

Internal Audit

Annual Audit Report 2021-22

Torbay Council
Audit Committee

May 2022

Official



Robert Hutchins
Head of Devon Audit Partnership



Auditing for achievement

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 in 2021/22 and provides our 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 report provides that opinion.

Expectations of the Audit Committee from this annual 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;
- the scope and ability of audit to complete the audit work;
- audit coverage and findings provided;
- the overall performance and customer satisfaction on audit delivery.

In review of the above the Audit Committee are required to consider the assurance provided alongside that of the Senior Leadership Team, Corporate Risk Management and external assurance including that of the External Auditor as part of the Governance Framework (see appendix 4) and satisfy themselves from this assurance for signing the Annual Governance Statement.

Robert Hutchins
Head of Devon Audit Partnership

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Overall Opinion Statement

Based on work performed 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. The exception is Children's Services, where our opinion remains as 'Limited Assurance', although we acknowledge a positive direction of travel as previously reported by Government appointed bodies for regulatory inspections as directed by the Education and Inspections Act 2006 legislation on behalf of the Secretary of State **. The Opinion considers the limited audit work in some directorates due to the ongoing impact of the pandemic on Council service areas, and the need to significantly adjust the plan to redirect Audit resource to new risks and challenges arising from the Council's response. Our audit planning process is both risk based and agile, and as such our resources, and consequently our annual report, will inevitably focus upon higher risk areas.

** assessments by the legal regulatory organisations that are carried out on behalf of ministers (for example Ofsted focussed visit in March 2021) noted significant improvement in Children's Services, albeit work remained at that time to see this through to the final stages of the full implementation of the improvement plan. Although this does not affect our internal audit opinion, readers of this report may also wish to consider such reports.

This opinion statement provides 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 (due to the timing of the provision of the letter, this will be attached to the 2022-23 six month report).

The Authority's internal audit plan for 2021/22 included specific assurance, risk, governance, and value-added reviews which, together with prior years audit work, provided a framework and background within which we assessed 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 have informed the Head of Internal Audit's Opinion. If significant weaknesses have been identified, 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) practices. We will be undertaking an assurance mapping exercise. We support the development of recommendation/ action tracking. Until fully embedded this area remains a risk.

We maintain involvement within Business Improvement and Change Programmes and Projects, including the current work within the Children's Services IT Systems Board. These present a number of risks being managed by the respective Boards. The Cyber Governance review identified risks in relation to the need for specific Cyber Risk Management at Senior and Member level. 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, with opportunity to further broaden Portfolio Management. The Information Governance Steering Group (IGSG) provides overarching governance in relation to information and cyber security, and information governance. We have identified opportunities to establish and strengthen specific Cyber Governance arrangements. We have evaluated the Council's compliance with the Local Government Transparency Code the outcomes of which are being taken forward by the IGSG. 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. We are examining the Sufficiency Strategy within the 2022-23 Audit plan.

Substantial 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.	No ₂ 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.

Summary Assurance Opinions

Service Area Overview of Audit Coverage		
Children's Services	Place	Corporate Services, Financial Services and Covid 19 Response
Special Guardianship Orders Virtual School – Personal Education Plan	Port Marine Safety Code Grant Certification: Local Transport Capital Block Funding; Local Growth Fund; Local Growth Fund (Claylands)	ICT Key Financial Systems Continuity and Disaster Recovery Information Governance Compliance and Transparency Code ICT Project Management Key Financial Systems: Asset Register; FIMS System Admin; Treasury Management; IBS Open Systems; Covid 19 Response: Test & Trace Support Payments & Discretionary Fund
Grant Certification: Troubled Families x4		ICT Information Governance (IG) and Data Quality Apprenticeship Levy Cyber Governance Covid 19 Response: Business Grants - Post Award Assurance; Discretionary Business Grants - Post Award Assurance; Local Additional Restrictions Support Grants; Local Restrictions Support Grants (Closed) and Closed Business Lockdown Payments; Local Restrictions Support Grants (Open); Local Restrictions Support Grants (Sector); Christmas Support Payments for Wet led Pubs; Business Restart Grants
		Transformation Portfolio (Business Improvement and Change) Information Risk Management Procedure Information Governance Steering Group Housing Benefit Subsidy Testing Covid 19 Response: Omicron Grants – Operational Support; Grant Certification Covid 19 Test and Trace

Key: Green = Substantial or Reasonable

Amber = Limited

Red = No Assurance

Blue = Opportunity or Value Added

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. 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;
- 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;
- completion of the Housing Benefit Subsidy testing to support the requirements of external audit;
- an amendment of the plan to include a review and test of the Council's Apprenticeship Levy process which identified an opportunity for greater use of the DfE STEM funding, and potential for operating a levy transfer scheme to support the local economy and Council vision.

