

Tuesday, 18 January 2022

AUDIT COMMITTEE

A meeting of **Audit Committee** will be held on

Wednesday, 26 January 2022

commencing at **2.00 pm**

The meeting will be held in the Meadfoot Room, Town Hall, Castle Circus,
Torquay, TQ1 3DR

Members of the Committee

Councillor Loxton (Chairman)

Councillor Brooks

Councillor Johns

Councillor Douglas-Dunbar

Councillor Kennedy (Vice-Chair)

Councillor Hill

Councillor O'Dwyer

Together Torbay will thrive

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Governance Support, Town Hall, Castle Circus, Torquay, TQ1 3DR

Email: governance.support@torbay.gov.uk - www.torbay.gov.uk

AUDIT COMMITTEE AGENDA

1. **Apologies**
To receive any apologies for absence, including notifications of any changes to the membership of the Committee.
2. **Minutes** (Pages 4 - 9)
To confirm as a correct record the Minutes of the meeting of the Audit Committee held on 6 December 2021.
3. **Declarations of interests**
 - (a) To receive declarations of non pecuniary interests in respect of items on this agenda
For reference: Having declared their non pecuniary interest members may remain in the meeting and speak and, vote on the matter in question. A completed disclosure of interests form should be returned to the Clerk before the conclusion of the meeting.
 - (b) To receive declarations of disclosable pecuniary interests in respect of items on this agenda
For reference: Where a Member has a disclosable pecuniary interest he/she must leave the meeting during consideration of the item. However, the Member may remain in the meeting to make representations, answer questions or give evidence if the public have a right to do so, but having done so the Member must then immediately leave the meeting, may not vote and must not improperly seek to influence the outcome of the matter. A completed disclosure of interests form should be returned to the Clerk before the conclusion of the meeting.

(**Please Note:** If Members and Officers wish to seek advice on any potential interests they may have, they should contact Governance Support or Legal Services prior to the meeting.)
4. **Urgent Items**
To consider any other items that the Chairman decides are urgent.
5. **Exclusion of the Press and Public**
To consider passing a resolution to exclude the press and public from the meeting prior to consideration of item 6 on the agenda on the grounds that exempt information (as defined in Schedule 12A of the Local Government Act 1972 (as amended)) is likely to be disclosed.
6. **TDA Annual Report and Financial Statements** (Pages 10 - 60)
To consider the Torbay Economic Development company Limited Annual Report and Consolidated Financial Statements.

(Note: the Torbay Economic Development Company Limited –

Annual Report and Financial Statements are exempt as they are draft and awaiting sign off from the Torbay Economic Development Company Limited Management Board.)

7. **Internal Audit - Follow Up Report on Areas Requiring Improvement** (Pages 61 - 71)
To consider a report that sets out progress made by areas previously identified as 'improvements required'.
8. **Internal Audit - Half Year Audit Report 2021-22** (Pages 72 - 102)
To consider a report that provides an update to the agreed Internal Audit Plan due to the continued impacts of Covid-19 and reviews the work undertaken to date in 2021/22.
9. **Audit Progress Report and Sector Update** (Pages 103 - 126)
To consider a report on the above.
10. **HR Investigations and Whistleblow** (Pages 127 - 132)
To consider a report that provides a high level summary of the number of HR investigations and Whistleblow investigations in the year 2021-22.
11. **Adjournment**
At this juncture the meeting will adjourn until 10.00 am on 31 January 2022. The items and reports for the meeting on 31 January 2022 have been published under a separate cover.

Meeting Attendance

Torbay Council has taken the decision to continue operating in a Covid-19 secure manner in order to protect staff and visitors entering Council buildings and to help reduce the spread of Covid-19 in Torbay. This includes social distancing and other protective measures (e.g. wearing a face covering (unless exempt), signing in and using hand sanitiser). Our public meetings will continue to operate with social distancing measures in place and as such there are limited numbers that can access our meeting rooms. Also, to help prevent the spread of the virus, anyone attending meetings is asked to take Covid lateral flow test the evening before - if you have a positive test result please follow the Government's guidelines and do not attend the meeting.

If you wish to attend a public meeting please contact us to confirm arrangements for your attendance.

Minutes of the Audit Committee

6 December 2021

-: Present :-

Councillor Loxton (Chairman)

Councillors Brooks, Douglas-Dunbar, Johns, Kennedy (Vice-Chair) and O'Dwyer

263. Apologies

An apology for absence was received from Councillor Hill.

264. Minutes

The Minutes of the meeting of the Audit Committee held on 5 October 2021 were confirmed as a correct record and signed by the Chairman.

265. Informing the Audit Risk Assessment for Torbay Council 2020/21

Members considered and noted the informing the audit risk assessment for Torbay Council 2020/21 report, that had been prepared by the Council's External Auditors, Grant Thornton as part of their risk assessment procedures which required them to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management:
- Fraud;
- Laws and Regulations;
- Related Parties; and
- Accounting Estimates.

The report contributes towards the effective two-way communication between the External Auditors and the Audit Committee as 'those charged with governance'.

266. Grant Thornton - The Audit Findings for Torbay Council

Members noted the Audit Findings report prepared by the Council's External Auditors, Grant Thornton which set out the observations arising from the audit that were significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice.

Paul Dossett, representing Grant Thornton advised that by the Government's Statutory deadline of September only 30% of audits were signed off increasing to 40% in November 2021. This was partly due to lack of capacity in the market and the increase in the amount of work required for external audit compared to two years ago by between 30% to 50%. Mr Dossett highlighted the key elements of the report and explained that further progress had been made since the report had been published and that they anticipated concluding the audit in the next two weeks with the final Report being issued in the New Year.

Resolved (unanimously):

That the Audit Committee receive an update on Appendix A – Action Plan – Audit of Financial Statements at a future meeting.

267. Statement of Accounts and Annual Governance Statement 2020/2021

Members considered a report that set out the Council's Statement of Accounts for 2020/21 and the Annual Governance Statement for 2020/21. Members noted that the Accounts and Audit Regulations required the Council's Statement of Accounts for the year ending 31 March 2021 to be issued before 31 July 2021 with the accounts audited by the end of September 2021. Due to resource pressures faced by the Council's External Auditors, Grant Thornton, the audit had been planned to start on 16 August 2021 but had been significantly delayed. The audit was now substantially complete and before the Audit Committee for approval.

The Committee also noted that the same Regulations, require approval of the Annual Governance statement to inform Members of the Council's Governance and Internal Control framework and any significant control issues.

Members made observations in respect of the following areas:

- The statements about 'offers unrivalled quality of life' and 'our residents have a high level of satisfaction'.
- The level of reserves set at 5% and if this was prudent.
- The tense of the document being in the future, should this be in the present tense to say what we are doing instead of what we will do?
- Issues around waste ownership and income.
- If the valuation of the Harbour View Hotel was the latest valuation or that as of 31 March 2021.
- Significant increase in grant income and if this was as a result of Covid-19.
- Query over discount rate on page 112 if this should be 2.1 based on information in an earlier report.
- Query over wording in respect of balance sheet on page 44.

Members agreed to email the Chief Finance Officer with any further typos or minor issues they had spotted within the Statement of Accounts document.

Resolved (unanimously):

1. that the Audit Committee having reviewed the accounts including the significant accounting policies and considered the External Auditor's progress report on the Accounts, approve a) the Statement of Accounts 2020/21 and b) the Annual Governance Statement 2020/21;
2. that Audit Committee delegate to the Chief Finance Officer, in consultation with the Chairman of Audit Committee, the authorisation to make any changes to the 2020/21 Accounts arising between the date of this report and the finalisation of the external audit including the issues raised at the meeting, with any material adjustments required to the core financial statement to be presented to the Audit Committee for approval; and
3. that the Letter of Representation (attached at Appendix 1 to the submitted report) be approved.

268. Treasury Management Mid-Year Review 2021/22

Members of the Audit committee considered a report on a review of Treasury Management activities during the first part of 2021/22. The Treasury function aims to support the provision of all Council services through management of the Council's cash flow and debt and investment operations.

The Chief Finance Officer highlighted the following key points in the Treasury Management review:

- No new borrowing planned in 2021/22.
- Bank Rate expected to remain at 0.1% for 2021/22 (but with a risk of increase).
- Investment rate close to zero.
- Internal cash resources applied to capital funding and loan repayment.
- Cash flow influenced by MLUH and BEIS grant and funding changes.

Resolved:

That the Council be recommended to note the Treasury Management Mid-Year Review 2021/22.

269. Treasury Management Strategy 2022/23

Members considered a report on the Treasury Management Strategy, a requirement of the CIPFA Code of Practice on Treasury Management, which was adopted by the Council on 7 February 2019. The Strategy aims to support the provision of all services by the management of the Council's cash flow, debt and investment operations in 2022/23 and effectively control the associated risks and the pursuit of optimum performance consistent with those risks.

The approval of an Annual Investment Strategy by Council was a requirement of statutory guidance on Local Government Investments issued by government in

January 2018. This Strategy sets out the Council's policies for managing its investments under the priorities of security first, liquidity second and then returns. In addition, the Treasury Management Strategy gives regard to the CIFPA Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

The Chief Finance Officer advised that cash levels were high at the moment but that they were expected to reduce once the Council was required to repay some of the grants back to the Government. It was also anticipated that there would be a need to borrow over the next 12 months for potential housing schemes and town centre regeneration.

Members noted that the Government had launched a consultation on Minimum Revenue Provision (MRP) which indicated that loans should require MRP in the future and CIPFA guidance on the treasury management consultation due to come into force from April 2023 suggested that Local Authorities would be encouraged to work towards the changes to MRP as soon as possible. The Treasury Management Strategy for 2022/23 had taken this into account and requires full MRP on investments.

Resolved:

That the Council be recommended to approve:

1. Treasury Management Strategy for 2022/23;
2. the Prudential Indicators 2022/23; and
- 3 the Annual Minimum Revenue Provision Policy Statement for 2022/23;

as set out in the Appendices to the submitted report.

270. Decision to opt in to the national scheme for Auditor Appointments with Public Sector Audit Appointment (PSAA) as the 'Appointing Person'

The Committee considered a report on a proposal for appointing the external auditor for the Council for the 2023/24 accounts and beyond as the current arrangements only run until December 2022. The benefits of a sector-wide procurement by Public Sector Appointments (PSAA) included:

- the audit costs were likely to be lower than if the Council sought to appoint locally, as national large-scale contracts were expected to drive keener prices from the audit firms;
- without the national appointment, the Council would need to establish a separate independent auditor panel, which could be difficult, costly and time-consuming;
- PSAA can ensure the appointed auditor meets and maintains the required quality standards and can manage any potential conflicts of interest much more easily than the Council; and

- supporting the sector-led body would help to ensure there was a vibrant public audit market for the benefit of the whole sector and this Council going forward into the medium and long term.

Resolved (unanimously):

That the Audit Committee recommends to Council:

That the Council accepts Public Sector Audit Appointments' (PSAA) invitation to 'opt in' to the sector led option for the appointment of external auditors for five financial years commencing 1 April 2023.

271. Exclusion of the Press and Public

Prior to consideration of the item in Minute 272 the press and public were formally excluded from the meeting on the grounds that the item involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

272. SWISCo Limited - Annual Report and Financial Statements

The Committee considered and noted the draft SWISCo Limited Annual Report and Financial Statements for the period ending 31 March 2021 following the transfer of TOR2 to SWISCo Limited from 1 July 2020. Members discussed the following issues:

- the additional investment made to SWISCo and the losses made during their first accounting period;
- pension contributions and implications;
- impact of private health care for some employees who had transferred from TOR2 and Keir Group;
- tax implications;
- how the Council could be reassured that they were delivering against their approved business plan;
- what services were covered within the legal and professional fees; and
- the Director appointments and if they would be looking to appoint independent Directors in the future.

A copy of the final SWISCo Limited accounts would be circulated to the Audit Committee once they have been signed off by the SWISCo Management Board.

Resolved (unanimously):

1. that the Audit Committee receive copies of the Management Accounts for SWISCo twice a year;
2. that the Audit Committee monitor performance against the SWISCo, TDA and TORVISTA Business Plans to ensure that they are meeting the key targets; and

3. that the Audit Committee receive a copy of the TDA Group management accounts once they are available to monitor the financial accountability of these Groups.

Chairman

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted



Internal Audit Report

Follow Up Report on
Areas Requiring
Improvement

Torbay Council

January 2022

OFFICIAL



Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Torridge, North Devon, Mid Devon and Devon County councils. We aim to be recognised as a high quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at robert.hutchins@devonaudit.gov.uk.

Confidentiality and Disclosure Clause

This report is protectively marked in accordance with the National Protective Marking Scheme. Its contents are confidential and, whilst it is accepted that issues raised may well need to be discussed with other officers within the organisation, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.

This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

Introduction

The 2020/21 Annual Internal Audit outturn report was presented to the Audit Committee in May 2021; Appendix 1 of that report provided a summary of the audits undertaken during 2020/21, along with our assurance opinion. Where a “high/substantial” or “good/reasonable” standard/audit assurance opinion was provided we confirmed that, overall, sound controls were in place to mitigate exposure to risks identified; where an opinion of “improvements required/limited assurance” or worse was provided then issues were identified during the audit process that required attention. We provided a summary of some of the key issues reported that were being addressed by management and pointed out that we were content that management were appropriately addressing these issues.

Members have previously found it beneficial to receive a report on progress on the “improvements required / limited assurance” areas highlighted in Appendix 1 to the 2020/21 annual report.

As part of adding value, Devon Audit Partnership has completed follow up reviews to provide updated assurance to members. The results from this process are contained in this report at Appendix A.

Assurance Statement

Our assurance opinion remains as reported in our Annual Audit Report 2020/21. However, it should be recognised that there is potential for this assurance opinion to be adversely affected should there be a lack of continued progress where work is ongoing to address individual management action plans.

We do recognise that the Covid-19 pandemic response has continued to be a priority for the Council, with impacts across all service areas. As such in some cases progress has been impacted.

To note we delayed completion of the intended SEN – Higher Needs follow up due to the planned Ofsted visit and subsequent reporting. As such this area will be followed up within the 2022-23 follow up exercise.

Progress Impact Assessment

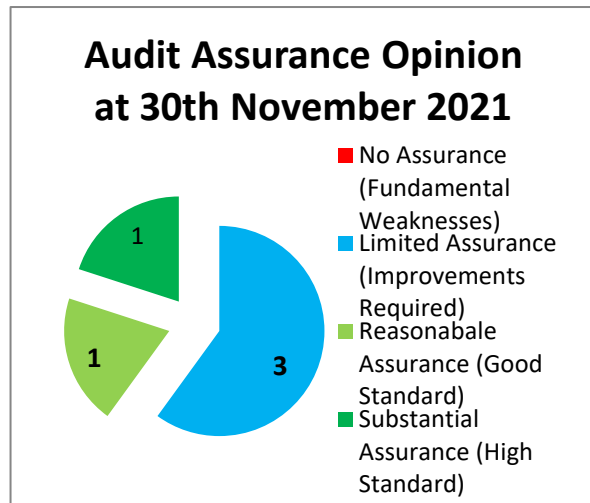
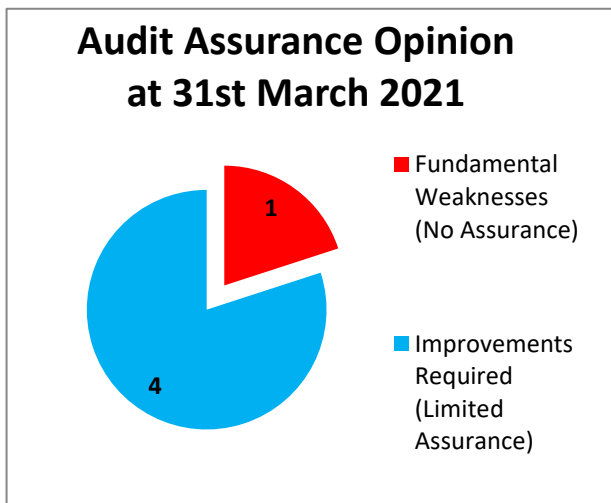
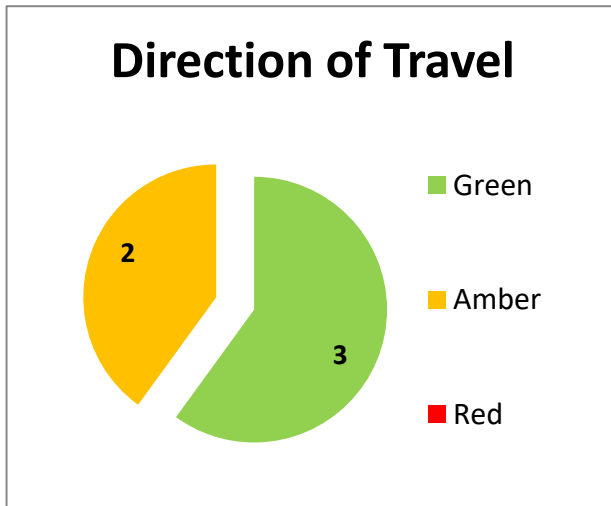
The progress made in some areas means the previously identified risks are being minimised or mitigated where appropriate. We recognise that in other areas progress remains ongoing, although acknowledge that appropriate plans are in place to address the associated risks.

