

# TEIGNBRIDGE DISTRICT COUNCIL

## AUDIT SCRUTINY COMMITTEE

26<sup>TH</sup> AUGUST 2020

|                                   |   |
|-----------------------------------|---|
| <b>Report Title</b>               | <b>Internal Audit Annual Report 2019-2020</b>   |
| <b>Purpose of Report</b>          | 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 31 <sup>st</sup> March 2020. |
| <b>Recommendation(s)</b>          | <b>The Committee RESOLVES to note the report.</b>   |
| <b>Financial Implications</b>     | None. The service was delivered within current budget.  |
| <b>Legal Implications</b>         | None. The Council is meeting its statutory duty to provide an internal audit.   |
| <b>Risk Assessment</b>            | Not applicable.   |
| <b>Environmental Implications</b> | Not applicable.   |
| <b>Report Author</b>              | Sue Heath – Audit & Information Governance Manager<br>Tel: 01626 21558 Email: <a href="mailto:sue.heath@teignbridge.gov.uk">sue.heath@teignbridge.gov.uk</a>                                      |
| <b>Portfolio Holder</b>           | Councillor Connett – Corporate Services   |

### 1. Introduction / Background

1.1 The Accounts and Audit Regulations (2015) require local authorities 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 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.

## 2. INTERNAL AUDIT OPINION 2019-2020

2.1 The following issues are taken into account in providing 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
- 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 working groups and projects, and attendance at meetings including management team.

### Audit Work

2.2 A plan of proposed audits was presented to the Audit Scrutiny Committee in July 2019 and work has been carried out broadly in line with this.

2.3 Areas audited have been given an “assurance rating”. These are reported to auditees and management on completion of each audit, and collectively they help inform our annual opinion.

|                  |      |  |
|------------------|------|--|
| <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.   |

2.4 During the 2019-2020 year, **18** of the **20 planned audits** were completed and findings were mainly positive which equates to **90%** of planned work.

| <b>PROJECT</b>                      | <b>STATUS</b>             | <b>OPINION</b>     |
|-------------------------------------|---------------------------|--------------------|
| Governance Review and AGS           | <b>Complete</b>           | <b>Good</b>        |
| Loans and Grants                    | <b>Complete</b>           | <b>Good</b>        |
| DFG Assurance                       | <b>Complete</b>           | <b>Good</b>        |
| LAHS Return                         | <b>Complete</b>           | <b>Good</b>        |
| LADR Return                         | <b>Complete</b>           | <b>Good</b>        |
| MHCLG Allocations Return            | <b>Complete</b>           | <b>Good</b>        |
| Ecoflex Scheme                      | <b>Complete</b>           | <b>Good</b>        |
| Cemeteries                          | <b>Complete</b>           | <b>Good</b>        |
| Community Infrastructure Levy (CIL) | <b>Complete</b>           | <b>Good</b>        |
| Council Tax                         | <b>Complete</b>           | <b>Good</b>        |
| Benefits & Council Tax Support      | <b>Complete</b>           | <b>Good</b>        |
| Drivers Licences                    | <b>Complete</b>           | <b>Good</b>        |
| NDR (Business Rates)                | <b>Complete</b>           | <b>Good</b>        |
| Debtors                             | <b>Complete</b>           | <b>Good</b>        |
| Main Accounting & Budgetary Control | <b>Complete</b>           | <b>Good</b>        |
| Partnerships and Funding Agreements | <b>Complete</b>           | <b>Good</b>        |
| Housing Finance                     | <b>Complete</b>           | <b>Good / Fair</b> |
| Partnerships and Funding Agreements | <b>Draft Report Stage</b> | <b>(Good)</b>      |
| Risk Register                       | -                         | -                  |
| Payroll                             | -                         | -                  |

2.5 The payroll audit was postponed pending implementation of the new iTrent system. This will be now be covered in the current year 2020-2021. The risk register mitigation testing has also been carried forward. Partnerships and Funding is substantially complete and provisional assurance opinion is Good for the areas examined todate. Completion of this was delayed due to Covid.

2.6 Follow up audits were undertaken to check progress with actions previously agreed, with no concerns arising from this work.

2.7 Audit staff were also involved in the One Teignbridge transformation project (board member); Procurement Champions Group (member); and Corporate Management Team (Audit Manager).

### **ICT Assurance**

2.8 The Council's ICT Company Strata Service Solutions is audited by the Devon Audit Partnership (DAP). With thanks to DAP we can place reliance on their work in this respect. Their report is attached at Appendix A. It covers:

- Strategy and Project Management (Good Standard)
- Cyber Security and Key Operational Functions (Good Standard)

Overall, it records “**Substantial Assurance**” on the adequacy of Strata's control framework.

### **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 matching data from organisations across the public sector to help prevent and detect fraud.

2.10 A Fraud Risk Analysis has been maintained for all Council services. Highest fraud risk areas continue to be Housing Benefit and Council Tax Support. An emerging area in 2020 is grant assurance work for the various Covid funds Councils were required to distribute which we have been involved in from the outset to ensure counter fraud controls were embedded.

### **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.

2.12 Following self-assessment against the standards the service is shown to be **97% compliant**. External validation of this is needed to fully comply with the Standards. Arrangements will be made for this in the 2020-2021 audit year.

2.13 Performance outcomes for 2019-2020 are as follows:

| <b>Indicator</b>                                 | <b>Target</b> | <b>Actual</b> |
|--|---------------|---------------|
| <b>Audit Plan:</b> core system audits completed. | <b>100%</b>   | <b>100%</b>   |
| <b>Audit Plan:</b> all planned audits completed. | <b>100%</b>   | <b>90%</b>    |

#### **Client Satisfaction Surveys**

**Feedback** received at the conclusion of audits showed good 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

#### **Audit Independence & 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 Strategic Leadership Team, Corporate Management Team, and service managers have all engaged positively in the audit process.

### **3. 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 2020, 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.**

**Sue Heath  
Audit and Information Governance Manager**