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 within the Children's Services IT Systems Board;
- quarterly certification of Troubled Families grants.

Covid-19 Response

- changes to the plan to accommodate audit examination and assurance in relation to the Covid-19 grants awarded, and certification of the Covid-19 Test and Trace grant;
- operational support to the Council's Covid-19 response in relation to Omicron Grant processing.

Schools

- continued assurance through the routine internal audit visits that systems and controls are in place to ensure compliance with Department for Education and that Council requirements are being met.
- maintained schools' visits have taken place despite the impact of the COVID-19 pandemic and it is hoped to complete as many of the remaining planned audits as possible by the end of the Summer Term 2022.

Audit Coverage and performance against plan

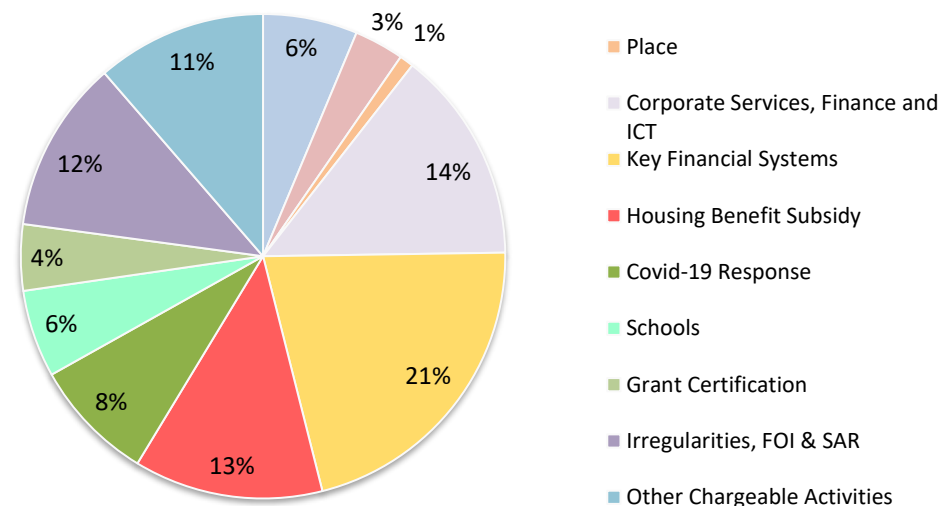
The pie charts right show the breakdown of the revised audit days planned by service area / type of audit support provided. The balance of work has varied slightly during the year as can be seen from comparison with the second chart, and variations have been with full agreement of the client.

Appendix 1 to this report provides a summary of the audits undertaken during 2021/22, along with our assurance opinion. Where a 'substantial' or 'reasonable' standard of audit opinion has been provided we can confirm that, overall, sound controls are in place to mitigate exposure to risks identified; where an opinion of "limited assurance" has been provided then issues were identified during the audit process that required attention. We have provided a summary of some of the key issues reported that are being addressed by management. We are content that management are appropriately addressing these issues.