Progress in some areas has been affected by the ongoing pandemic and the need to await new legislation. In other instances, although Management responses indicate that progress has been made, the lack of supporting evidence means that we are unable to confirm that associated risks are being addressed in all cases.

This follow up activity was an opportunity to facilitate, review and expedite progress for individual audits, to inform Management of the current position and to integrate the outcomes into the organisation’s strategic management arrangements.

Progress

Where progress has been made against the agreed action plans, this is shown in the 'Direction of Travel' chart. The subsequent charts record the resulting change in audit assurance opinion based upon the follow up work undertaken.



Note, the changes in assurance opinions effective April 2020 as described in the 2020-21 outturn report.

Although the audits previously followed up in 2020/21 are not subject to further formal audit follow up as part of this process, for continuity and the avoidance of doubt we have analysed the previous year's output to provide an indication of areas that may require further Management input. Please refer to table over page.

Total audits still at Improvements Required/Limited Assurance or worse from 2020/21 annual follow up report

Areas subject to follow up activity within 2021/22 planned audit work		Areas (potentially) requiring Management review of progress against previous audit recommendations
Key Financial Systems (annual audits)	2021/22 audits	
2 (Debtors and Corporate Debt; Council Tax and NNDR)	N/A	<ul style="list-style-type: none"> - Housing Services - Contract Monitoring – Libraries - Local Transport Implementation Plan / Strategic Transport - Children’s Contracted Services / Commissioned Services - Disability Services - Early Help Strategy - Legal Care Proceedings - Permanency Planning - Transition of Children with Disabilities to Adults

Internal Audit Coverage and Results

Overall, we can report that Management responses indicate that progress has been made in most areas, and this is shown in the direction of travel chart above and in Appendix A of this report. Where the opinion remains unchanged, we acknowledge that progress is being made.

In a small number of instances supporting evidence was not provided to us within the follow up activity and therefore we were unable to re-assess our assurance opinions. We do however recognise that service areas remain under pressure due to the Covid-19 pandemic which may have impacted their response to the follow up activity.

It should be noted that in a number of instances we understand that action is being taken to address the issues identified. It is acknowledged that the need to make changes to some processes can take time to achieve, and as a consequence not all recommendations have been completed, but this is as expected. Some agreed actions have not been implemented for a variety of reasons including the need to prioritise resource in other directions.

Appendix A of this report sets out the audits at the end of 2020/21 which were identified as ‘improvements required/limited assurance’ or ‘fundamental weaknesses/no assurance’. The appendix shows the current (updated) assurance opinion following our follow up work, and a ‘direction of travel’. We have also provided some more detailed commentary on progress being made. Appendix B provides a definition of the assurance opinion categories.

Annual Governance Statement

The conclusions of this report provide further internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.

These should be considered along with the conclusions from the Annual Audit Report 2020/21 published in May 2021.

Process

For each service area where an overall audit opinion of “improvements required/limited assurance” or “fundamental weaknesses/no assurance” was provided at the end of 2020/21 we completed a follow up review. The follow up review was undertaken to provide assurance to management and those charged with governance, that the agreed actions identified at our initial audit visit had been implemented, or suitable progress is being made to address the areas of concern.

Our approach was to initially write to the appropriate service manager to obtain an update on progress being made against agreed audit recommendations. The level of assurance we requested was dependent upon the priority of the agreed recommendation.

For recommendations of "low" priority or “opportunity” we required written confirmation that the action had been enacted upon, or an update on the progress being made.

For "medium" priority recommendations we required written confirmation that the action has been enacted upon, or an update on the progress being made, plus some evidence to support this.

For "high" priority recommendations we required written confirmation that the action had been enacted upon, or an update on the progress being made, plus some evidence to support this (as above) plus, and depending upon the nature of the recommendation, we considered a physical visit to confirm that the recommendation was operating as expected and that the identified risk had been reduced to an acceptable level.

Following the completion of our review we considered the progress made against of the agreed recommendations. This then enabled us to reconsider our assurance opinion against each of the risk areas identified and has enabled us to reconsider our overall assurance opinion enabling an updated opinion to be provided where appropriate.

It should be noted that this updated opinion is based upon the assumption that systems and controls as previously identified at the original audit remain in operation and are being complied with in practice. The purpose of our follow up exercise has not been to retest the operation of those previously assessed controls, but to consider how management have responded to the agreed action plans following our previous work.


Summary of Audit Follow and Findings 2021-22



Risk Assessment Key



LARR – Local Authority Risk Register Score Impact x Likelihood = Total & Level
 ANA - Audit Needs Assessment risk level as agreed with Client Senior Management
 Client Request – additional audit at request of Client Senior Management; no risk assessment information available

Direction of Travel - Key

Green – action plan implemented or being implemented within agreed timescales;
Amber – implementation of action plan not complete in all areas/overdue for key risks;
Red – implementation of action plan not complete and we are aware progress on key risks is not being made.
 * reflects report recently issued in draft therefore not subject to follow up at this time
 **reflects the updated assurance opinions effective from April 2020 (see Appendix B)

Children's Services					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion at 31 March 2021	Updated Audit Assurance Opinion at 30 November 2021	Commentary and residual risk	
Adoption – client monitoring of RAA Page 97	ANA - Medium	Improvements Required	Limited Assurance **	<p>Whilst we have received Management responses to the original agreed actions that state progress has been made, we are yet to be provided with supporting evidence. Therefore, our revised executive summary, level of assurance and our audit opinions are all based upon information advised rather than evidence provided; as such we are unable to uplift our level of assurance from that originally provided.</p> <p>We understand that a regional Adoption South West (ASW) peer review is now in place and includes representatives from both procurement and commissioning. This is attended by the Divisional Director with appropriate Head of Service deputisation. We have been advised that key performance indicators along with service monitoring are in place and are undertaken via the Local Authority Peer Review to support performance improvements.</p> <p>Again, we have been advised that a procedure manual has been developed, along with supporting adoption documentation, guidance relating to recording of information, and a practice / process guide. Adoption champions have been identified, meetings are in place and being held, and a task and finish group formed all of which is intended to support the consistent application of required practices.</p>	

Place					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion at 31 March 2021	Updated Audit Assurance Opinion at 30 November 2021	Commentary and residual risk	
Commissioning and Performance Monitoring by the Council of the TDA	ANA – High	Improvements Required	Limited Assurance **	<p>We are pleased to note the progress that has been made. Performance reporting and monitoring is in place, supported by regular meetings and communications, albeit that some of these aspects require formalising and recording. Fees and grants have been defined, with planned inclusion of these into the commissioning agreement going forward.</p> <p>As noted in our opinion statements a number of recommendations were completed during the original audit, with the majority either in progress, delayed or not yet due. We understand that the delays have been due in part to either the Covid-19 pandemic and the impact of this on the key Council Redesign Programme or pending revision to Public Contracts Regulations which would inform work going forward.</p> <p>Although we recognise progress made, work does continue and as such risks remain, albeit to a lesser degree once the processes are fully embedded into operational practices. In a small number of cases, although we have been provided with a narrative detailing progress made we are yet to receive formal supporting evidence and as such we are unable to provide assurance in relation to the progress of these particular actions, and in these instances we have re-reported the original actions.</p>	
Technology Forge – Asset and FM Implementation Project	ANA – Medium	Improvements Required	Substantial Assurance **	<p>It is pleasing to note that a large majority of actions have been completed either at the time of the original audit or during the period between the final advice note being issued and the current follow up process. Given the progress made we can confirm that from a project and system perspective as assessed in 2019-20, the originally identified risks have in the main been mitigated. We have re-reported one recommendation which is an opportunity to streamline the pre-input stages using potential system driven controls. Again, the Project Lead has consistently provided us with information throughout the follow up process enabling an accurate assessment of the status.</p>	

Adult Services – Community and Customer Services					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2021	Updated Audit Assurance Opinion as at 30 November 2021	Commentary and residual risk	
Community Protection - Prevention	ANA – High	Improvements Required	Reasonable Assurance **	We can confirm that positive progress has been made by management in addressing the risks identified in the original audit. The agreed actions are in progress, with, in many cases, significant progress having already been made. It should be noted that delays in progress have in the main been due to the Council's response to the Covid-19 pandemic and the associated activities required. We recognise the progress made and have re-reported the original recommendations as these remain ongoing and will be progressed/reconvened when resources permit.	
Health and Safety	ANA – High	Fundamental Weaknesses	Limited Assurance **	<p>It is pleasing to note that significant progress has been made, albeit that a number of actions remain ongoing or in progress. Further work is required to ensure completion of agreed actions and fully embedding the required processes into organisational practices.</p> <p>We understand that the past 18 months have been extremely difficult from a Corporate H&S delivery point of view, with COVID dominating the work, and impacts on resources. We further understand that the team continue to identify new risks, which has added to the workload, and has deferred the wider workplan based upon a risk prioritisation approach resulting in timelines not being fully achieved. We have been advised that the main challenge facing H&S is obtaining widespread managerial commitment across the organisation linked to a need for a cultural change.</p>	

Definitions of Audit Assurance Opinion Levels

Assurance	Definition
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Definition of Recommendation Priority

Priority	Definitions
High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision. Important recommendations made to improve internal control arrangements and manage identified risks.
Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.
Opportunity	A recommendation to drive operational improvement which may enable efficiency savings to be realised, capacity to be created, support opportunity for commercialisation / income generation or improve customer experience. These recommendations do not feed into the assurance control environment.

Confidentiality under the National Protective Marking Scheme

Marking	Definitions
Official	The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.
Official: Sensitive	A limited subset of OFFICIAL information could have more damaging consequences if it were lost, stolen or published in the media. This subset of information should still be managed within the 'OFFICIAL' classification tier, but may attract additional measures to reinforce the 'need to know'. In such cases where there is a clear and justifiable requirement to reinforce the 'need to know', assets should be conspicuously marked: 'OFFICIAL-SENSITIVE'. All documents marked OFFICIAL: SENSITIVE must be handled appropriately and with extra care, to ensure the information is not accessed by unauthorised people.

Internal Audit

Half Year Audit Report
2021-22

Torbay Council
Audit Committee

Page 72

January 2022

Robert Hutchins
Head of Audit Partnership

Auditing for achievement

Agenda Item 8

Introduction

The Audit Committee, under its Terms of Reference contained in Torbay Council's Constitution, is required to consider the Chief Internal Auditor's annual report, to review and approve the Internal Audit programme, and to monitor the progress and performance of Internal Audit.

The Accounts and Audit (Amendment) (England) Regulations 2015 introduced the requirement that all Authorities need to carry out an annual review of the effectiveness of their internal audit system and need to incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

The Internal Audit plan for 2021/22 was presented and approved by the Audit Committee in March 2021. The following report and appendices set out the background to audit service provision; an update to the agreed plan due to the continued impacts of Covid-19, a review of work undertaken to date in 2021/22 and provides our current opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual report providing an opinion that can be used by the organisation to inform its governance statement. This progress report provides a summary of work completed in the first six months of the year that will help to inform that annual assurance opinion.

Expectations of the Audit Committee from this six-month progress report

Audit Committee members are requested to consider:

- the assurance statement within this report;
- the basis of our opinion and the completion of audit work against the plan;
- changes to the plan and the scope and ability of audit to complete the audit work;
- audit coverage and findings provided;
- performance and customer satisfaction on audit delivery.

Robert Hutchins

Head of Devon Audit Partnership

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Opinion Statement

Overall, and based on work performed to date during 2021/22, our experience from previous years, and the outcome of the Annual Follow Up exercise as separately reported, the Head of Internal Audit's Opinion is one of 'Reasonable Assurance' on the adequacy and effectiveness of much of the Authority's internal control framework. However, due to a lack of audit work in the first half of the year, we are unable to reconsider the assurance opinions for both Place and Children's Services Directorates. As such Place remains as 'Reasonable Assurance' and Children's Services (excluding Education) as 'Limited Assurance'. In the case of both the Public Health, and Adults Directorates our assurance opinion is based on work undertaken in 2019/20 and prior years. Our audit planning process is risk based and as such our report will inevitably focus upon higher risk areas.

This opinion statement will provide Members with an indication of the direction of travel for their consideration for the Annual Governance Statement see appendix 4. Assurance over arrangement for adult social care is mainly provided by colleagues at Audit South West, the Internal Audit provider for Health Services, who provides a separate letter of assurance (attached at Appendix 8).

The Authority's internal audit plan for 2021/22 includes specific assurance, risk, governance, and value-added reviews which, together with prior years audit work, provide a framework and background within which we can assess the Authority's control environment. The audit plan has been significantly changed with the agreement of the S151 Officer due to insufficient capacity in the Council's departments as a result of the continued impact of Covid 19.

The reviews in 2021/22 to date have informed the Head of Internal Audit's Opinion. If significant weaknesses have been identified in specific areas, these will need to be considered by the Authority in preparing its Annual Governance Statement as part of the 2021/22 Statement of Accounts.

In carrying out reviews, Internal Audit assesses whether key, and other, controls are operating satisfactorily and an opinion on the adequacy of controls is provided to management as part of the audit report. All final audit reports include an action plan which identifies responsible officers, and target dates, to address control issues identified.

Implementation of action plans rests with management and these are reviewed during subsequent audits or as part of a specific follow-up.

This statement of opinion is underpinned by:

Internal Control Framework

The control environment comprises the Council's policies, procedures and operational systems and processes in place to establish and monitor the achievement of the Council's objectives; facilitate policy and decision making; ensure economical, effective and efficient use of resources, compliance with established policy, procedure, law and regulation; and safeguard the Council's assets and interests from losses of all kinds. Core financial and administrative systems were reviewed by Internal Audit.

The Council's overall internal control framework is considered to have operated effectively during the year. Where internal audit work has highlighted instances of non or part compliance, none are understood to have had a material impact on the Authority's affairs. However, the opinion provided must be considered in light of Covid-19 and the ongoing impact of this on the Council. Our opinion is based on internal audit work undertaken during 2021-22, as part of a revised plan.

Covid-19 measures have resulted in a significant level of challenge to the Council and put pressure on the expected control environment; the need for prompt and urgent action by officers has required changes to some procedures and control arrangements. In respect of this report, it has not been possible to fully quantify the additional risk that may have arisen from such emergency and associated measures or fully determine the overall impact on the framework of governance, risk management and control.

Risk Management

Work continues in relation to ongoing development of the Performance and Risk Management (PRM).

The audit of this area is planned for 2022-23 to allow for embedding of new practices. However, we maintain involvement in development within our Project Assurance role of the Council Redesign Programme. We are supporting ongoing development through provision of information to allow recommendation/action tracking.

PRM continues to be reported to Senior Leadership Team (SLT) and Audit Committee. Until fully embedded this area remains a risk. The ongoing Covid-19 response continues to present financial and service risks.

Governance Arrangements

Arrangements are generally reviewed within projects, including Business Improvement and Change. There is opportunity to further broaden Portfolio Management.

The Information Governance Steering Group provides overarching governance in relation to information security, management and compliance, with local responsibility for compliance delegated to service areas. The group is now encompassing cyber risk as part of its portfolio.

An audit of Cyber Governance is planned for the second half of the year. Finance, Ethics and Probity (FEP) maintain governance over issues within their remit.

Performance Management

As detailed under Risk Management, the Performance Framework remains subject to ongoing development, with monitoring arrangements continuing, and includes outcome mapping and business planning. Until embedded this area remains a risk.

Irregularity and whistleblowing complaints, alongside the work of the Corporate Fraud Officer are also reported to Audit Committee.

Budget performance is monitored by SLT and full Council. Children's Services Sufficiency Strategy and Medium-Term Financial Plan (MTFP) are monitored by SLT and were recently updated, including a 3-year forecast.

