEE

**CHAIRMAN:** Councillor Sally Morgan

**DATE:** 20 June 2019

**REPORT OF:** Audit Manager

**SUBJECT:** INTERNAL AUDIT  
ANNUAL REPORT AND OPINION 2018-2019

**PART I**

### RECOMMENDATION

**To note the report, and to consider it as a source of assurance to support the Council's Annual Governance Statement.**

#### 1. PURPOSE

1.1 This report summarises the work of internal audit during 2018-2019 and provides the Audit Manager's annual opinion on the systems of governance, risk management, and control for the year ending 31 March 2019.

#### 2. BACKGROUND

2.1 The Accounts and Audit Regulations 2015 require local authorities to:

***“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
- the results of internal audit's quality assurance and improvement programme
- a statement on conformance with the Public Sector Internal Audit Standards

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 2018-2019

3.1 The following issues are taken into account when forming the opinion:

- the results of all completed audits and follow up action in respect of previous audits
- management's acceptance of our findings and recommendations which was positive with action plans agreed
- 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 involvement with various corporate working groups and projects, and attendance at management team meetings

#### **Audit Work**

3.2 Internal audit work has been carried out broadly in line with the 2018-2019 Audit Plan which was approved by the Audit Scrutiny Committee in March 2018.

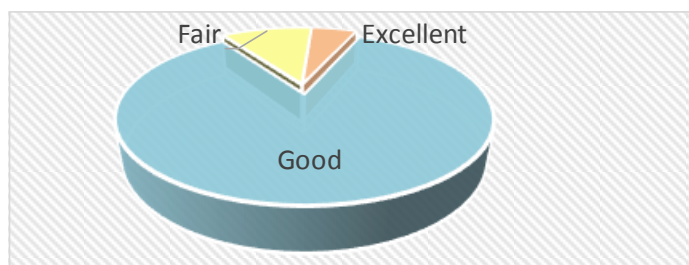
3.3 The individual areas audited have each been given an "assurance rating". These are reported to auditees and management upon the conclusion of each audit, and are also used collectively to inform our annual opinion. They are:

<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>	☆☆	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.
<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.

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3.4 During the 2018-2019 year, **20 of the 23 planned audits were completed.**

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



3.5 **3** audits are carried forward to 2019-2020 and **1** was in progress at the time of writing which means that **87%** of planned work was completed in-year. Within this, **100%** core financial systems work was achieved.

3.6 Progress with previously agreed actions to address high risk issues was monitored through a series of follow up audits. Auditors were also involved in a number of corporate projects and ad hoc investigations.

3.7 **Summary of 2018-19 audits:**

REVIEW	OPINION CLASSIFICATION
Governance Review and AGS	<b>Good</b>
LAHS Housing Data Return	<b>Good</b>
Safeguarding	<b>Good</b>
Car Loans and Cycle Scheme	<b>Good</b>
Housing Contract Management	<b>Fair</b>
Corporate Procurement (Credit) Cards	<b>Good</b>
Travel and Subsistence	<b>Good</b>
Treasury Management	<b>Excellent</b>
Coastal Monitoring Programme	<b>Fair</b>
Main Accounting and Budgetary Control	<b>Good</b>
Council Tax	<b>Good</b>
NDR (Business Rates)	<b>Good</b>
Benefits and Council Tax Support	<b>Good</b>
Housing Allocations (counter fraud work)	<b>Good</b>
Creditor Payments	<b>Good</b>
Debtors	<b>Good</b>
Income and Banking – BACS Smarter Pay	<b>Good</b>
Leisure Centres	<b>Good</b>
Risk Register	<b>Good</b>
Community Infrastructure Levy (CIL)	<b>In Progress</b>
Payroll	<b>Postponed (iTrent project)</b>
Human Resources - Recruitment	<b>Postponed (iTrent project)</b>
Information Governance	<b>Carried Forward – see independence below*</b>

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### ICT Assurance – Strata Service Solutions

3.8 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. Strata is audited by the Devon Audit Partnership (DAP). DAP have kindly shared their opinion which concludes a "Good" assurance standard, for the following areas audited:

- ICT Strategy
- Cyber Security
- Key IT Operational Functions
- Service Design

### Counter Fraud

3.9 The Audit and Information Governance Manager acts as the Key Contact for the National Fraud Initiative. This Cabinet Office exercise matches data from 1,200 participating organisations from across the public and private sectors to prevent and detect fraud. Results from the 2018-19 matching programme are currently being investigated and outcomes will be reported in due course.

3.10 A Fraud Risk Analysis has been maintained for all Council services which has helped to inform audit work, and ad-hoc fraud concerns have been investigated accordingly.

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

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 of this has yet to be undertaken and is currently scheduled for end of June. Technically until this is completed, the service cannot be deemed to fully conform to the Standards.

3.13 Performance outcomes for 2018-2019 are as follows:

Indicator	Target	Actual
<b>Audit Plan:</b> Percentage of core system audits completed.	<b>100%</b>	<b>100%</b>
<b>Audit Plan:</b> Percentage of all planned audits completed.	<b>100%</b>	<b>87%</b>

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### Client Satisfaction Surveys

**Feedback** received at the conclusion of audits showed high levels of satisfaction from auditees when asked for their views on:

- Pre-audit planning and Consultation
- Quality of the audit report
- Communication during the audit, and
- Usefulness to your service

3.14 Day-to-day quality controls help ensure work is performed to standard, such as:

- qualified and experienced staff;
- terms of reference outline each audit's scope, timing, and reporting line;
- quality review of reports and working papers;
- 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 mixed provision. An in-house auditor and Audit Manager provide on-site presence. This is supplemented with a number of days bought in from an external provider.

### 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.

### 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.

3.18 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.

3.19 During 2018-19 the Audit team absorbed additional responsibilities in respect of Information Governance. In accordance with PSIAS 1130, arrangements will be made to ensure independent assurance can be given in this area in 2019-2020.

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### 3.20 Opinion

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 2019, the systems of governance, risk management and control were generally effective and operated consistently across the Council. Action plans have been put in place to address required improvements where needed.

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 and Information Governance Manager**

### 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 supportive of our findings.

### 5. RECOMMENDATION

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

**Sue Heath**  
**Audit and Information Governance Manager**

Wards affected	N/A
Contact for any more information	Sue Heath – Audit Manager – 01626 215258
Background Papers (For Part I reports only)	Audit Plan & Audit Reports 2018-2019
Key Decision	N/A
In Forward Plan	N/A
In O & S Work Programme	N/A