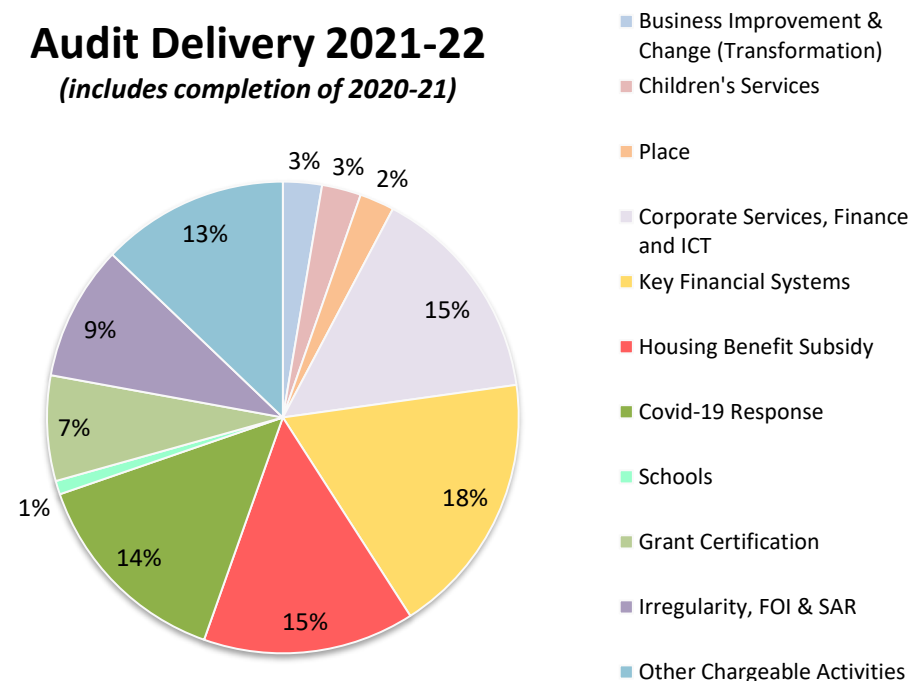
Appendix 6 shows the performance indicators for audit delivery in 2021/22 against the revised audit plan. It will be noted that there was a small increase in the total number of audit days that we provided during the year. When we prepare our plans, we make an educated assessment of the number of days that an audit is likely to take.

When the fieldwork is completed, there is inevitably a variance from the planned days. In addition, we provide an allowance for work on areas such as irregularities; in some years the requirement will exceed the planned budget and in others the need for our resource will be less than planned. It should also be noted that some audits required a richer mix of staff resource due to the complexity / sensitivity of the area under review.

Revised Audit Plan 2021-22



Audit Delivery 2021-22 (includes completion of 2020-21)



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 2021/22, Internal Audit have carried out, or assisted in 18 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 Whole 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	7	9	9	9
Financial Irregularities	2	4	1	3
Misappropriation of Income	0	0	0	0
IT Misuse	1	0	0	2
Theft	0	0	0	1
Tenders & Contracts	2	2	1	0
Support to IG and HR Investigations	4	N/A	N/A	N/A
Total	18	15	15	17

Summary details as follows: -

The majority of irregularity investigations are as a result of allegations made by whistle blowers. 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 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

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Transformation			
Transformation Portfolio (Business Improvement and Change)	Status: Ongoing Added Value	<p>Throughout the second half of the year, we continued to provide both a Project Assurance and Project Audit role within key Council programmes / projects. As with all project work, our input is aligned to the required timescales of the individual programmes of work and projects.</p> <p>The project assurance role focussed upon project delivery aspects, primarily overall delivery confidence based upon our evaluation of programme and project areas such as time, cost, benefits, aims, governance, skills and capabilities, project processes, dependencies, and the organisations overall readiness to change. The role provides 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 focussed upon the control framework related to the processes that the project is intended to change in any way be it through a system implementation and/or operational change to practices.</p> <p>We provide both ad hoc and formal documented advice and feedback through attendance at and input to respective programme / project Boards and review of supporting programme / project records.</p> <p>Our focus continues to be in relation to two key Business Improvement and Change Programmes and Projects, as follows:</p> <ul style="list-style-type: none"> • Liquid Logic Post System Implementation – within the Children’s Services IT System Board; • Council Redesign Programme – attendance at and participation in Council Redesign Board along with the ongoing overview of sub-projects. <p>As stated in our six-month report, our key concern remains as 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

Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
IT Audit			
ICT Information Governance (IG) and Data Quality (ANA - High)	Status: Final Limited Assurance	Report now in Final version with management action plan agreed. Assurance was reported in last year's annual report; please refer to that for details.	
Information Risk Management Procedure	Status: Final Added Value	Report now in Final version with management action plan agreed. 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	Assurance was reported in this year's half yearly report; please refer to that report for details.	
ICT Project Management (ANA – High)	Status: Final Reasonable Assurance	Assurance was reported in this year's half yearly report; please refer to that report for details.	
Information Governance Compliance and Transparency Code 2021-22 (ANA – Client Request) Client request to change audit scope/focus as above from 'Information Governance and Data Quality 2021-22' (ANA - High)	Status: Final Reasonable Assurance	<p>In relation to Information Governance (IG) team's compliance with the requirements of the Data Protection and Information Security checklist, it was pleasing to note that there was a significant level of compliance in place. We have made some recommendations to further strengthen the framework and supporting policies and procedures.</p> <p>Our review of the FOI process, focusing upon compliance with the Publication Scheme, and the Local Government Transparency Act identified some potential areas for improvement. We found the Council to be primarily compliant in several areas, however there are some areas where further clarification is required to ensure compliance is achieved and maintained, and some opportunities to evaluate practices at other Local Authorities.</p> <p>The Council has seen a significant increase in FOI requests, approximately 43% since 2019-20. We understand that the IG team capacity is not sufficient to achieve compliance with FOI timescales in all cases, hence our review of publicised information under the Transparency Act and Publication Scheme to determine whether further publication may reduce the level of FOI requests received. Whilst we identified a number of areas for improvement through a review of existing practices, we also undertook some benchmarking against other Local Authorities which concluded that there was no clear correlation between further information publication and a reduction in FOI requests. Therefore, this coupled with the other statutory requirements placed on the IG team, such as Subject Access Requests, results in the associated risks to the Council remaining.</p>	


CORPORATE SERVICES and FINANCIAL SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Cyber Governance (ANA – Client Request)	Status: Final Limited Assurance	<p>As Council services move online and the use of technology develops, it is becoming increasingly more important that the Council continues investing in cyber security to keep systems, technology and data safe. Cyber-attacks on councils are increasing in number and sophistication with a high-profile attack on Hackney Council demonstrating the devastating impacts and significant financial and physical resources to recover services. In addition, the Council recently experienced a cyber-attack of one of its wholly owned company’s where the IT provision was outside of Torbay Council control. This attack had the real potential to compromise Torbay Council’s IT network.</p> <p>With appropriate cyber defences and supporting governance in place the risks and impacts of cyber-attacks are reduced, in turn protecting residents from the potential disruption of local authority services. The COVID-19 pandemic exposed cyber vulnerabilities, primarily bringing existing ones to light, such as the need to manage and control a primarily home based / remote workforce which has added to the IT workload.</p> <p>We reviewed and evaluated both technical and non-technical cyber resilience controls. Whilst it was pleasing to see that IT have implemented a number of technical solutions, supported by some recent additional investment, the ongoing investment into ICT remains critical in the fight against cyber-attacks and maintaining Council service provision. Despite the advised resource and capacity issues, ICT have a number of initiatives planned, including an IT security review, currently in progress; an operational review that will consider network resilience aspects; an update to the critical systems list; development of a cyber risk assessment; an update to the Council’s business continuity arrangement with a planned update to the disaster recovery contact to ensure a robust provision.</p> <p>The key issues we identified in relation to the Council’s cyber defences are the lack of IT and Cyber risks routinely included within the Performance and Risk framework and Organisational risk register; the potential cyber risk knowledge gap at Senior Officer and Member level; ongoing advised resource and capacity issues within ICT resulting in a reactive service; lack of assurance regarding wholly owned company cyber defences; the need to strengthen the Business and Civil continuity arrangements and associated disaster recovery provision; and a lack of cyber priority within the Local Resilience Forum.</p>	
Information Governance Steering Group (including GDPR - trusted advisor) (ANA – High)	Status: Ongoing Added Value	<p>We have continued to provide input to and active participation in the Council’s Information Governance Steering Group (IGSG). The group provides a framework within which existing and emerging information security matters are reviewed, evaluated and managed, and have recently increased the scope and terms of reference to include specific cyber security issues given the heightened cyber risks currently present. 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>	N/A

CORPORATE SERVICES and FINANCIAL SERVICES

CORPORATE SERVICES and FINANCIAL SERVICES			
Risk Area / Audit Entity	Audit Report		
	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 and at the agreement / request of the s151 officer:			
<ul style="list-style-type: none"> Cyber Essentials (ANA - High) 			
Key Financial Systems			
Asset Register (follow up) (ANA – Medium)	Status: Final Substantial Assurance	Assurance was reported in this year's half yearly report; please refer to that report for details.	
FIMS System Admin (ANA – High)	Status: Final Reasonable Assurance	Assurance was reported in this year's half yearly report; please refer to that report for details.	
Treasury Management (ANA – Medium)	Status: Draft Substantial Assurance	<p>Sample testing undertaken this year found that in the main, cash flow forecasting is being undertaken effectively, and investments placed are appropriate, properly authorised, and accurately recorded.</p> <p>The ongoing Covid-19 pandemic, and the requirement for officers to work remotely continues, and we have made a minor recommendation to ensure that email authorisations are retained.</p> <p>A number of recommendations from prior year audits remain and it would be good to see these implemented soon, although we accept that additional work may now be required as a result of changes to working practices due to the pandemic, and the new CIPFA Code on Treasury Management.</p> <p>The opportunity recommendation made last year in relation to the lack of specific TM software remains as we feel that the related control environment could be strengthened, and processes streamlined, were this area to be automated.</p>	
IBS Open system Administration (follow up) (ANA – High)	Status: Draft Reasonable Assurance	Of the five recommendations made last year, only one has now been implemented. Management have accepted the risks relating to another, as has been the case in previous years, and are awaiting advice from elsewhere in the Council for a third. Although not high risk, it would be good to the remaining two recommendations implemented soon.	