Significant Assurance	A sound system of governance, risk management and control exist across the organisation, with internal controls operating effectively and being consistently applied to support the achievement of strategic and operational objectives.	Limited Assurance	Significant gaps, weaknesses or non-compliance were identified across the organisation. Improvement is required to the system of governance, risk management and control to effectively manage risks and ensure that strategic and operational objectives can be achieved.
Reasonable Assurance	There are generally sound systems of governance, risk management and control in place across the organisation. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of some of the strategic and operational objectives.	N& Assurance	Immediate action is required to address fundamental control gaps, weaknesses or issues of non-compliance identified across the organisation. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of strategic and operational objectives.

Value Added

We know that it is important that the internal audit service seeks to "add value" whenever it can.

We believe internal audit activity can add value to the organisation and its stakeholders by:

- providing objective and relevant assurance,
- contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.

Senior Management has found our engagement, support as a "trusted advisor" effective and constructive in these significantly changing times.

Our work has identified specific added value benefits in key areas and in mitigating key risks. Notable benefits have been reported in the following areas:

Corporate Services and Financial Services

- ongoing engagement in various Business Improvement and Change programmes and projects, Council Redesign Programme and associated projects; We also continue to provide relevant information and practices from Local Government articles and guidance;
- support to the Council's newly developed Performance and Risk Management framework in relation to Internal Audit recommendation and action tracking;
- continued advice, guidance and challenge to the Information Governance Steering Group including the ongoing GDPR project and development of the Council's Information Asset Register (IAR);
- support to the Council's Data Protection Officer in the provision of Freedom of Information (FOI) and Subject Access Request (SAR) data; and support to the Information Commissioners Office Audit recommendations and the Council's response;
- an addition to the plan in relation to Cyber Governance and Resilience, and an Information Governance Compliance review, Transparency Code compliance linked to Freedom of Information;
- an amendment of the plan to include a review and test of the Council's Apprenticeship Levy process.

Place

- annual Port Marine Safety Code compliance audit;
- in addition to the planned grant work, inclusion of the Local Growth Fund Grant (Claylands) certification; Home to school and college grant certification; and Travel Demand Management grant certification.

Children's Services

- ongoing engagement with the Liquid Logic project post go-live;
- quarterly certification of Troubled Families grants.

Covid-19 Response

- changes to the plan to accommodate audit examination and assurance in relation to Covid-19 Restart Grants, Household Support Fund, Vulnerable Renters and Test and Trace Grant certification.

Schools

- continued assurance through the routine internal audit visits that systems and controls are in place to ensure compliance with Department for Education and Council requirements are being met.
- maintained schools' visits have taken place despite the pandemic and it is hoped to complete as many of the remaining planned audits as possible by the end of the audit year.

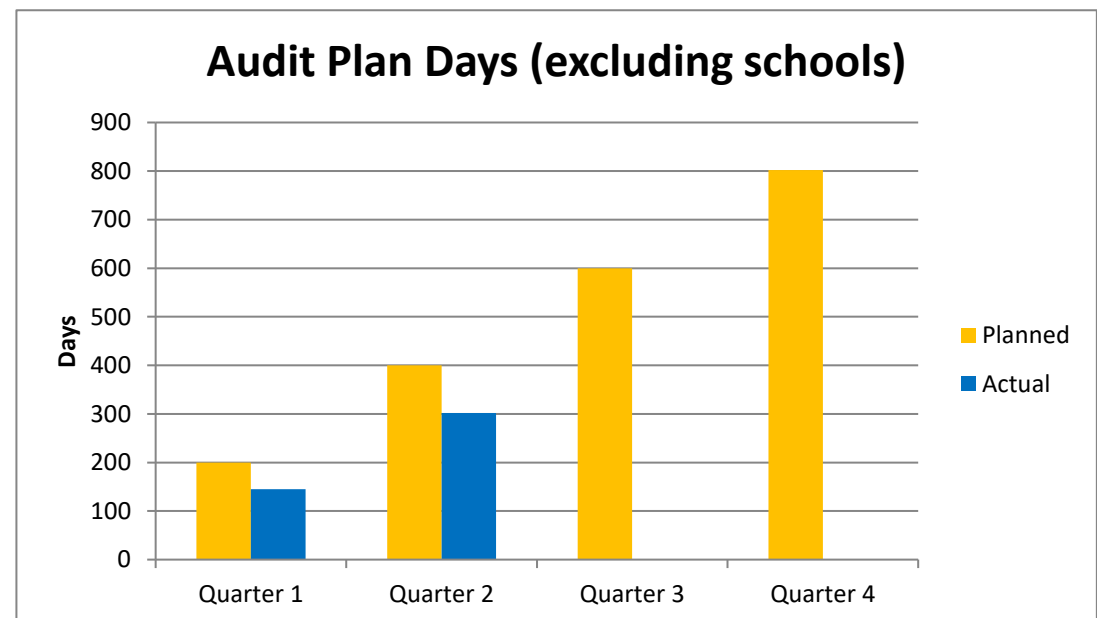
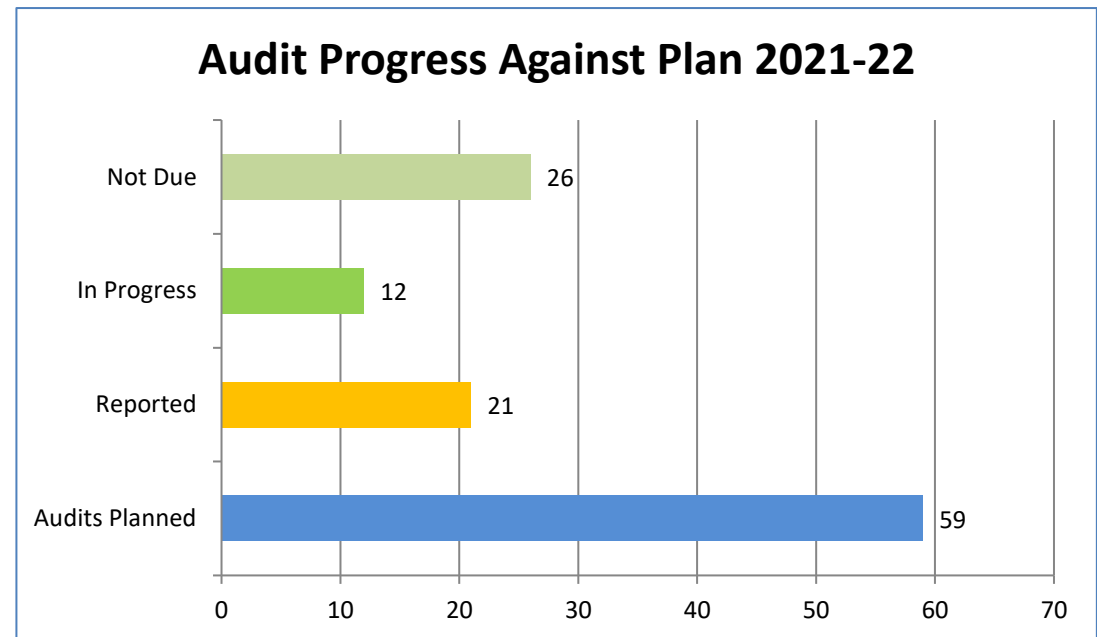
Progress Against Plan

This report compares the work carried out with the work that was planned through risk assessment, presents a summary of the audit work undertaken, includes an opinion on the adequacy and effectiveness of the Authority's internal control environment and summarises the performance of the Internal Audit function against its performance measures and other criteria. The report outlines the level of assurance that we are able to provide, based on the internal audit work completed during the year. It gives:

- a comparison of internal audit activity during the year with that planned, placed in the context of internal audit need,
- a summary of significant fraud and irregularity investigations carried out during the year and anti-fraud arrangements, and
- a statement on the effectiveness of the system of internal control in meeting the Council's objectives.

There has remained an ongoing need for fluidity in the 2021/22 agreed audit plan in response to the ongoing impact of Covid-19 resulting in reduced departmental capacity to support Audit activity; and investigative work in relation to irregularities. Some of our work supports projects and hence completion will be in accordance with project timescales.

The bar charts right show the status of audit progress against plan and audit days delivered against target planned. The charts demonstrate that progress is largely in line with expectations, except in relation to the number of audit days delivered are fewer than planned. It is anticipated that the latter will even up with planned days in Quarters 3 and 4, as a result of recruitment activity.



Summary audit results

Place

Due to the impact of Covid-19, the plan has been reduced as detailed in Appendix 1. Our **assurance opinion at the end of 2020/21** was one of **'Reasonable Assurance'** and we have planned work in the coming months, and this along with the limited work we have undertaken to date will enable us to provide an updated assurance opinion at the end of the financial year.

We have undertaken a follow up exercise of two Audits within Place, the outcomes of which are reported separately. It was pleasing to note that following this we were able to uplift our assurance opinion in relation to the Technology Forge – Asset and FM Implementation Project audit.

We have certified two grants; Local Transport Capital Block Funding, and Local Growth Fund and completed the annual Port Marine Safety Code audit.

It is pleasing to note that following a number of ongoing Health and Safety issues within Tor Bay Harbours a dedicated Health and Safety has now been appointed.

The Director of Place has overall responsibility for commissioning SWISCo services on behalf of Torbay Council. Key SWISCo Services functions and risks are audited by the Devon Audit Partnership, who provide an annual assurance report to the SWISCo Board.

Public Health

Based on areas audited in previous years, our opinion is one of **'Reasonable Assurance'** on the adequacy and effectiveness of the internal control framework.

Planned audit activity for this Directorate has been deferred in relation to the 2021-22 year. As there was only one audit planned for the 2021-22 year and the 2020-21 audit deferred, our assurance opinion remains based on 2019-20 and prior year audit activity.

Corporate Services and Financial Services

As a result of our audit work completed so far during the 2021/22 year and in previous years, our opinion remains as one of **'Reasonable Assurance'**.

Based on indications from previous and on-going work, we can report that material systems controls have either been maintained, or improvements are being made to address previously identified weaknesses. Whilst some weaknesses exist, management are aware of these issues, and have either accepted the related risk, or are taking action.

Business Improvement and Change incorporates significant projects, in particular those within the Council Redesign Programme. Each service area will be subject to service and business process reviews. Given the scale and complexity of the projects and associated workstreams, in our opinion the resource and associated capacity to support both 'business as usual' and the level of Council projects continues to present associated risks.

The Council has a Data Protection Officer and in line with GDPR requirements, continues to develop and maintain the Information Asset Register. Due to the high level of Freedom of Information and Subject Access requests, and ongoing data breaches, we remain concerned regarding the Council's capacity to comply with the statutory deadlines. We are aware that work continues to address the recommendations made within the Information Commissioners Office Audit.

As noted in the ICT Key Financial Systems (KFS) Audit, a key area of concern is the significant risks faced by public sector in relation to malicious / cyber-attack events compounded by the disparity between resources available to cyber criminals and those of Local Authorities. We have audit work planned in the second half of the year in relation to Cyber Governance and Cyber Essentials.

We are aware that new arrangements for Performance and Risk Management remain in development. A specific audit of this area is planned for 2022-23 once fully embedded.

Children's Services

Due to the impact of Covid-19, the plan has been reduced as detailed in Appendix 1 and as such we are unable to provide an update to our assurance opinion. Our **assurance opinion at the end of 2020/21 for Education** was one of '**Reasonable Assurance**' with the remainder of Children's Services given '**Limited Assurance**', acknowledging a positive direction of travel. We have planned work in the coming months to enable us to provide an assurance opinion at the end of the financial year.

We have undertaken a follow up exercise of an Audit within Children's Services, the outcome of which is reported separately.

We have certified two troubled families claims and have undertaken a follow up audit of Special Guardianship Orders.

Children's Services transitioned to a new system during 2021-22 and the project remains live to address some post implementation issues. Significant change remains underway through structured change initiatives.

Covid-19

The plan has been expanded to include the review of Restart Grants, Vulnerable Renters, Household Support Fund, and the certification of the Test and Trace grant.

As detailed in Appendix 1 we have undertaken numerous audits covering the various types of Covid-19 business grants and the test and trace scheme.

Individual assurance opinions were mainly 'Limited Assurance' and we have provided recommendations to support improvement and strengthening of the associated control frameworks going forward.

Adult Services including Community and Customer Services

The key Adult Services functions and risks are audited by the NHS Trust Provider, and wider assurance is provided by Health audit colleagues (Audit South West) who provide a separate letter of assurance.

Based on areas we audited in previous years, our opinion is one of '**Reasonable Assurance**' on the adequacy and effectiveness of the internal control framework.

Within Community and Customer Services we undertook follow ups of Health and Safety, and Community Protection - Prevention, as reported separately, and were able to improve our assurance opinions.

All audits for this Directorate area have been deferred in relation to the 2021-22 year, as was the case for 2020-21 year. As such our assurance opinion is based on 2019-20, prior years, and prior and current year follow up activity.

Schools

Following the relaxation of pandemic restrictions, internal audit visits were made to the maintained schools, either on-site or "remotely", in the first seven months of this financial year. Arrangements will be put in place to carry out the remaining visits in this year's plan over the coming months.

The Schools Financial Value Standard is now an established tool for maintained schools and are required to annually submit their self-assessment to their local authority no later than 31st March.

Irregularities Prevention and Detection

Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. Devon Audit Partnership (DAP) liaise with the Corporate Fraud Officer as required; the key outcomes of this role are the identification and investigation of external frauds.

The Cabinet Office now run the national data matching exercise (National Fraud Initiative – NFI) every two years. The majority of data matching for this involves the investigation of potential external fraud committed against the Authority, i.e., individuals or bodies external to the Council. NFI activity on behalf of the Council is now undertaken by the Corporate Fraud Officer.

DAP has continued to undertake daily monitoring and management the Council’s Whistleblowing Inbox. We have provision to interrogate the Council’s email archive system to support investigations, FOI’s and SAR’s. Periodic fraud bulletins are also produced and published on DAP’s website.

Irregularities – During the first six months of 2021/22, Internal Audit have carried out, or assisted in 12 new irregularity investigations. Analysis of the types of investigation and the number undertaken, and as compared with the total investigations for previous years shows the following:

Issue	21/22 Number Half Year	20/21 Number Whole Year	19/20 Number Whole Year	18/19 Number Whole Year
Poor Procedures	2	0	4	2
Employee / Member Conduct	6	9	9	9
Financial Irregularities	0	4	1	3
Misappropriation of Income	0	0	0	0
IT Misuse	1	0	0	2
Theft	0	0	0	1
Tenders & Contracts	0	2	1	0
Support to IG and HR Investigations	3	N/A	N/A	N/A
Total	12	15	15	17

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Summary details as follows: -

Some irregularity investigations are as a result of allegations made by whistle blowers, including in relation to Health and Safety. In addition, we have supported Information Governance and Human Resources with the provision of emails in relation to their investigations.

Freedom of Information / Subject Access Requests and Referrals made under the Unacceptable Behaviour Policy: -




We have been asked to assist with four requests under Freedom of Information and Data Protection requirements or the Unacceptable Behaviour Policy during the first six months of 2021-22.

Appendix 1 – Summary of audit reports and findings for 2021/22

Risk Assessment Key

LARR – Local Authority Risk Register Score Impact x Likelihood = Total & Level
 ANA - Audit Needs Assessment risk level as agreed with Client Senior Management
 Client Request – additional audit at request of Client Senior Management; no risk assessment information available




Direction of Travel Assurance Key

 - action plan agreed with client for delivery over appropriate timescales & is progressing;
 - action plan agreed and is being progressed though some actions are outside of agreed timescales or have stalled
 - action plan not fully agreed, or we are aware progress has stalled or yet to start;
 * report recently issued; assurance progress is of managers feedback at debrief meeting.