CORPORATE SERVICES and FINANCIAL SERVICES

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Housing Benefits – Subsidy testing (ANA – High)	Status: Complete Added Value	<p>This is a significant piece of work, involving the testing of over two hundred housing benefit claims on behalf of the Authority’s external auditors, Grant Thornton. Initial results showed a fairly significant number of errors in relation to the following areas:</p> <ul style="list-style-type: none"> • Incorrect classification of overpayments • Incorrect calculation of earned income • Non-earned income being entered incorrectly • No evidence to support the non-dep deduction • Pension deduction not treated correctly • Claim not suspended when employment ended • Incorrect calculation of ineligible service charges • Pro-rata incorrectly applied to subsidy cap • WDP being incorrectly omitted or removed • Incorrect WDP amount being used • Local scheme overpayments being incorrectly classified <p>Our results were passed to Grant Thornton for their review and subsequent determination on the impact on the Authority’s subsidy claim. We understand that their work has recently been completed and will be separately reported to the Authority.</p>	N/A
<p>The following audits are currently in progress:</p> <ul style="list-style-type: none"> <li style="width: 50%;">• Creditors & POP (ANA – High) <li style="width: 50%;">• Income collection (ANA – Medium) <li style="width: 50%;">• Payroll (ANA – High) <li style="width: 50%;">• Benefits and Council Tax Support Scheme (ANA – High) <li style="width: 50%;">• Debtors and Corporate Debt (ANA – High) <li style="width: 50%;">• Council Tax and National Non – Domestic Rates (ANA – Medium) <li style="width: 50%;">• General Ledger & Bank Reconciliation (follow up) (ANA – Medium) 			
Other			
Apprenticeship Levy (ANA – client request)	Status: Draft Limited Assurance	<p>The Audit was requested following a number of DfE apprenticeship funding application errors, resulting in Science, Technology, Engineering and Maths (STEM) funding payments being incorrectly paid by the DfE to the Council. This has prompted an internal review by the DfE, which may result in the overpaid funds being recovered from the Council.</p> <p>Whilst our evaluation of the standard apprenticeship processes (non-STEM) found these to primarily comply with both DfE and local guidance, we did identify some areas where the control framework can be further strengthened and opportunity to align internal process and procedure documents with a newly implemented system operated within the MyView system.</p> <p>In relation to the STEM application processes, we concluded that internal practices are not yet sufficiently robust to prevent the STEM funding error from recurring. We have made several recommendations</p>	

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
		<p>including clarification surrounding any statutory guidance and establishing appropriate internal practices. Whilst DfE funding is available for STEM apprenticeships, it is not routinely utilised by the Council, instead choosing to use the Council's own levy fund. By utilising the DfE funding for all STEM apprenticeships this would result in greater funds available within the Council Levy Fund.</p> <p>This audit also identified that the Council does not yet operate a formal Levy Transfer Scheme. In our opinion there is scope for such a scheme, particularly if the Council made greater utilisation of the DfE STEM funding, which would then have clear benefits to the local economy and associated benefit to supporting the Council's visions.</p>	
<p>The following audits are currently in progress:</p> <ul style="list-style-type: none"> • Corporate Complaint System (ANA – Medium) • Legal Services (cross Council use of Legal Advice) (ANA – Medium) • Coroner (agreement monitoring) (ANA-Medium) 		<p>The following audits have been deferred / cancelled due to the impact of the Covid-19 pandemic with the agreement of the s151 officer:</p> <ul style="list-style-type: none"> • Capital Programme (including new Financial Code and IR35 - Council and Companies) (ANA – Medium, client request) • Elections (ANA – Medium) • Democratic Services and Member Allowances (ANA - Medium) 	