CORPORATE SERVICES and FINANCIAL SERVICES

CORPORATE SERVICES and FINANCIAL SERVICES			
Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Transformation			
Transformation Portfolio (Business Improvement and Change)	Status: Ongoing Added Value	<p>Where required by the programmes/projects we undertake either a Project Assurance role reporting into respective Project Boards, and/or a Project Audit role which reviews the control framework. These are undertaken in line with programme and project timescales.</p> <p>The project assurance role relates to assurance around project delivery and compliance with project management methodologies. The role would provide assurance that the Board are considering the right factors to keep the project on track and in budget and ensuring it delivers intended benefits.</p> <p>The Project Audit role is where Internal Audit provide a role within a project, but the assurance provided relates to any associated processes that the project is intended to change in any way, so the Internal Audit advice would be around associated changes to the control framework</p> <p>In both cases we have provided advice and feedback throughout programme and project timescales, culminating in project and year end outturn reports.</p> <p>In relation to specific Business Improvement and Change Programmes and Projects, we have provided the following:</p> <ul style="list-style-type: none"> Liquid Logic System Implementation – we continue to provide a Project Assurance role in relation to the Liquid Logic system implementation which is now post go-live; Council Redesign Programme – attendance at and participation in Council Redesign Board along with the ongoing overview of sub-projects such as Customer Relationship Management system; Performance and Risk; Office 365 etc. <p>Our key concern continues to be one of project capacity in relation to the ability of project teams to deliver outcomes in addition to maintaining business as usual in what continues to be challenging times.</p> <p>We continue to review information/articles from Local Government and other relevant publications identifying projects and programmes that may be of interest to Torbay Council.</p>	N/A



CORPORATE SERVICES and FINANCIAL SERVICES

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
IT Audit			
ICT Information Governance (IG) and Data Quality (ANA - High)	Status: Final Limited Assurance	Assurance was reported in last year's annual report; please refer to that for details.	
Information Risk Management Procedure	Status: Final Added Value	Assurance was reported in last year's annual report; please refer to that for details.	
ICT Key Financial Systems Continuity and Disaster Recovery (ANA – High)	Status: Final Reasonable Assurance	<p>Generally, we found the IT processes supporting key financial systems to be well operated and managed, especially given the acknowledged historic resource issues, significant ICT project work, such as the roll out of MS365, and the ongoing impact of Covid-19 requiring ICT solutions and provision of support to a more mobile / remote workforce; the fast and effective response by IT Services enables continued service provision. It is noted that there has been recent investment in IT Services.</p> <p>Key areas of concern are the significant risks faced by the public sector in relation to malicious / cyber-attack events. There is huge disparity between resources available to cyber criminals and those of Local Authorities. Whilst we recognise that Local Authorities would be unable to match the resource there is potential to strengthen ICT infrastructure supported by the development of an Information Security Board, and an Information Security ring-fenced element of the ICT budget. Failure to sufficiently invest in Information Security could result in a cyber event critically disrupting Council operation. In addition, resilience, in particular, ICT resource (both financial and physical), sole reliance on key officers and the associated need for structured knowledge management remain key concerns. The reliance on a single data centre also presents risks to the Council in terms of business continuity, however we recognise that a fully resilient solution would be cost prohibitive. A more joined up approach to business continuity planning between departments responsible for key financial systems and the IT Services BCP could mitigate the risks associated with the current fragmented approach</p> <p>Change control has shown improvement since the last Audit, however, would still benefit from further strengthening. There is a need for a change governance structure and associated management and recording of change.</p> <p>Systems themselves were found to be generally well managed by ICT, both from a network perspective and at database level, although database support is dependent on key individuals, further compounding the resilience issues. It was pleasing to see a number of technical documents having been produced. The policy and procedural documents within the Information Security Framework are in place and the review of these documents to maintain currency remains ongoing.</p>	




CORPORATE SERVICES and FINANCIAL SERVICES

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
<p>ICT Project Management (ANA – High)</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 82</p>	<p>Status: Draft</p> <p>Reasonable Assurance</p>	<p>We reviewed two Council projects, one IT-led (MS365 roll out) and one Corporate project requiring IT support/involvement (Liquid Logic System Implementation). In both cases we could see some practical application of the project management methodology, however there were some inconsistencies and we have made recommendations to address these.</p> <p>It was pleasing to see implementation of the intranet-based IT work proposal application, which provides a good framework within which IT capacity can be allocated and managed.</p> <p>Of concern and risk to project completion is the advised ongoing resource issues within IT, including difficulty in attracting new staff to Council employment, associated knowledge management/succession planning and over reliance on key individuals for technical skills and knowledge.</p> <p>We understand that engagement of IT in some technical aspects of projects can be inconsistent, which can result in technical/specification issues being identified as the project progresses and the potential risk of project and budget creep associated with resolving those issues. Project and budget creep can also be a result of lessons learnt not being integrated into project practices and we have made an associated recommendation.</p> <p>Although not specific to IT, we continue to recommend a Corporate approach to Projects, supported by a Programme / Portfolio office.</p>	
<p>Information Governance Steering Group (including GDPR - trusted advisor) (ANA – High)</p>	<p>Status: Ongoing</p> <p>Added Value</p>	<p>The Information Governance Steering Group (IGSG) operates within a defined term of reference, attended by an appropriate cross representation of Council service areas with the Council's Executive Director of Corporate Services as Senior Information Risk Owner (SIRO) and Chair. The group provides a framework within which existing and emerging information security matters are reviewed, evaluated and managed. Internal Audit are active participants in the group.</p> <p>We have concerns regarding the Information Governance Team's capacity to comply with statutory timescales of Freedom of information requests and Subject Access Requests. We provided support to the recent ICO Audit and are pleased to note the progress that has been made against the ICO audit recommendations.</p>	<p>N/A</p>
<p>The following audits are currently in progress:</p> <ul style="list-style-type: none"> Cyber Governance (ANA – Client Request) 		<p>The following audits are not due to commence until the second half of the year:</p> <ul style="list-style-type: none"> Information Governance and Data Quality 2021-22 (ANA - High) Cyber Essentials (ANA - High) 	



CORPORATE SERVICES and FINANCIAL SERVICES

Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
Key Financial Systems			
Asset Register (follow up) (ANA – Medium)	Status: Final Substantial Assurance	It is pleasing to report that of the two recommendations made last year, one has been fully implemented and the other is partially implemented. In regards the latter, we have provided further advice to support the service in its full implementation. We understand that there have been no changes to the system or working practices since last year's audit.	
FIMS System Admin (ANA – High)	Status: Final Reasonable Assurance	The control environment remains robust. Comprehensive procedures and processes are maintained, and system training is in place, with the team now providing more tailored online training for individual users in response to the pandemic with plans to further develop an i-learn type provision. We identified two users where timing of training against provision of access was not in line with expected practice and one where specific access had been provided without appropriate training having been given. Generally, access to the system is appropriately controlled and managed. However, we identified a weakness in the leaver notification process, which may be a wider HR/Payroll system issue rather than that of the FIMS team. In addition, given the associated risks, we continue to report the lack of full segregation of duty between the system administration and finance roles which is a risk accepted by management. Inappropriate or inaccurate amendments to the system are effectively controlled with routine verification processes undertaken, ensuring correct system operation and accurate reconciliation of the FIMS modules with the Council's General Ledger.	
Page 83	The following audits are currently in progress:		
	<ul style="list-style-type: none"> • Creditors & POP (ANA – High) • Payroll (ANA – High) • Treasury Management (ANA – Medium) • Housing Benefits – Subsidy testing (ANA – High) 	The following audits are not due to commence until the second half of the year: <ul style="list-style-type: none"> • Debtors and Corporate Debt (ANA – High) • Income collection (ANA – Medium) • Benefits and Council Tax Support Scheme (ANA – High) • Council Tax and National Non – Domestic Rates (ANA – Medium) • General Ledger & Bank Reconciliation (ANA – Medium) • IBS Open system Administration (ANA – High) 	
Other			
The following audits are not due to commence until the second half of the year:		The following audits have been deferred / cancelled due to the impact of the Covid-19 pandemic with the agreement of the s151 officer:	
<ul style="list-style-type: none"> • Elections (ANA – Medium) • Democratic Services and Member Allowances (ANA - Medium) • Corporate Complaint System (ANA – Medium) • Legal Services (cross Council use of Legal Advice) (ANA – Medium) • Coroner (agreement monitoring) (ANA-Medium) 		<ul style="list-style-type: none"> • Capital Programme (including new Financial Code and IR35 - Council and Companies) (ANA – Medium, client request) 	



COVID-19 RESPONSE

COVID-19 RESPONSE			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Test & Trace Support Payments & Discretionary Fund (ANA – Client Request)	Status: Final Reasonable Assurance	The design of the Council's scheme and the related application process is robust and in line with Government guidance, as is its supplementary discretionary scheme. Clear guidance is available to officers in terms of checking eligibility and verified information received, and independent checks are undertaken on applications processed. Although a requirement of Government guidance, a system for post-payment checking has yet to be put in place due to a lack of resources, so there's a risk that some claimants may have received payments whilst still receiving income from their employers. Sample testing of payments found that, in practice, the guidance was being adhered to in terms of properly assessing eligibility	
Business Grants - Post Award Assurance (ANA – Client Request)	Status: Draft Limited Assurance	Guidance was in place with local processing requirements established, albeit that local process requirements were subject to change as required practices evolved. Sample testing found that although some accounts were compliant with guidance and expected practice, there were a number where this was not the case. Issues ranged from a lack of supporting evidence regarding eligibility and for checks undertaken, through to potential duplicate accounts, accounts with no applications, and incorrect payments to ineligible accounts in a very small number of cases. Although checking for a duplicate payment was not part of the normal assessment and verification process, we undertook a bulk exercise which identified some potential duplicates, some of which were valid duplicates and some of which have been passed to the Council's Fraud Manager for further investigation.	
Discretionary Business Grants - Post Award Assurance (ANA – Client Request)	Status: Draft Limited Assurance	Guidance was in place with local processing requirements established. Sample testing found that most process requirements and expected practices were complied with however there were a number where this was not the case. Issues ranged from a lack of appropriate supporting evidence regarding eligibility and approval and for checks undertaken, through to potential duplicate awards. Although checking for a duplicate payment was not part of the normal assessment and verification process, we undertook a bulk exercise which identified some potential duplicates, some of which were valid duplicates and some of which have been passed to the Council's Fraud Manager for further investigation. We are unable to provide assurance in relation to the total level of Discretionary Grants awarded against Torbay Council's allocation, and in relation to both weekly and monthly Government reporting. This is due in part to a lack of evidence being provided and system limitations in central government reporting.	


COVID-19 RESPONSE


Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
Local Additional Restrictions Support Grants (ANA – Client Request)	Status: Draft Limited Assurance	<p>A review of the publicised information regarding this scheme found that it was in line with both Government, and other local guidance.</p> <p>Sample testing found that there was no prioritisation of applications undertaken in line with published scheme information, as the design of the application form itself was such that the information required to do this was not requested, and there was no guidance available to assessors in terms of how claims should be prioritised.</p> <p>In terms of verification of eligibility, reliance has been placed on previous checks undertaken for payments awarded under different grant schemes, however there's a risk that a claimant may have become ineligible since those checks were undertaken, and evidence supporting these checks having previously taken place was often lacking. In addition, sample testing identified a number of businesses to whom payments had been made who either did not seem to be trading at the time when restrictions were put in place or were able to operate effectively remotely. We therefore cannot provide assurance that payments made under this scheme were appropriate.</p> <p>In the majority of cases, payments made when tier 2/3 restrictions were in place were automatically and incorrectly coded to LRSG (Open). There were also instances where an insufficient number of payments had been made to some claimants.</p> <p>Although checking for a duplicate payment was not part of the normal assessment and verification process, bulk duplicate testing is now in place and our own testing confirms that this seems to be effective.</p> <p>At the time of the audit, the required Pre- and Post-Payment Assurance Plan, informed by a Fraud Risk Assessment had yet to be undertaken, as we understand the template for this has only recently been received.</p>	
Local Restrictions Support Grants (Closed) and Closed Business Lockdown Payments (ANA – Client Request)	Status: Draft Limited Assurance	<p>A review of the publicised information regarding these schemes found that there are some omissions in relation to the scheme's eligibility requirements.</p> <p>In terms of verification of eligibility, reliance has been placed on previous checks undertaken for payments awarded under different grant schemes, however there's a risk that a claimant may have become ineligible since those checks were undertaken, and evidence supporting these checks having previously taken place was often lacking. In addition, sample testing identified a number of businesses to whom payments had been made who did not seem to be trading at the time when restrictions were put in place. We therefore cannot provide assurance that payments made under this scheme were appropriate.</p> <p>There were also instances where an insufficient number of payments had been made to some claimants.</p>	

COVID-19 RESPONSE


Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		<p>Although checking for a duplicate payment was not part of the normal assessment and verification process, bulk duplicate testing is now in place and our own testing confirms that this seems to be effective.</p> <p>At the time of the audit, the required Pre- and Post-Payment Assurance Plan, informed by a Fraud Risk Assessment had yet to be undertaken, as we understand the template for this has only recently been received.</p>	
Local Restrictions Support Grants (Open) (ANA – Client Request)	Status: Draft Limited Assurance	<p>A review of the publicised information regarding this scheme found that the scheme’s eligibility requirements had been made far wider than those set out within Government guidance, and as a result, we understand that funds allocated to this scheme have been overspent.</p> <p>Sample testing found that there was no prioritisation of applications undertaken in line with published scheme information, as the design of the application form itself was such that the information required to do this was not requested, and there was no guidance available to assessors in terms of how claims should be prioritised.</p> <p>In terms of verification of eligibility, reliance has been placed on previous checks undertaken for payments awarded under different grant schemes, however there’s a risk that a claimant may have become ineligible since those checks were undertaken, and evidence supporting these checks having previously taken place was often lacking. In addition, sample testing identified a number of businesses to whom payments had been made who did not seem to be trading at the time when restrictions were put in place. We therefore cannot provide assurance that payments made under this scheme were appropriate.</p> <p>There were also instances where an insufficient number of payments had been made to some claimants.</p> <p>Although checking for a duplicate payment was not part of the normal assessment and verification process, bulk duplicate testing is now in place and our own testing confirms that this seems to be effective.</p> <p>At the time of the audit, the required Pre- and Post-Payment Assurance Plan, informed by a Fraud Risk Assessment had yet to be undertaken, as we understand the template for this has only recently been received.</p>	
Local Restrictions Support Grants (Sector) (ANA – Client Request)	Status: Draft Limited Assurance	<p>As the scheme had ended at the time of the Audit, we were unable to confirm that the publicised information was in line with the Government and local guidance. However, our sample testing found that the applications and payments were in line with Government guidance. Processing was supported by local guidance / process notes, training, and a system workflow, however this required updating due to a software update mid scheme.</p>	

COVID-19 RESPONSE

Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
		<p>We have identified a number of process stages where the control framework can be further strengthened and have made appropriate recommendations. Our level of assurance awarded has been largely impacted by a lack of supporting evidence provided throughout the Audit, and as such, although we have been advised that processes were in place, we are not able to provide any assurance regarding the process effectiveness.</p> <p>At the time of the audit, the required Pre- and Post-Payment Assurance Plan, informed by a Fraud Risk Assessment had yet to be undertaken, as we understand the template for this had only recently been received.</p> <p>We did not identify any duplicate payments and understand that there were no cases that were being investigated in relation to potential fraudulent applications. We did however identify one sample where the validation process of information between the application and the IBS Open Revenues System had not been effective, which may either result in the claim being ineligible or require a system amendment to reflect the correct business sector.</p>	
Christmas Support Payments for Wet led Pubs (ANA – Client Request) Page 87	Status: Draft Limited Assurance	<p>Although we were unable to establish whether published guidance for applicants covers all of the scheme's eligibility requirements, the application form itself has some omissions.</p> <p>In terms of verification of eligibility, reliance has been placed on previous checks undertaken for payments awarded under different grant schemes, however there's a risk that a claimant may have become ineligible since those checks were undertaken. In addition, where further evidence was requested from the claimant, it was requested for the wrong period. We therefore cannot provide assurance that payments made under this scheme were appropriate.</p> <p>Three potential duplicate payments were identified as a result of our testing, however after investigation by the Authority, only one remains. We note that checking for a duplicate payment was not part of the normal assessment and verification process, possibly due to there being no specific guidance or verification checklist prepared for assessors to use.</p> <p>At the time of the audit, the required Pre- and Post-Payment Assurance Plan, informed by a Fraud Risk Assessment had yet to be undertaken, as we understand the template for this has only recently been received.</p>	
Grants x1 <ul style="list-style-type: none"> Covid 19 Test and Trace 	Status: Complete	No issues identified	N/A
The following audits are currently in progress: <ul style="list-style-type: none"> Business Restart Grants 		The following audits are not due to commence until the second half of the year: <ul style="list-style-type: none"> Household Support Fund Vulnerable Renters 	