COVID-19 RESPONSE


COVID-19 RESPONSE			
Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Test & Trace Support Payments & Discretionary Fund (ANA – Client Request)	Status: Final Reasonable Assurance	Assurance was reported in this year's half yearly report; please refer to that report for details.	
Business Grants - Post Award Assurance (ANA – Client Request)	Status: Draft Limited Assurance	Assurance was reported in this year's half yearly report; please refer to that report for details.	
Discretionary Business Grants - Post Award Assurance (ANA – Client Request)	Status: Draft Limited Assurance	Assurance was reported in this year's half yearly report; please refer to that report for details.	



COVID-19 RESPONSE

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Local Additional Restrictions Support Grants (ANA – Client Request)	Status: Draft Limited Assurance	Assurance was reported in this year's half yearly report; please refer to that report for details.	A
Local Restrictions Support Grants (Closed) and Closed Business Lockdown Payments (ANA – Client Request)	Status: Draft Limited Assurance	Assurance was reported in this year's half yearly report; please refer to that report for details.	A
Local Restrictions Support Grants (Open) (ANA – Client Request)	Status: Draft Limited Assurance	Assurance was reported in this year's half yearly report; please refer to that report for details.	A
Local Restrictions Support Grants (Sector) (ANA – Client Request)	Status: Draft Limited Assurance	Assurance was reported in this year's half yearly report; please refer to that report for details.	A
Christmas Support Payments for Wet led Pubs (ANA – Client Request)	Status: Draft Limited Assurance	Assurance was reported in this year's half yearly report; please refer to that report for details.	A
Business Restart Grants (ANA – Client Request)	Status: Draft Limited Assurance	<p>A review of the publicised information regarding these schemes found that this was minimal, with some areas not being in line with related Government guidance. In addition, we were unable to obtain details on stage one of the application process in terms of the information that was requested from claimants and hence how eligibility was being determined.</p> <p>In relation to verification of solvency, 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 insolvent since those checks were undertaken.</p>	A

COVID-19 RESPONSE

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		<p>Sample testing of a number of payments found that information had not been requested in relation to whether the business was trading at the beginning of April 2021, nor whether the Government's subsidy allowance conditions were being met. We therefore cannot provide assurance that payments had been made in line with Scheme requirements.</p> <p>We did not find any evidence of duplicate payments having been made.</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>	
Omicron Grants – Operational Support	Status: Complete Added Value	The Devon Audit Partnership provided operational support to the processing of Omicron grants through the provision of one auditor to work full time for five weeks in the Exchequer & Benefits team in the role of a grants processor.	N/A
Grants x1 • Covid 19 Test and Trace	Status: Complete	No issues identified	N/A
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"> • 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	Assurance was reported in this year's half yearly report; please refer to that report for details.	
Grants x 3 <ul style="list-style-type: none"> Local Transport Capital Block Funding Local Growth Fund Local Growth Fund (Claylands) 	Status: Complete	<p>No issues identified for the Local Transport Capital Block Funding, and Local Growth Fund.</p> <p>A number of minor issues reported to the accountable body in relation to the Local Growth Fund (Claylands).</p>	N/A
<p>The following grant certification audits are currently in progress:</p> <ul style="list-style-type: none"> Grant - Bus Subsidy Grant – Home to School and College Grant – Travel Demand Management Parking (ANA-Medium) Tor Bay Harbour Authority – Mooring system (contract management) (ANA - Medium) Public Toilets (contract monitoring) (ANA – Low, client request) 		<p>The following audits have been deferred / cancelled due to the impact of the Covid-19 pandemic with the agreement of the s151 officer:</p> <ul style="list-style-type: none"> Spatial Planning - s106 and CIL (ANA- Medium) Asset Management Strategy / Plan (ANA – High) Technology Forge system review (ANA – Medium) Housing Companies (client role / management) (ANA – Medium) Beach Services (ANA - Low, client request) Tor Bay Harbour Authority (ANA – Medium) 	

CHILDREN'S SERVICES			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Special Guardianship Orders – Follow up (ANA – Medium)	Status: Final Limited Assurance	Assurance was reported in this year's half yearly report; please refer to that report for details.	
Virtual School – Personal Education Plan (ANA – Medium)	Status: Draft Limited Assurance	<p>Our primary focus of the audit was directed at the disparity between PEP performance figures reported from the Virtual School and those reported from the Children's Services LCS System.</p> <p>Our work did not evaluate child/young person outcomes of the Personal Education Plan (PEP) processes, rather it focussed upon the process itself. We examined the process via a walkthrough of a single PEP record and found the information recorded and timing of the PEP review to be in line with requirements, however as this was a walkthrough it should be noted that the sample base was therefore limited.</p> <p>Through discussion with various parties and our evaluation of evidence and documentation provided we concluded that there were a significant number of issues compounding the differences in reporting. These ranged from points of failure within the process itself, to differences in the cohort detail being reported, and potential system issues. We have identified a number of recommendations which we feel will strengthen the process and provide consistent and accurate PEP reporting.</p>	
Troubled Families Grant Claims x 4	Status: complete	One family removed from the December claim and another from the March claim, otherwise no issues to report.	N/A
The following audits are currently in progress: <ul style="list-style-type: none"> Child Protection Processes and Planning Conference (ANA – High) 		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) 	
Schools Financial Value Standards (SFVS)	Reasonable Assurance	The SFVS Dedicated Schools Grant Chief Finance Office assurance statement for 2020/21 was submitted to the Department for Education in June 2021. Work is underway to collate the 2021/22 returns received from schools, the results of which will appear in the latest CFO assurance statement that has to be submitted to DfE by 31 May 2022.	N/A
Maintained Schools audit programme	Reasonable Assurance	<p>The routine visits have taken place, albeit remotely, i.e., by not visiting schools. Six out of ten planned visits were completed during 2021-22, with plans being made to complete the remaining visits by the end of the Summer Term 2022.</p> <p>The overall opinion for the routine school audit visits has been maintained as 'reasonable assurance' (refer to summary data below).</p>	N/A

CHILDREN'S SERVICES

CHILDREN'S SERVICES			
Risk Area / Audit Entity		Audit Report	
Risk Area / Audit Entity		Assurance opinion	Residual Risk / Audit Comment
			Direction of Travel Assurance
Maintained Schools Summary Data			
<p>The key matters arising from the audits are:</p> <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

ADULT SERVICES INCLUDING COMMUNITY AND CUSTOMER SERVICES			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
<p>The following audits have been deferred / cancelled due to the impact of the Covid-19 pandemic with the agreement of the s151 officer:</p> <p>Adult Services</p> <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) 		<p>Community and Customer Services</p> <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) 	

PUBLIC HEALTH

PUBIC HEALTH			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
<p>The following audits have been deferred / cancelled due to the impact of the Covid-19 pandemic with the agreement of the s151 officer:</p> <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.

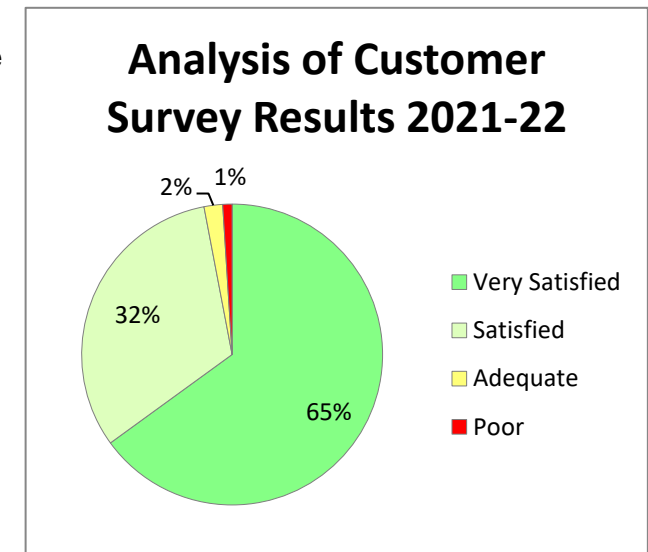
Improvement Programme – DAP maintains a rolling development plan of improvements to the service and customers. All recommendations of the external assessment of PSIAS and quality assurance were included in this development plan and have been completed. This will be further embedded with revision of our 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



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.