PLACE			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Port Marine Safety Code (ANA-Medium)	Compliant Status: Final	<p>We have undertaken a follow up of the previous findings and recommendations made in relation to 2020/21 and undertaken a current assessment of Tor Bay Harbour Authority against the requirements of the Port Marine Safety Code. We have examined a restricted sample of records relating to both previous recommendations made and current practices in relation to the Tor Bay Harbour Authority and its compliance with the requirements of the Code and obtained such explanations and carried out such tests as we consider necessary to confirm Management have actioned previous recommendations and remain compliant with the Code.</p> <p>To the best of our knowledge and belief, having carried out appropriate checks within the remit of both the follow up and annual compliance exercise and considered responses provided to us by relevant Harbour staff, in our opinion Tor Bay Harbour Authority remains compliant with the Port Marine Safety Code. We continue to have concerns in relation to land-based Health and Safety (H&S), however these are outside of the scope of the Code and we understand are now being addressed following the appointment of a designated H&S Officer within the harbour team.</p>	
Grants x 2 • Local Transport Capital • Block Funding • Local Growth Fund	Status: Complete	No issues identified	N/A
The following grant certification audits are currently in progress: <ul style="list-style-type: none"> • Grant - Bus Subsidy • Grant – Home to School and College • Grant – Travel Demand Management • Grant – Local Growth Fund (Claylands) 		The following audits are not due to commence until the second half of the year: <ul style="list-style-type: none"> • Spatial Planning - s106 and CIL (ANA- Medium) • Parking (ANA-Medium) • Tor Bay Harbour Authority – Mooring system (contract management) (ANA - Medium) • Public Toilets (contract monitoring) (ANA – Low, client request) • Asset Management Strategy / Plan (ANA – High) • Technology Forge system review (ANA – Medium) 	
The following audits have been deferred / cancelled due to the impact of the Covid-19 pandemic with the agreement of the s151 officer: <ul style="list-style-type: none"> • Housing Companies (client role / management) (ANA – Medium) • Beach Services (ANA - Low, client request) • Tor Bay Harbour Authority (ANA – Medium) 			

CHILDREN'S SERVICES

CHILDREN'S SERVICES				
Risk Area / Audit Entity		Audit Report		
		Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Page 89	Special Guardianship Orders – Follow up (ANA – Medium)	Status: Final Limited Assurance	<p>There has been significant improvement in relation to the guidance available to officers in the form of a new SGO Policy, plus accompanying flowchart. In addition, we understand that all SGO assessments are now progressed by social workers within the Fostering Assessment team; and this is supported by the new SGO Policy, which makes is clear who should take the lead in terms of assessment and support planning.</p> <p>There is also a new proforma to be used when preparing SG Support Plans, which, when properly completed should help address some of the weaknesses previously reported.</p> <p>That said, the Policy was approved relatively recently, and only a small number of Plans have prepared since then. Sample testing of a small number of Plans found that the new proforma was not being used in all instances. Where it was being used, not all the required sign offs were being obtained, and there was no evidence of Plans having been agreed by or communicated to the Special Guardian. Review dates are, however, much clearer, and we understand a new tracker will be brought in soon to ensure these are adhered to.</p> <p>In terms of financial assessments, we are pleased to report that these are now being retained, though we note that Torbay are in the process of reviewing how these assessments will be monitored and reviewed.</p> <p>Until the use of the new proforma and tracker become embedded, and a decision is made on how financial assessments will be reviewed, we are unable to provide assurance that support plans, including financial support, are being effectively completed, properly monitored and subject to timely and appropriate review; however, the Council is in a better position to enable this to happen, going forwards.</p>	
	Troubled Families Grant Claims x 2	Status: complete	No issues identified	N/A
The following audits are not due to commence until the second half of the year: <ul style="list-style-type: none"> • Troubled Families Grant Claims x2 (December and March) • Child Protection Processes and Planning Conference (ANA – High) • Virtual School (ANA – Medium) 		The following audits have been deferred / cancelled due to the impact of the Covid-19 pandemic with the agreement of the s151 officer: <ul style="list-style-type: none"> • Fostering and connected carers (ANA – Medium) • Sufficiency Strategy Progress (ANA – High) • Recruitment, Retention and Learning Academy (ANA – Medium) • Quality Assurance and Audit Frameworks (ANA – High) 		

CHILDREN'S SERVICES

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Schools Financial Value Standards (SFVS)	Reasonable Assurance	SFVS Dedicated Schools Grant Chief Finance Office assurance statement for 2020/21 submitted to the Department for Education.	N/A
Maintained Schools audit programme	Reasonable Assurance	The routine visits have taken place, albeit remotely, i.e., by not visiting schools. To date, six out of ten planned visits were completed with arrangement being made to complete the remaining visits by the end of the audit year. The overall opinion for the routine school audit visits has been maintained as 'reasonable assurance' (refer to summary data below).	N/A
Maintained Schools Summary Data			
The key matters arising from the audits are: <ul style="list-style-type: none"> • Financial links from the School Development Plan to the budget. • The approval of the budget and the review of the budget monitoring report at least six times a year by the Full Governing Body. • Completion and / or update of the recommended skills matrices for Governors and staff. • Establishment of a contracts register. 			

ADULT SERVICES INCLUDING COMMUNITY AND CUSTOMER SERVICES

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
The following audits have been deferred / cancelled due to the impact of the Covid-19 pandemic with the agreement of the s151 officer: Adult Services <ul style="list-style-type: none"> Commissioning and Performance Management (Direct Contract Management – Young Devon Contract) (ANA – Medium) Joint Equipment Store (Contract Management) (ANA – Medium) Adult Social Care Precept Use (Control of Procurement and Spend) (ANA – High) Commissioning and Performance Management (ICO) – Mental Health (ANA – High) Adult Social Care Client Debt (Monitoring of commissioned function) (ANA – High) 		Community and Customer Services <ul style="list-style-type: none"> Health & Safety (ANA – High) Emergency Planning and Business Continuity (ANA – Medium) Housing (including joint working of fragmented service) (ANA – Medium) Housing Options (ANA – High) 	

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PUBLIC HEALTH

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
The following audits have been deferred / cancelled due to the impact of the Covid-19 pandemic with the agreement of the s151 officer: <ul style="list-style-type: none"> 0-19 Service Commissioning and Performance Management (ANA – High) 			

Appendix 2 - Professional Standards and Customer Service

Conformance with Public Sector Internal Audit Standards (PSIAS)

Conformance - Devon Audit Partnership conforms to the requirements of the PSIAS for its internal audit activity. The purpose, authority and responsibility of the internal audit activity is defined in our internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. Our internal audit charter was approved by senior management and the Audit Committee in March 2021. This is supported through external assessment of conformance with Public Sector Internal Audit Standards & Local Government Application note in November 2021.

Quality Assessment – through external assessment “DAP is considered to be operating in conformance with the standards”. External Assessment provides independent assurance against the Institute of Internal Auditors (IIA) Quality Assessment & Public Sector Internal Audit Standards (PSIAS). The Head of Devon Audit Partnership also maintains a quality assessment process which includes review by audit managers of all audit work. The quality assessment process and improvement are supported by a development programme.

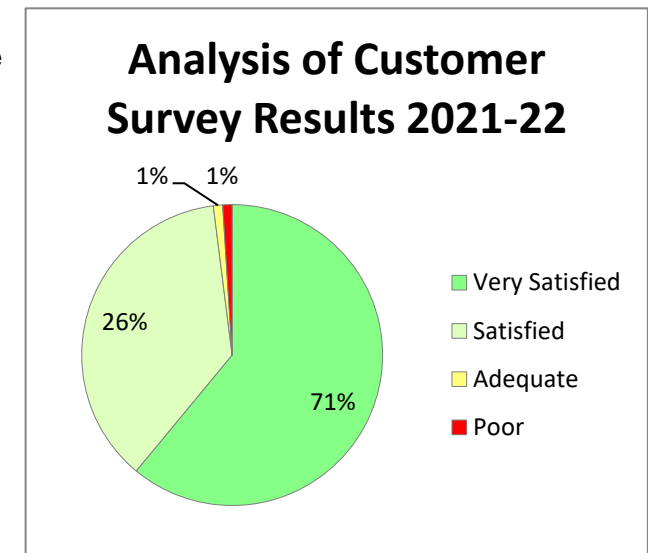
Improvement Programme – DAP maintains a rolling development plan of improvements to the service and customers. All recommendations of the external assessment of PSIAS and quality assurance were included in this development plan and have been completed. This will be further embedded with revision of our internal quality process through peer review. Our development plan is regularly updated, and a status report was reported to the Management Board and Partnership Committee in November 2021.

Performance Indicators

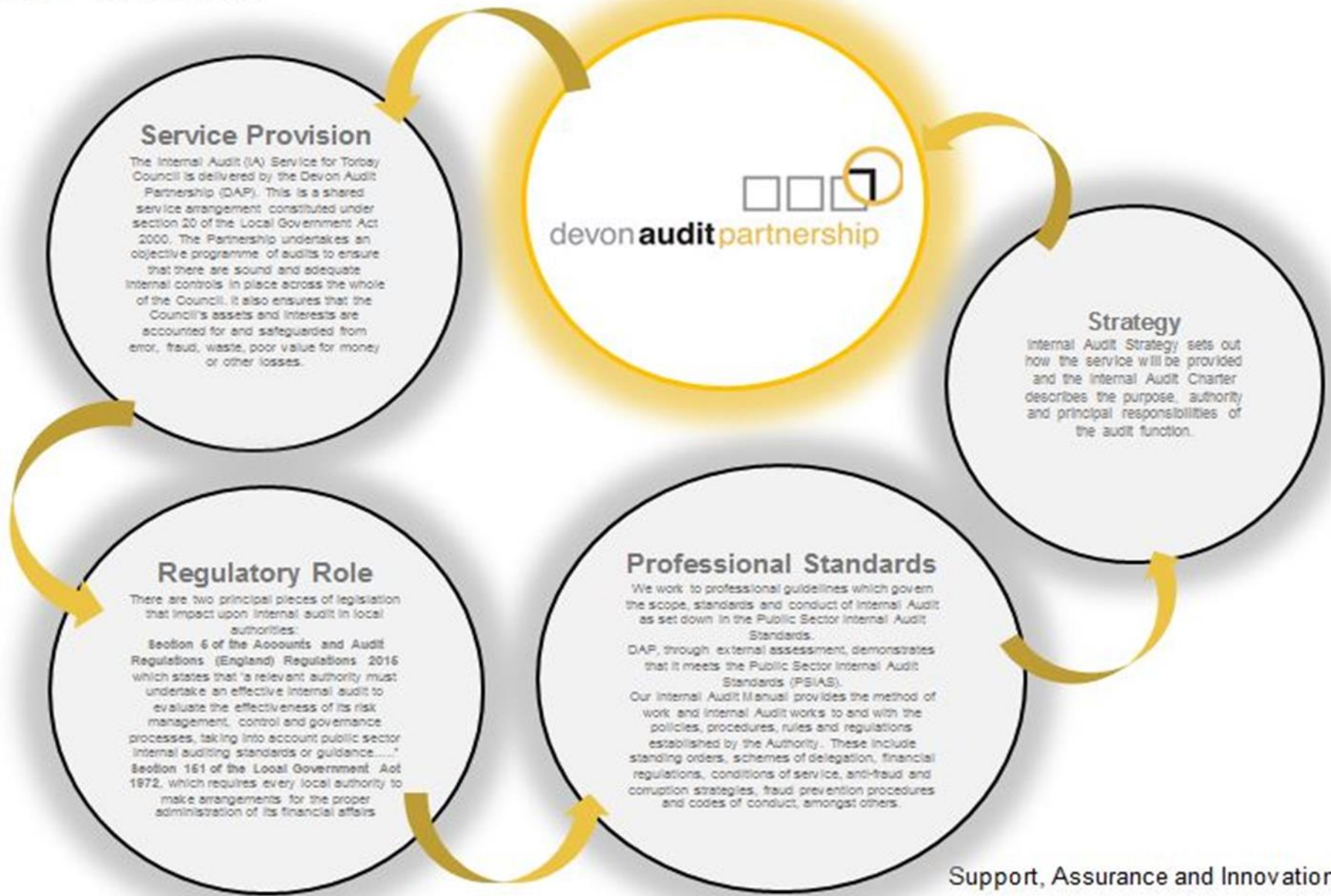
Overall, performance against the majority of indicators has been maintained with some exceptions (see Appendix 6). To note that certain areas of the audit plan relate to project work and will not be complete until the end of the year. As already mentioned on page 4, there has remained an ongoing need for fluidity in the 2021/22 agreed audit plan.

Customer Service Excellence (CSE)

In November 2021, DAP was successful in re-accreditation by G4S Assessment Services of the CSE. We continue to issue client survey forms with our final reports and the results of the surveys returned are, although low in number, very good and again are very positive. The overall result is very pleasing, with 97% being “satisfied” or better across our services, see appendix 7. It is very pleasing to report that our clients continue to rate the overall usefulness of the audit and the helpfulness of our auditors highly.



Appendix 3 - Audit Authority



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Appendix 4 - Annual Governance Framework Assurance

The conclusions of this report provide the internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.

The Annual Governance Statement (AGS) provides assurance that

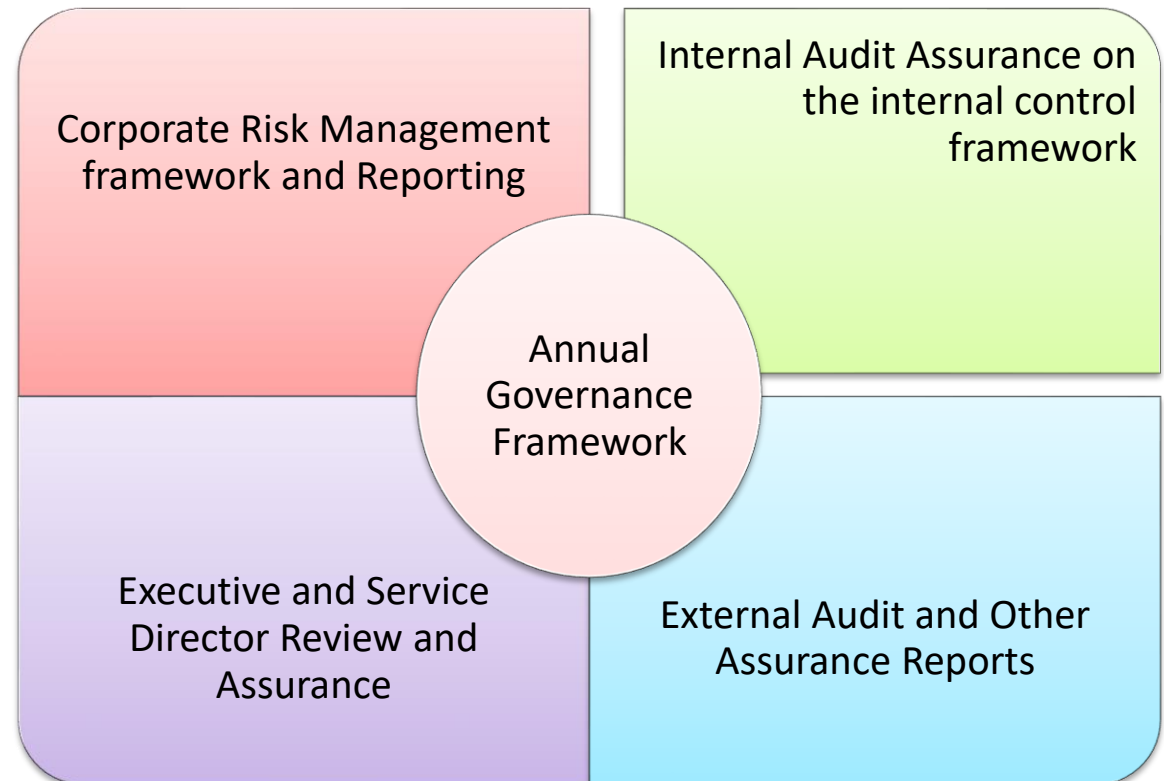
- the Authority's policies have been complied with in practice;
- high quality services are delivered efficiently and effectively;
- ethical standards are met;
- laws and regulations are complied with;
- processes are adhered to;
- performance statements are accurate.

The statement relates to the governance system as it is applied during the year for the accounts that it accompanies. It should:-

- be prepared by senior management and signed by the Chief Executive and Chair of the Audit Committee;
- highlight significant events or developments in the year;
- acknowledge the responsibility on management to ensure good governance;
- indicate the level of assurance that systems and processes can provide;
- provide a narrative on the process that has been followed to ensure that the governance arrangements remain effective. This will include comment upon;
 - The Authority;
 - Audit Committee;
 - Risk Management;
 - Internal Audit;
 - Other reviews / assurance.

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Provide confirmation that the Authority complies with CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. If not, a statement is required stating how other arrangements provide the same level of assurance



The AGS needs to be presented to, and approved by, the Audit Committee, and then signed by the Chair.

The Committee should satisfy themselves, from the assurances provided by the Corporate Risk Management Group, Executive and Internal Audit that the statement meets statutory requirements and that the management team endorse the content.

Appendix 5 - Basis for Opinion

The Chief Internal Auditor is required to provide the Council with an opinion on the adequacy and effectiveness of its accounting records and its system of internal control in the Council. In giving our opinion, it should be noted that this assurance can never be absolute. The most that the internal audit service can do is to provide reasonable assurance, formed from risk-based reviews and sample testing, of the framework of governance, risk management and control.

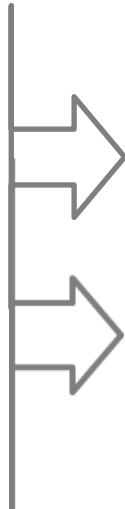
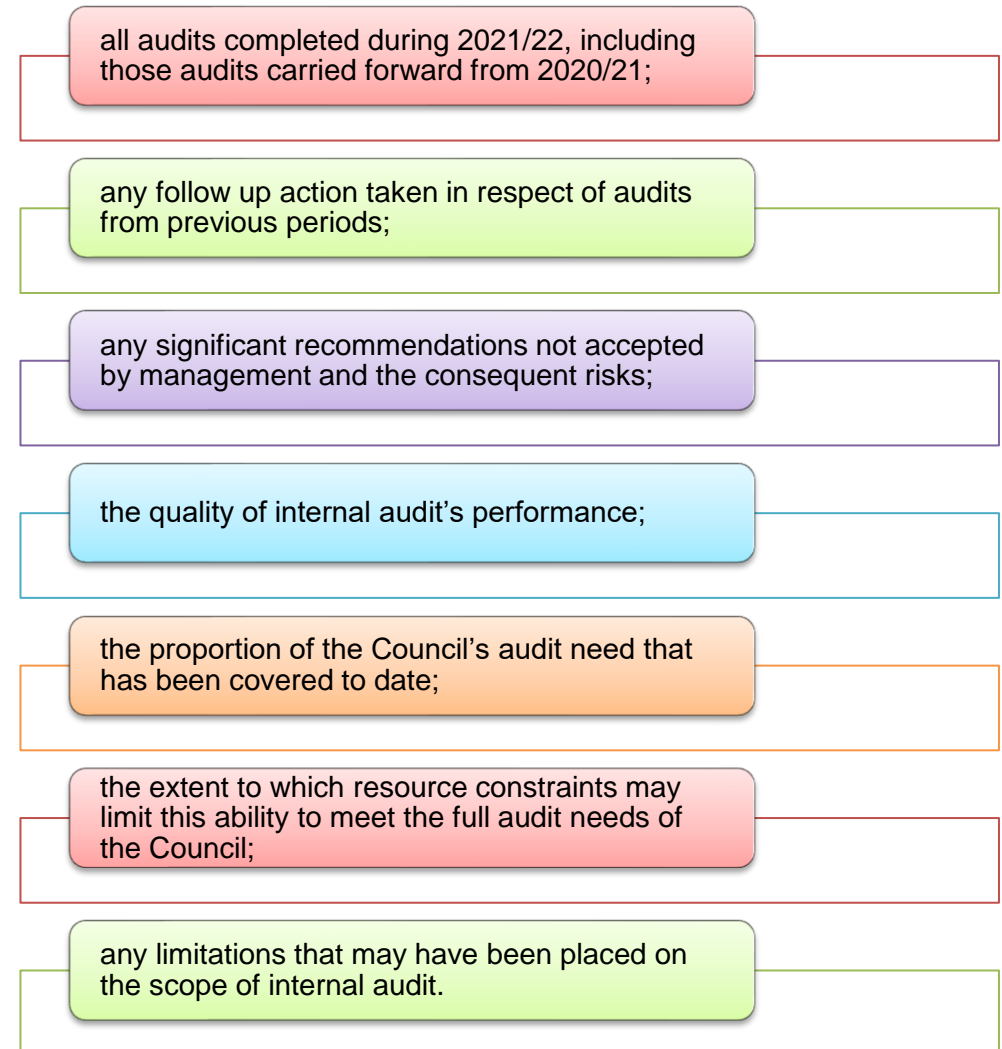
This report compares the work carried out with the work that was planned through risk assessment; presents a summary of the audit work undertaken; includes an opinion on the adequacy and effectiveness of the Authority's internal control environment; and summarises the performance of the Internal Audit function against its performance measures and other criteria. The report outlines the level of assurance that we are able to provide, based on the internal audit work completed during the year. It gives:

- a statement on the effectiveness of the system of internal control in meeting the Council's objectives;
- a comparison of internal audit activity during the year with that planned;
- a summary of the results of audit activity and;
- a summary of significant fraud and irregularity investigations carried out during the year and anti-fraud arrangements.

The extent to which our work has been affected by changes to audit plans has been notable and any changes are shown in Appendix 1.

The overall audit assurance will have to be considered in light of this position.

In assessing the level of assurance to be given the following have been taken into account:



Appendix 6 – Performance Indicators

There are no national Performance Indicators in existence for Internal Audit, but the Partnership does monitor the following Local Performance Indicators LPI's:

<i>Local Performance Indicator (LPI)</i>	2019/20	2019/20	2020/21	2020/21	2021/22	2021/22
	<i>Target</i>	<i>Actual</i>	<i>Target</i>	<i>Actual</i>	Full Year Target	Six Month Actual
Percentage of Audit plan Commenced (Inc. Schools)	100%	100%	100%	100%	100%	52%
Percentage of Audit plan Completed (Inc. Schools)	93%	97%	93%	95%	93%	31%
Actual Audit Days as percentage of planned (Inc. Schools)	95%	104%	95%	108%	95%	37%
Percentage of fundamental / material systems reviewed annually	100%	100%	100%	100%	100%	On target
Percentage of chargeable time	65%	67%	65%	67%	65%	62%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	99%	90%	96%	90%	97%
Draft Reports produced within target number of days (currently 15 days)	90%	83%	90%	90%	90%	90%
Final reports produced within target number of days (currently 10 days)	90%	99%	90%	100%	90%	92%
Average level of sickness absence (DAP as a whole)	2%	3%	2%	4.65%	2%	2.6%
Percentage of staff turnover (DAP as a whole)	5%	4%	5%	20%	5%	12.5%*
Out-turn within budget	Yes	Yes	Yes	Yes	Yes	Yes

* Turnover – 3 leavers (including 1 part-time) and 2 starters.

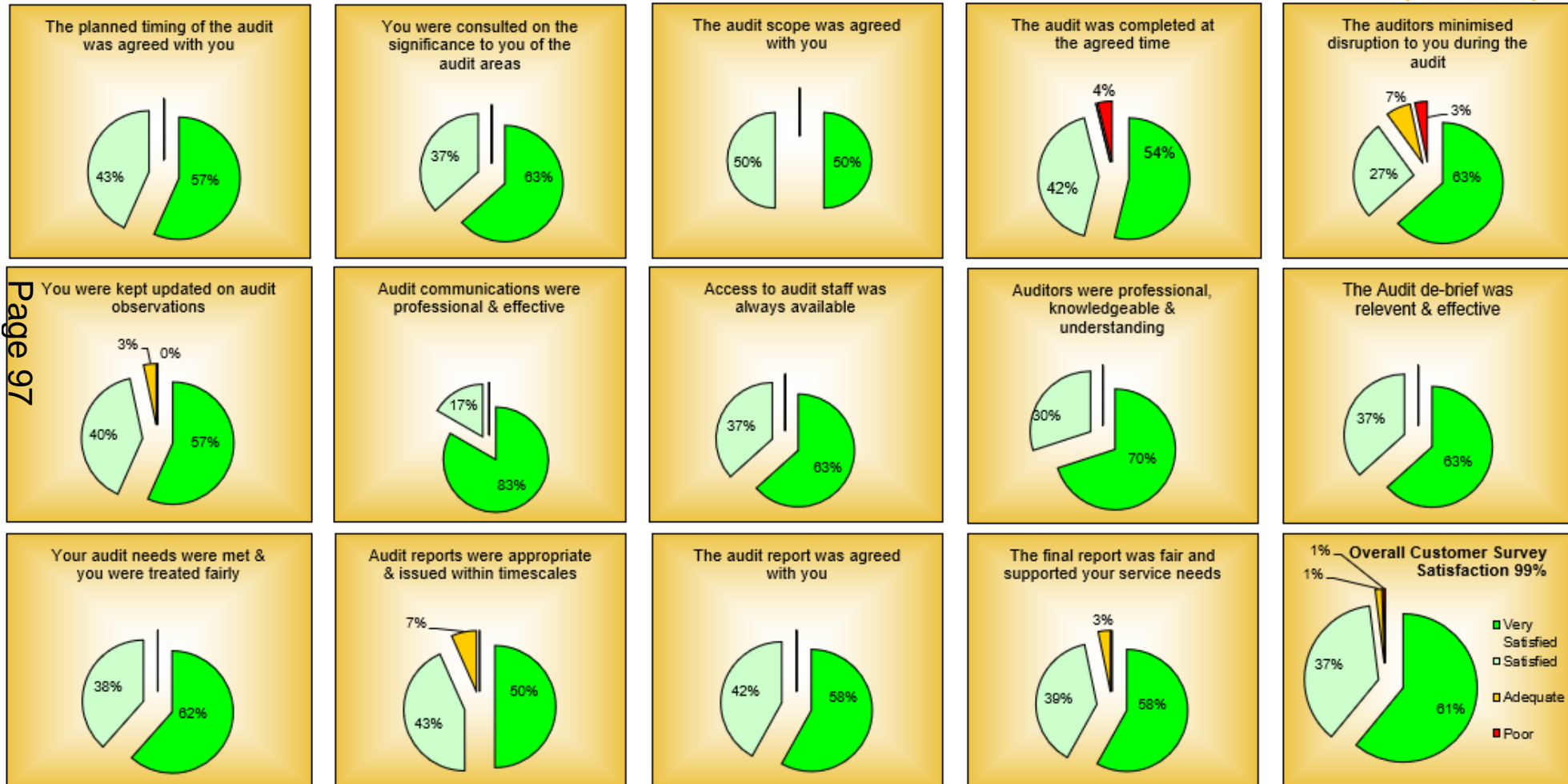
Overall, performance against the majority of indicators has been maintained, the exception to this being 'Percentage of Audit plan completed' and 'Actual Audit Days as percentage of planned'. Departments have generally requested that Audits be undertaken later in the year to allow them to recover from the impacts of Covid-19, and in addition DAP itself has needed to undertake significant recruitment to replace leavers. Certain areas of the audit plan relate to project work and will not be complete until the end of the year in line with project timescales.

Additionally, for DAP as a whole, the 'Percentage of chargeable time' is a little lower than expected, with 'Average Level of sickness' and 'Percentage of Staff turnover' being higher than the target indicator. The variance to these indicators links to the need for recruitment and increased charging of non-productive activities including training and development of new starters and apprentices.

Appendix 7 - Customer Service Excellence

Customer Survey Results April 2021 - September 2021

The charts below show a summary of 30 responses received.



APPENDIX 8 – Adult Social Care Letter of Assurance



ASW Assurance
Newcourt House
Newcourt Drive
Old Rydon Lane
Exeter, EX2 7JQ

Mr M Phillips, Chief Finance Officer
Torbay Council
Town Hall
Castle Circus
Torquay, TQ1 3DS

Sent via email to martin.phillips@torbay.gov.uk

6 July 2021

Our ref: JM

Dear Mr Phillips,

Introduction

The following statement of assurance is provided by the Director of Audit and Assurance Services at ASW Assurance; the provider of internal audit, counter fraud and consultancy services to Torbay and South Devon NHS Foundation Trust; in relation to services provided to the Trust for 2020/2021.

This assurance statement consists of the following elements:

-  Internal Audit Assurance Statement.
-  Counter Fraud Service Assurance Statement.

Internal Audit Assurance Statement

In conformance with the ASW Assurance Internal Audit Charter, Public Sector Internal Audit Standards and the Core Principles for the Professional Practice of Internal Auditing, the Head of Internal Audit is required to provide an annual opinion, based upon and limited to the work performed on the overall adequacy and effectiveness of an organisation's risk management, control and governance processes (i.e. the organisation's system of internal control). ASW Assurance is externally assessed as compliant with Public Sector Internal Audit Standards.

The opinion provided to Torbay and South Devon NHS Foundation Trust is substantially derived from the risk-based plan generated from the Trust-led Assurance Framework that takes into consideration the strategies, objectives and risks of the organisation, the expectations of senior management, the Trust Board and other stakeholders, that has been agreed by management and approved by the Audit Committee.

The **basis** for forming my opinion, is as follows:

1. An assessment of the design and operation of the underpinning Assurance Framework and supporting processes.
2. An assessment of the range of individual opinions arising from risk-based audit assignments contained within the internal audit risk-based plan that have been reported throughout the year. This assessment has taken account of the relative scope and materiality of these areas and management's progress in respect of addressing control weaknesses.
3. Any reliance that is being placed upon third party assurances.

My overall opinion for 2020/2021 is that:

Significant assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. Some weaknesses in the design and/or inconsistent application of controls put the achievement of particular objectives at risk. Weaknesses in the design and/or inconsistent application of controls, which put the achievement of particular objectives at risk, are appropriately managed.

Our work has considered the impact of any changes to relevant systems, processes and/or procedures in response to COVID-19, any limitations in scope of work on account of the pandemic and/or any subsequent restoration and transformation changes.

The assurances provided from the work undertaken, which together support this opinion, are set out below.

The Trust took the opportunity through the Audit and Assurance Plan for 2020/2021 to focus resource on areas where internal audit could add the most value to the Trust during the COVID-19 period. The robustness of the actions to be taken to address risks identified from our work and to make sustainable improvements to policies and practice are considered by the Risk Group. We identified no areas of limited assurance from the work undertaken to support this opinion.

The table below details the audit and assurance work completed relating to the Trust's Risk Management, Assurance Framework and Corporate Governance arrangements.

Audit	Assurance Rating
COVID Governance Review	Not applicable
Board Assurance Framework	Significant
CQC Compliance - governance arrangements	Significant
Risk Management	Satisfactory

The table below details the audit and assurance work completed on the Trust's Financial Management Systems.

Audit	Assurance Rating
COVID Governance Review - Finance	Not applicable
Combined Finance Review	Significant
Debtors	Significant
Capital Programme 2020/2021	Satisfactory
Payroll	Satisfactory
Bank and Cash Management	Satisfactory

The table below details the audit and assurance work completed on the Trust's Corporate Assurance areas.

Audit	Assurance Rating
Transformation & CIP Plans and Associated Governance Arrangements	Satisfactory
Workforce Arrangements – Recruitment	Satisfactory
Safeguarding Adults – referral of safeguarding adult concerns	Satisfactory
Cyber Security - governance	Satisfactory

Third Party Assurance

ISAE3000 Third Party Assurance report in respect of IT General Controls in respect of the Electronic Staff Record (ESR)

In common with all NHS bodies, the Trust utilises the Electronic Staff Record (ESR) for its HR and payroll functions. This third-party assurance report covers the IT general controls operated by IBM UK in relation to the ESR. Additionally, there are certain controls related to the NHS General Ledger Interface which are the responsibility of the NHS Systems Integration Team.

The 2020/2021 Independent Service Auditor's report provided by PWC, dated 30th April 2021, provides qualified assurance in respect of the IT general controls in relation to the national Electronic Staff Record and the NHS General Ledger Interface.

The audit work conducted by PWC covered the following six areas:

- Change Management.
- Logical Security.
- Problem Management and Performance and Capacity Planning.
- Physical Security and Environmental Controls.
- Computer Operations.
- Pay Slip Distribution.

The key messages in the overall audit opinion of the Report of the Independent Service Auditor leading to the qualified opinion are, for the period from 1 April 2020 to 31 March 2021, as follows:

1. Exceptions were identified in relation to the controls intended to enforce segregation of duties for changes to the NHS Hub and ensure that any unusual or unauthorised changes to the NHS Hub are detected and investigated. As a result, controls were not suitably designed to achieve Control Objective 1 ("Controls provide reasonable assurance that changes to the system software, hardware and network components are documented and approved.") during this period.
2. Exceptions were identified in relation to the suitability of the design of controls intended to ensure that access to the development and production areas of the NHS Hub is controlled and appropriately restricted. There were no logical access controls in place (starters, leavers and access review controls) to control access to the development and production area of the NHS Hub. As a result, controls were not suitably designed to achieve Control Objective 2 ("Controls provide reasonable assurance that security configurations are created, implemented and maintained to prevent inappropriate access") during this period.

The report appendices identify a number of exceptions where in the auditor's opinion controls had been poorly designed or had not been followed. Management responses outline changes to controls or procedures to be made or added further information to explain why despite the exceptions being identified the risk remained minimal.

Except for the matters referred to in the paragraph above, the controls were suitably designed and operating effectively throughout the period 1 April 2020 to 31 March 2021.

Internal Audit Recommendations

In respect of the audits undertaken during the year, recommendations have been agreed with management to address gaps in control and assurance. We have monitored the status of these recommendations throughout the year, reporting directly to the Risk Group and the Audit Committee on recommendations which remain outstanding.

No significant matters were reported to the Audit Committee in the year, in respect of the follow-up of recommendations.

Counter Fraud Assurance Statement

The NHS Counter Fraud Authority (NHSCFA) requires the Trust to have sound counter fraud arrangements in place that meet NHSCFA standards.

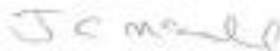
The Counter Fraud function of Torbay and South Devon NHS Foundation Trust is overseen by the NHSCFA as well as the Chief Finance Officer. An annual work plan is prepared, approved and reported to the Audit Committee at each of its meetings. As part of the Strategic Governance of the Counter fraud function, the Audit Committee are able to question all submissions made by the LCFS and challenge the progress of investigations or any element of their work plan to ensure delivery.

The annual Counter Fraud work plan covered the four standards set out by the NHSCFA:

-  Strategic Governance.
-  Inform and Involve.
-  Prevent and Deter.
-  Hold to Account.

The Trust's counter fraud arrangements are assessed annually through the submission of an annual report covering the standards and a Counter Fraud Functional Standard Return (CFFSR) which is approved by both the Chief Finance Officer and the Chair of the Audit Committee before submission to the NHSCFA.

The Trust scored an overall Green rating in the CFFSR.



Jenny McCall
Director of Audit and Assurance Services
ASW Assurance

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Devon Audit Partnership	Confidentiality and Disclosure Clause
<p>The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay and Devon councils. We aim to be recognised as a high quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.</p> <p>The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at robert.hutchins@devonaudit.gov.uk .</p>	<p>This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.</p> <p>This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.</p>

Torbay Council Audit Progress Report and Sector Update

Year ending 31 March 2021

January 2022
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Agenda Item 9

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a unitary authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk ..

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at January 2022

Financial Statements Audit

We undertook our initial planning for the 2020/21 audit in March/April 2021. We began our work on your draft financial statements in October 2021.

In July 2021 we issued a detailed audit plan, setting out our proposed approach to the audit of the Authority's 2020/21 financial statements.

The Accounts and Audit (Amendment) Regulations 2021 pushed back the date by which principal authorities need to publish their draft financial statements to the first working day of August. In 2020 this date was pushed back to 31 August.

The date by which authorities are required to publish audited financial statements is 30 September. In 2020 this date was pushed back to 30 November.

We began our work on your draft financial statements in Spetember 2021. We reported our initial findings from our work in the Audit Findings Report (AFR) to the Committee in December 2021.

We propose to target completing our audit fieldwork on your accounts in Jan 2022 before dealing with completion tasks and targeting signing off your accounts in January 2022.

Value for Money

The new Code of Audit Practice (the “Code”) came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code is the introduction of an Auditor’s Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor’s Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline for the issue of the Auditor’s Annual Report is now no more than three months after the date of the opinion on the financial statements. We will complete this work before 31 March 2022.

Progress at January 2022 (cont.)

Other areas

Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2020/21 claim began in December. DWP has extended the deadline for reporting the findings of this work to 31 January 2022. We would expect this deadline to be extended following a formal request from the authority in the coming days.

We certify the Authority's annual Teachers' Pensions return in accordance with procedures agreed with Teachers' Pensions. The certification work for the 2020/21 return will be reported in January 2022.

Meetings

We continue to meet regularly with senior Finance Officers as part of our regular liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers will be invited to attend our Financial Reporting Workshop in January and February 2022, which will help to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Authority are set out in our Sector Update section of this report.

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2020/21 is the third year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 and 2019/20 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, and have communicated fully with the Audit Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

Audit Deliverables

2020/21 Deliverables	Planned Date	Status
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2020/21 financial statements and the Auditor's Annual Report on the Authority's Value for Money arrangements.</p>	July 2021	Complete
<p>Audit Findings Report</p> <p>The Audit Findings Report was reported to the December Audit Committee.</p>	December 2021	Complete
<p>Auditors Report</p> <p>This includes the opinion on your financial statements.</p>	Jan 2022	In progress
<p>Auditor's Annual Report</p> <p>This Report communicates the key issues arising from our Value for Money work.</p>	March 2022	Not yet due
2020/21 Audit-related Deliverables	Planned Date	Status
<p>Teachers Pensions Scheme – certification</p> <p>This is the report we submit to Teachers Pensions based upon the mandated agreed upon procedures we are required to perform.</p>	31 January 2022	In progress
<p>Housing Benefit Subsidy – certification</p> <p>This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.</p>	31 January 2022- 28 February 2022	In progress

Financial Reporting Council annual report

On 29 October, the Financial Reporting Council (FRC) published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here:

[FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

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Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our "Opinion" results over the past three years are shown in the table below:

Grade	Number 2020/21	Number 2019/20	Number 2018/19
Good with limited improvements (Grade 1 or 2)	6	1	1
Improvements required (Grade 3)	3	5	2
Significant improvements required (Grade 4)	0	0	1
Total	9	6	4

Our "VFM" results over the past two years are shown in the table below. The FRC did not review VFM in 2018/19:

Grade	Number 2020/21	Number 2019/20
Good with limited improvements (Grade 1 or 2)	6	6
Improvements required (Grade 3)	0	0
Significant improvements required (Grade 4)	0	0
Total	6	6

Financial Reporting Council annual report (cont.)

Quality Assurance Department (QAD) Reviews

In addition to the reviews undertaken by the FRC on major local audits, the QAD team from the ICAEW undertake annual reviews of non-major local audits as well as reviews of Foundation Trusts on behalf of NHSE&I.

The QAD reviewed five of our audits this year and graded all of them (100%) as 'Satisfactory / generally acceptable' for both the financial statements and VFM elements of the audit, which is the highest grading.

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Grade	Number 2020/21	Number 2019/20	Number 2018/19
Satisfactory / generally acceptable	5	6	2
Improvement required	0	1	0
Significant improvement required	0	0	0
Total	5	7	2

Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID-19, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Local government, in particular, have been at the forefront of supporting local communities and businesses.

As auditors we have had to recognise the competing priorities and challenges facing the finance teams and the whole local government sector whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

Conclusion

Local audit plays a critical role in the way public sector audits and society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

Final Audit Fees for 2020-21

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees for Torbay Council Audit	2019-20 Final Fee	2020-21 Planned fee	* 2020-21 Final fee	Non-audit fees for other services	Proposed fee	*Final fee
Scale Fee published by PSAA	76,581	76,581	76,581	Certification of Housing Benefit receipts grant	£tbc	£tbc
Raising the bar / regulatory factors	12,000	12,000	12,000	Certification of Teachers' Pension Fund return	5,000	5,000
Enhanced audit procedures for Property, Plant and Equipment	3,500	3,500	3,500	Harbour audit	1,500	1,500
Enhanced audit procedures for Pensions	3,500	3,500	3,500			
Increased audit requirements of revised ISA's (540 / 240 / 700)	2,500	17,000	17,000			
Additional work on Value for Money (VFM) under new NAO Code	26,000	26,000	26,000			
Investment strategy review	5,000	-	-			
Additional work due to Covid-19 and client delays	15,500	-	-			
Total audit fees (excluding VAT)	£118,581	£138,581	£138,581			

* The final fee variation is subject to approval by PSAA.. We would also note the Council has received additional financial support form DLUCH to support 20/21 audit fees.

Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

What can be learned from Public Interest Reports? – Grant Thornton

2020 will be remembered as a tumultuous year in local government, with the pandemic creating unprecedented pressure on the sector. It also saw the appearance of two Public Interest Reports (PIRs), followed by another in January this year – the first to be issued in the sector since 2016. PIR's can be issued by local auditors if there are significant concerns around council activity, such as major failings in finance and governance.

The recent PIRs have made headlines because, up to this point, very few have ever been issued. But, as our latest report “Lessons from recent Public Interest Reports” explores, all three illustrate some of the fundamental issues facing the wider sector and provide a lesson for all local authorities around: weaknesses in financial management; governance and scrutiny practices; and council culture and leadership; which, when combined, can provide fertile ground for the kind of significant issues we might see in a PIR.

The COVID-19 pandemic highlighted four essential factors we probably always knew about local government, have often said, but which are now much better evidenced:

- 1) Local government has provided fantastic support to its communities in working with the NHS and other partners to deal with the multifaceted challenges of the pandemic.
- 2) Britain's long centralised approach to government has been exposed to some degree in terms of its agility to tailor pandemic responses to regional and local bodies. This is recognised by the current government who continue to pursue the options for devolution of powers to local bodies. Track and Trace delivered centrally has not been as successful as anticipated and, according to government figures, local interventions have had more impact.

- 3) Years of reduced funding from central government have exposed the underlying flaws in the local authority business model, with too much reliance on generating additional income.
- 4) Not all authorities exercise appropriate care with public money; not all authorities exercise appropriate governance; and not all authorities have the capability of managing risk, both short and long term. Optimism bias has been baked into too many councils' medium-term plans.

The PIRs at Nottingham City Council (August 2020), the London Borough of Croydon (October 2020), and Northampton Borough Council (January 2021) are clear illustrations of some of the local government issues identified above. The audit reports are comprehensive and wide-ranging and a lesson for all local authorities. Local authorities have a variety of different governance models. These range from elected mayor to the cabinet and a scrutiny system approach, while others have moved back to committee systems. Arguments can be made both for and against all of these models. However, in the recent PIR cases, and for many other local authorities, it's less about the system of governance and more about how it operates, who operates it and how willing they are to accept scrutiny and challenge.

There are a number of lessons to be learned from the recent PIR reports and these can be broken down into three key areas which are explored further in our report:

- 1) The context of local government in a COVID-19 world
- 2) Governance, scrutiny, and culture
- 3) Local authority leadership.

The full report is available here:

<https://www.grantthornton.co.uk/en/insights/lessons-from-recent-public-interest-reports/>

Annual Transparency Report – Grant Thornton

As auditors of several listed entities as well as nearly one hundred major local audits, we are required as a firm to publish an annual transparency report.

The report contains a variety of information which we believe is helpful to audit committees as well as wider stakeholders. The Financial Reporting Council (FRC) in their thematic review of transparency reporting noted that they are keen to see more Audit Committee Chairs actively engaging and challenging their auditors on audit quality based on the information produced in Transparency reports on a regular basis. We agree with the FRC and are keen to share our transparency report and discuss audit quality with you more widely.

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The transparency report provides details of our:

- Leadership and governance structures
- Principal risks and Key Performance Indicators
- Quality, risk management and internal control structure
- Independence and ethics processes
- People and culture
- Compliance with the Audit Firm Governance code and EU Audit directive requirements

We have made significant developments in the year as part of our Local Audit Investment Plan to improve our audit quality. We welcome an opportunity to discuss these developments and our transparency report should you wish.



The full report is available here:

[Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

Local authority Covid-19 pressures – DLUCH

Outturn figures from the Department of Levelling Up, Communities and Housing (DLUCH) show that local authorities in England reported additional cost pressures of £12.8bn relating to COVID-19 in 2020-21. Overall, local authorities spent £7.2bn responding to the pandemic last year, with the largest share of additional expenditure going on adult social care services at £3.2bn.

Additional expenditure due to COVID-19 by class and service area (£ millions) (2020-21)

	Shire District	Shire County	Unitary Authority	Metropolitan District	London Borough	Total
Adult Social Care – total	0.473	1,254.880	848.656	663.404	413.842	3,181.254
Children's social care - total (excluding SEND)	0.000	94.933	131.127	89.799	62.987	378.846
Housing - total (including homelessness services) excluding HRA	63.129	5.254	74.949	42.281	112.971	298.584
Environmental and regulatory services - total	33.564	68.097	67.512	66.704	63.556	299.433
Finance & corporate services - total	48.222	53.445	83.984	76.923	78.284	340.858
All other service areas not listed in rows above	184.550	634.578	584.924	564.737	395.137	2,363.926
Total	329.937	2,111.187	1,791.153	1,503.848	1,126.777	6,862.902

The figures are available in full here: <https://www.gov.uk/government/publications/local-authority-covid-19-financial-impact-monitoring-information>

Income losses due to COVID-19 by class and source of income (£ millions) (2020-21)

	Shire District	Shire County	Unitary Authority	Metropolitan District	London Borough	Total
Business rates	276.498	0.000	194.192	207.351	537.667	1,215.708
Council tax	399.037	0.000	217.633	191.219	232.727	1,040.616
Sales fees and charges	516.426	194.923	553.907	396.745	475.728	2,137.728
Commercial income	82.448	24.159	120.629	204.211	52.154	483.600
Other	33.494	39.947	27.163	53.664	45.166	199.435
Total	1,307.903	259.029	1,113.524	1,053.190	1,343.441	5,077.087

Government response to DLUCH Select Committee report on Local Authority financial sustainability & the section 114 regime – DLUCH

Government has published a response to the DLUCH Committee report on local authority financial sustainability and the section 114 regime, published in July.

The report states “In recent years, the financial sustainability of local government has faced successive challenges, including increased demand for services, especially social care, changes to the level of funding equalisation between councils and, most recently, the COVID-19 pandemic. In some instances, councils have been in such acute financial trouble that they have approached the Ministry of Housing, Communities and Local Government for financial assistance; three of these—Northamptonshire in 2018, Croydon in late 2020 and Slough in July 2021—issued section 114 notices, essentially declaring they had run out of money. Our inquiry has sought to identify the most serious threats facing local councils’ finances. In light of the various factors we consider in the report, including the somewhat delayed Fairer Funding Review, renewed discussion about property taxes and the need to reform funding for social care, the time is right to consider a more radical review of local government finances—and our report makes various recommendations about how this should be done. We also consider what happened at Croydon—which prompted us to look at the section 114 regime—in the annex to our report.”

The report includes sections on:

- Social Care
- Funding
- COVID-19
- Local authority commercial investment
- Audit and control

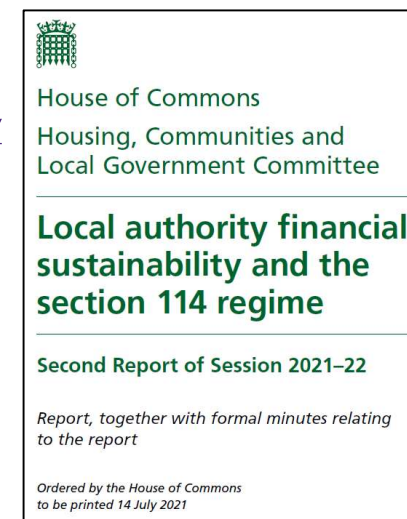
The report made 13 recommendations, and the Government response to these was published in October. The response notes “Moving forward, we will work to provide the sector with a sustainable financial footing, enabling it to deliver vital frontline service and support other government priorities. We will also take stock, including of the impact of the pandemic on local authority resources and service pressures, to determine any future reforms.”

The initial report can be found here:

<https://committees.parliament.uk/publications/6777/documents/72117/default/>

Government response can be found here:

<https://www.gov.uk/government/publications/local-authority-financial-sustainability-and-the-section-114-regime>



Government response to Redmond review – DLUCH

Government has published an update on the DLUCH response to Sir Tony Redmond’s independent review into the effectiveness of external audit and transparency of financial reporting in local authorities.

The DLUCH press release states “The Audit, Reporting and Governance Authority (ARGA) – the new regulator being established to replace the Financial Reporting Council (FRC) – will be strengthened with new powers over local government audit, protecting public funds and ensuring councils are best serving taxpayers.

The new regulator, which will contain a standalone local audit unit, will bring all regulatory functions into one place, to better coordinate a new, simplified local audit framework.

ARGA will continue to act as regulator and carry out audit quality reviews as the FRC does now. It will now also provide annual reports on the state of local audit and take over responsibility for the updated Code of Local Audit Practice – the guidelines councils are required to follow.

The government has confirmed that the Public Sector Audit Appointments (PSAA) will continue as the appointing body for local audit, in charge of procurement and contract management for local government auditors.

In the immediate term, DLUCH will set up and chair a Liaison Committee, which will comprise senior stakeholders across the sector that will oversee the governance of the new audit arrangements and ensure they are operating effectively.”

The press release goes on to state the “measures finalise the government’s response to Sir Tony Redmond’s independent review into local audit, carried out last year.

The government has already announced £15 million to support councils with additional costs in audit fees, and recently consulted on the distribution of this funding. Government is also consulting on improving flexibility on audit fee setting and has extended the deadline for when councils must publish their audited accounts.



The press release can be found here:

[Government publishes update to audit review response - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/government-publishes-update-to-audit-review-response)

Public Accounts Committee (PAC) – Local auditor reporting on local government in England & government response

The PAC inquiry examined the timeliness of auditor reporting on English local public bodies' financial statements covering 2019-20. The National Audit Office (NAO) report, on which this inquiry is based, found that “delays in the delivery of audit opinions beyond the deadlines for publishing local authority accounts, alongside concerns about audit quality and doubts over audit firms' willingness to continue to audit local public bodies, highlight that the situation needs urgent attention.”

The PAC report found “Without urgent action from government, the audit system for local authorities in England may soon reach breaking point. With approximately £100 billion of local government spending requiring audit each year, the DLUCH has become increasingly complacent in its oversight of a local audit market now entirely reliant upon only eight firms, two of which are responsible for up to 70% of local authority audits. This has not been helped by the growing complexity of local authority accounts, with audit firms now asked to carry out more work in each audit, comply with new regulatory demands and adapt to the new multifaceted landscape in which local authorities operate, while also struggling to hire and retain experienced auditors.”

Key conclusions were:

- The marked decline in the timeliness of external audit undermines accountability and hampers effective decision-making.
- There is a pressing risk of market collapse due to an over reliance on a small number of audit firms and significant barriers to entry.
- The commercial attractiveness to audit firms of auditing local authorities has declined.

- The rapidly diminishing pool of suitably qualified and experienced staff increases the risks to the timely completion of quality audits.
- We are not convinced that the recently announced new local audit arrangements will meet the pressing need for effective system leadership now.
- Unless local authority accounts are useful, relevant and understandable they will not aid accountability.

The report made recommendations in each of these areas. The government response was published on 28 October.

The PAC report and response can be found here:

[Timeliness of local auditor reporting on local government in England - Committees - UK Parliament](#)



House of Commons
Committee of Public Accounts

Local auditor reporting on local government in England

Eleventh Report of Session 2021–22

2020/21 audited accounts – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) has reported that only 9% of local government audits for 2020/21 were completed by the end of September. This is a sharp contraction on the 45% filed on time for 2019-20, and is the third successive year where the number of accounts produced on schedule has reduced.

PSAA state “The challenges posed by COVID-19 have contributed to the current position. However, a range of further pressures documented in the Redmond Report are also continuing to impact performance. In particular there is a shortage of auditors with the knowledge and experience to deliver the required higher quality audits of statements of accounts, which increasingly reflect complex structures and transactions, within the timeframe expected. The growing backlog of audits is also a concern, with 70 of the 2019/20 audits still incomplete.”

Grant Thornton commented “Audit quality remains a priority for our firm and we continue to work hard with local audit stakeholders to ensure the delivery of high quality audits in as timely a fashion as is practicable. Unfortunately, much of this work will be delivered past the 30 September target date, owing to ongoing constraints posed by the COVID-19 pandemic and the backlog this has caused. We remain committed to public sector audit and are now focused on delivering the majority of our local audits by December 2021.”



The news article can be found here:

<https://www.psa.co.uk/2021/10/news-release-2020-21-audited-accounts-psaa/>

2023-24 audit appointments – Public Sector Audit Appointments

Following a consultation exercise Public Sector Audit Appointments (PSAA) has invited all principal local government including police and fire bodies to become opted-in authorities. At the same time it published its procurement strategy and prospectus for the national scheme from April 2023. Both documents have evolved in response to the feedback provided by the market engagement exercise and consultation on the draft prospectus undertaken during June 2021.

PSAA state “Our primary aim is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services.

The objectives of the procurement are to maximise value for local public bodies by:

- securing the delivery of independent audit services of the required quality;
- awarding long term contracts to a sufficient number of firms to enable the deployment of an appropriately qualified auditing team to every participating body;
- encouraging existing suppliers to remain active participants in local audit and creating opportunities for new suppliers to enter the market;
- encouraging audit suppliers to submit prices which are realistic in the context of the current market;
- enabling auditor appointments which facilitate the efficient use of audit resources;
- supporting and contributing to the efforts of audited bodies and auditors to improve the timeliness of audit opinion delivery; and

- establishing arrangements that are able to evolve in response to changes to the local audit framework.

PSAA set out the proposed timeline, which anticipates contracts being awarded in August 2022.



The news article can be found here:

<https://www.psa.co.uk/2021/09/psaa-publishes-its-prospectus-and-procurement-strategy-and-invites-eligible-bodies-to-opt-in-from-april-2023/>

The procurement strategy can be found here:

<https://www.psa.co.uk/about-us/appointing-person-information/appointing-period-2023-24-2027-28/procurement-strategy/>

Councils given power to build more homes for first time buyers and for social rent – DLUCH

DLUCH has announced that councils in England will have more freedom on how they spend the money from homes sold through Right to Buy to help them build the homes needed in their communities.

The DLUCH press release states the “package will make it easier for councils to fund homes using Right to Buy receipts, including homes for social rent, and give them greater flexibility over the types of homes they provide to reflect the needs of their communities.

It will also give councils more time to use receipts and to develop ambitious building programmes. The government wants homes supplied using Right to Buy receipts to be the best value for money, and to add to overall housing supply, to help towards delivering 300,000 new homes a year across England by the mid-2020s.”

The press release goes on to note “New measures include:

- extending the time councils have to spend Right to Buy receipts from 3 years to 5 years
- increased cap on the percentage cost of new homes councils can fund from Right to Buy receipts raised from 30% to 40% per home, making it easier to build replacement homes
- allowing receipts to be used for shared ownership, First Homes, as well as affordable and social housing, to help councils build the homes their communities need
- introducing a cap on the use of Right to Buy receipts for acquisitions to help drive new supply.”



The press release can be found here:

[Councils given power to build more homes for first time buyers and for social rent - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/press-releases/2021/07/27/councils-given-power-to-build-more-homes-for-first-time-buyers-and-for-social-rent)

Guide to support Value for Money (VfM) analysis for public managers – CIPFA

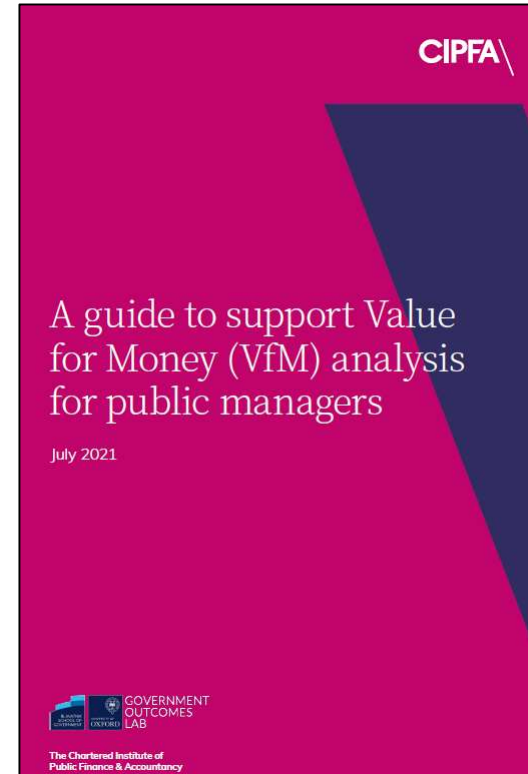
The Chartered Institute of Public Finance and Accountancy (CIPFA) has published this guide which complements a VfM toolkit which has been published separately. Both were developed under a collaborative project between Government Outcomes Lab (GO Lab) and CIPFA.

CIPFA state “The guide is aimed at public managers planning to assess Value for Money (VfM) of outcomes-based contract (OBC) programmes, or any other type of programme with an outcome-focus, using prospective information. This involves assessing economic validity of the programme with respect to ‘doing nothing’ as well as the closest comparator.”

CIPFA explain that the guide:

- Describes what VfM represents in public provision of social services with a special focus on outcome-based contracts (OBCs). In particular the guide emphasises the link between economy and effectiveness criteria.
- Promotes thinking about longer-term effects of interventions, such as outcomes and impact, at the design/ planning stage of programmes. This means that having a good appreciation for efficiency is helpful but not necessary, especially when outcomes are both identifiable and measurable.
- Explain how it could be used to appraise public programmes with respect to anticipated costs and value of them using prospective information.

The guide is available to CIPFA members through the website.



Climate change risk: A good practice guide for Audit and Risk Assurance Committees – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks.

The NAO comment “Audit and Risk Assurance Committees (ARACs) play a key role in supporting and advising the board and Accounting Officer in their responsibilities over risk management.

This guide will help ARACs recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks. We have outlined specific reporting requirements that currently apply.

Our primary audience is ARAC chairs of bodies that we audit, but the principles of the guide will be relevant for bodies across the wider public sector. It promotes good practice and should not be viewed as mandatory guidance.

Climate change and the nature of its impacts on organisations globally is changing rapidly. This guide acknowledges the evolving nature of climate change and its associated risks and opportunities and will be refreshed in the future to reflect those changes.”

The guide includes sections on “How to support and challenge management”. This includes sections on governance and leadership; collaboration; risk identification and assessment; risk treatment, monitoring and reporting and continual improvement. There is also a “Complete list of questions that Audit and Risk Assurance Committees can ask” for each of these areas. The guide also includes “Key guidance and good practice materials” with links.



The report can be found here:

[Climate change risk: A good practice guide for Audit and Risk Assurance Committees - National Audit Office \(NAO\) Report](#)

Local government and net zero in England – NAO

The National Audit Office (NAO) report responds to a request from the Environmental Audit Committee to examine local government and net zero. It considers how effectively central government and local authorities in England are collaborating on net zero, in particular to:

- clarify the role of local authorities in contributing to the UK's statutory net zero target; and
- ensure local authorities have the right resources and skills for net zero.

The NAO comment “While the exact scale and nature of local authorities’ roles and responsibilities in reaching the UK’s national net zero target are to be decided, it is already clear that they have an important part to play, as a result of the sector’s powers and responsibilities for waste, local transport and social housing, and through their influence in local communities.

Government departments have supported local authority work related to net zero through targeted support and funding. However, there are serious weaknesses in central government’s approach to working with local authorities on decarbonisation, stemming from a lack of clarity over local authorities’ overall roles, piecemeal funding, and diffuse accountabilities. This hampers local authorities’ ability to plan effectively for the long-term, build skills and capacity, and prioritise effort. It creates significant risks to value for money as spending is likely to increase quickly.

DLUCH, BEIS and other departments recognise these challenges and are taking steps to improve their approach. Their progress has understandably been slowed by the COVID-19 pandemic, but there is now great urgency to the development of a more coherent approach.”

Key findings include:

- Central government has not yet developed with local authorities any overall expectations about their roles in achieving the national net zero target.
- There is little consistency in local authorities’ reporting on net zero, which makes it difficult to get an overall picture of what local authorities have achieved.
- Neither DLUCh nor HM Treasury has assessed the totality of funding that central government provides to local government that is linked with net zero.

The report can be found here:

<https://www.nao.org.uk/report/local-government-and-net-zero-in-england/>



Cyber and information security: Good practice guide – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees scrutinise cyber security arrangements. To aid them, this guidance complements government advice by setting out high-level questions and issues for audit committees to consider.

The NAO state “Audit committees should gain the appropriate assurance for the critical management and control of cyber security and information risk.

Cyber security is the activity required to protect an organisation’s data, devices, networks and software from unintended or unauthorised access, change or destruction via the internet or other communications systems or technologies. Effective cyber security relies on people and management of processes as well as technical controls.

Our guide supports audit committees to work through this complexity, being able to understand and question the management of cyber security and information risk.

It takes into account several changes which affect the way in which we interact with and manage our information and can drive increased risk. These include changes to the way we work and live due to the COVID-19 pandemic and the ongoing demand to digitise and move to cloud-based services.

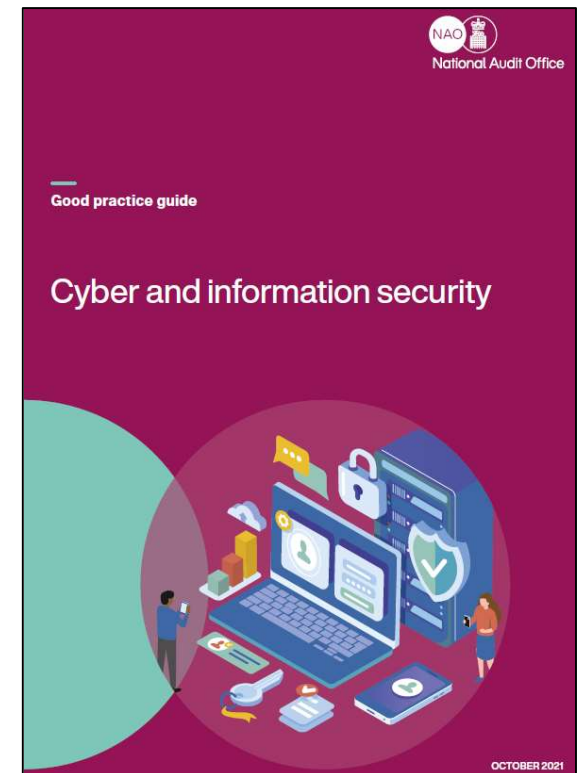
The strategic advice, guidance and support provided by government has also been updated to keep pace with these changes, detailing the impact and risks on the management of cyber security and information risk.

The guide provides a checklist of questions and issues covering:

- The overall approach to cyber security and risk management
- Capability needed to manage cyber security
- Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.”

The report can be found here:

<https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>





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Meeting: Audit Committee

Date: 12th January 2022

Wards Affected: All

Report Title: HR Investigations and Whistleblow

Cabinet Member Contact Details: Councillor Christine Carter,
Christine.Carter@Torbay.gov.uk

Director/Assistant Director Contact Details: Anne-Marie Bond, Chief Executive
Anne-Marie.Bond@Torbay.gov.uk

1. Purpose of Report

- 1.1 The purpose of this report is to provide a high level summary of the number of HR investigations and Whistleblow investigations in the year 2021-22.
- 1.2 Exempt Appendix 1, sets out such an overview.

2. Reason for Proposal and its benefits

- 2.1 To provide a greater level of detail to Audit Committee.
- 2.1 The proposals in this report help us to deliver this ambition by:
 - *thriving people; ensuring that our employees can raise concerns in an environment where they feel safe to do so and that the organisation and employee's learns from concerns that have been raised, and therefore we have a workforce that thrive*
 - *Council fit for the future; ensuring that the organisation is compliant with employment law and legislation, that we are a learning organisation with a good reputation as an employer where people wish to come and our employment practice supports the council in being fit for the future through our People plan and workforce planning activity..*
 - *the Council's responsibilities as corporate parents; ensuing that all our employment practices underpin our responsibility as a corporate parent and that all of our employees understand their obligations in this regard, regardless of role.*

3. Recommendation(s) / Proposed Decision

- (i) That Audit Committee note the contents of Exempt Appendix 1, and give consideration to any further information or action that they require.

Appendices

Appendix 1: Overview of HR Investigations and WB Investigations

Background Documents

None

Supporting Information

1. Introduction

1.1 For Audit Committee to consider the contents of appendix 1.

2. Options under consideration

2.1 *To consider the contents of appendix 1.*

3. Financial Opportunities and Implications

None.

4. Legal Implications

4.1 Failure to follow due process in respect of HR investigations and WB concerns could result in Employment claims for the Council.

5. Engagement and Consultation

5.1 *None required for the purpose of this report.*

6. Purchasing or Hiring of Goods and/or Services

6.1 *N/A*

7. Tackling Climate Change

7.1 *N/A*

8. Associated Risks

8.1 *N/A*

Equality Impacts N/A

9.	Identify the potential positive and negative impacts on specific groups			
		Positive Impact	Negative Impact & Mitigating Actions	Neutral Impact
	Older or younger people			X
	People with caring Responsibilities			X
	People with a disability			X
	Women or men			X
	People who are black or from a minority ethnic background (BME) <i>(Please note Gypsies / Roma are within this community)</i>			X
	Religion or belief (including lack of belief)			X
	People who are lesbian, gay or bisexual			X
	People who are transgendered			X
	People who are in a marriage or civil partnership			X
	Women who are pregnant / on maternity leave			X

	Socio-economic impacts (Including impact on child poverty issues and deprivation)		X
	Public Health impacts (How will your proposal impact on the general health of the population of Torbay)		X
10..	Cumulative Council Impact (proposed changes elsewhere which might worsen the impacts identified above)	N/A	
11.	Cumulative Community Impacts (proposed changes within the wider community (inc the public sector) which might worsen the impacts identified above)	N/A	

Document is Restricted