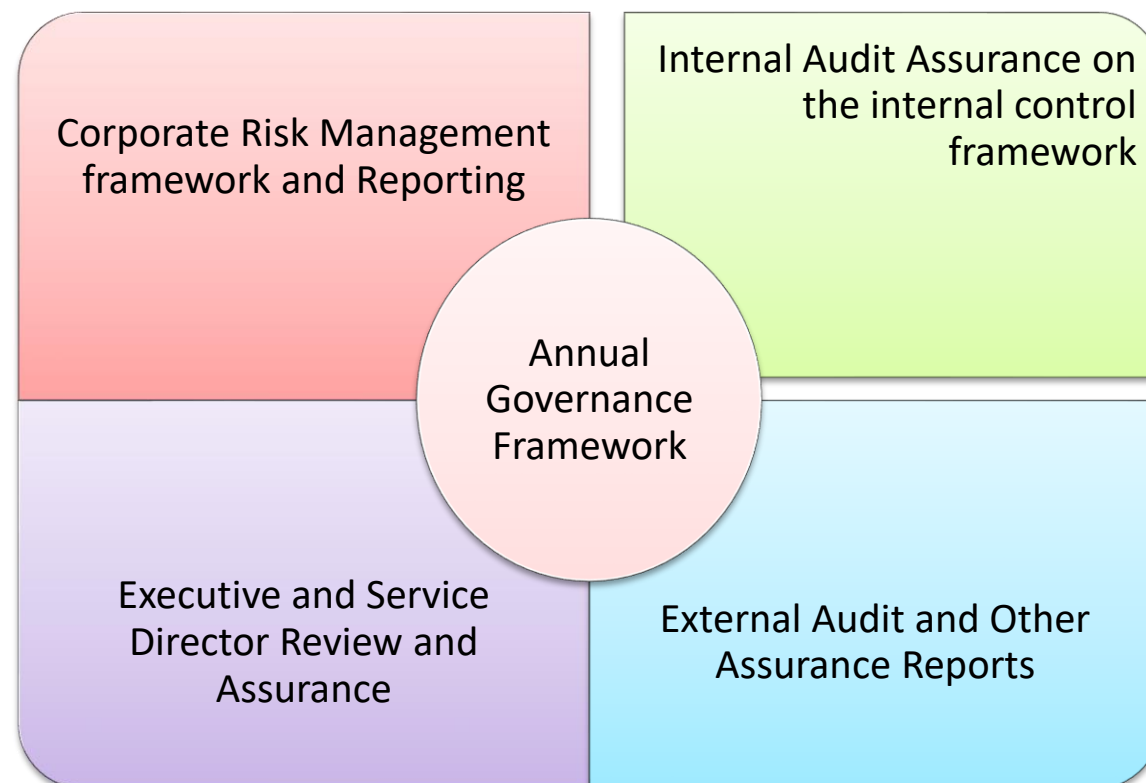
The Annual Governance Statement (AGS) provides assurance that

- 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.

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:

all audits completed during 2021/22, including those audits carried forward from 2020/21;

any follow up action taken in respect of audits from previous periods;

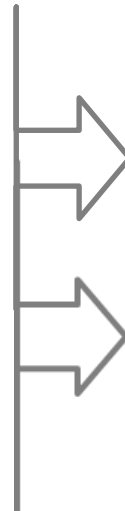
any significant recommendations not accepted by management and the consequent risks;

the quality of internal audit's performance;

the proportion of the Council's audit need that has been covered to date;

the extent to which resource constraints may limit this ability to meet the full audit needs of the Council;

any limitations that may have been placed on the scope of internal audit.



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>	<i>2019/20</i>	<i>2019/20</i>	<i>2020/21</i>	<i>2020/21</i>	<i>2021/22</i>	<i>2021/22</i>
	<i>Target</i>	<i>Actual</i>	<i>Target</i>	<i>Actual</i>	<i>Target</i>	<i>Actual</i>
Percentage of Audit plan Commenced (Inc. Schools)	100%	100%	100%	100%	100%	100%
Percentage of Audit plan Completed (Inc. Schools)	93%	97%	93%	95%	93%	83%
Actual Audit Days as percentage of planned (Inc. Schools)	95%	104%	95%	108%	95%	86%
Percentage of fundamental / material systems reviewed annually	100%	100%	100%	100%	100%	100%
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%	92%
Final reports produced within target number of days (currently 10 days)	90%	99%	90%	100%	90%	98%
Average level of sickness absence (DAP as a whole)	2%	3%	2%	4.65%	2%	2.45%
Percentage of staff turnover (DAP as a whole)	5%	4%	5%	20%	5%	33%*

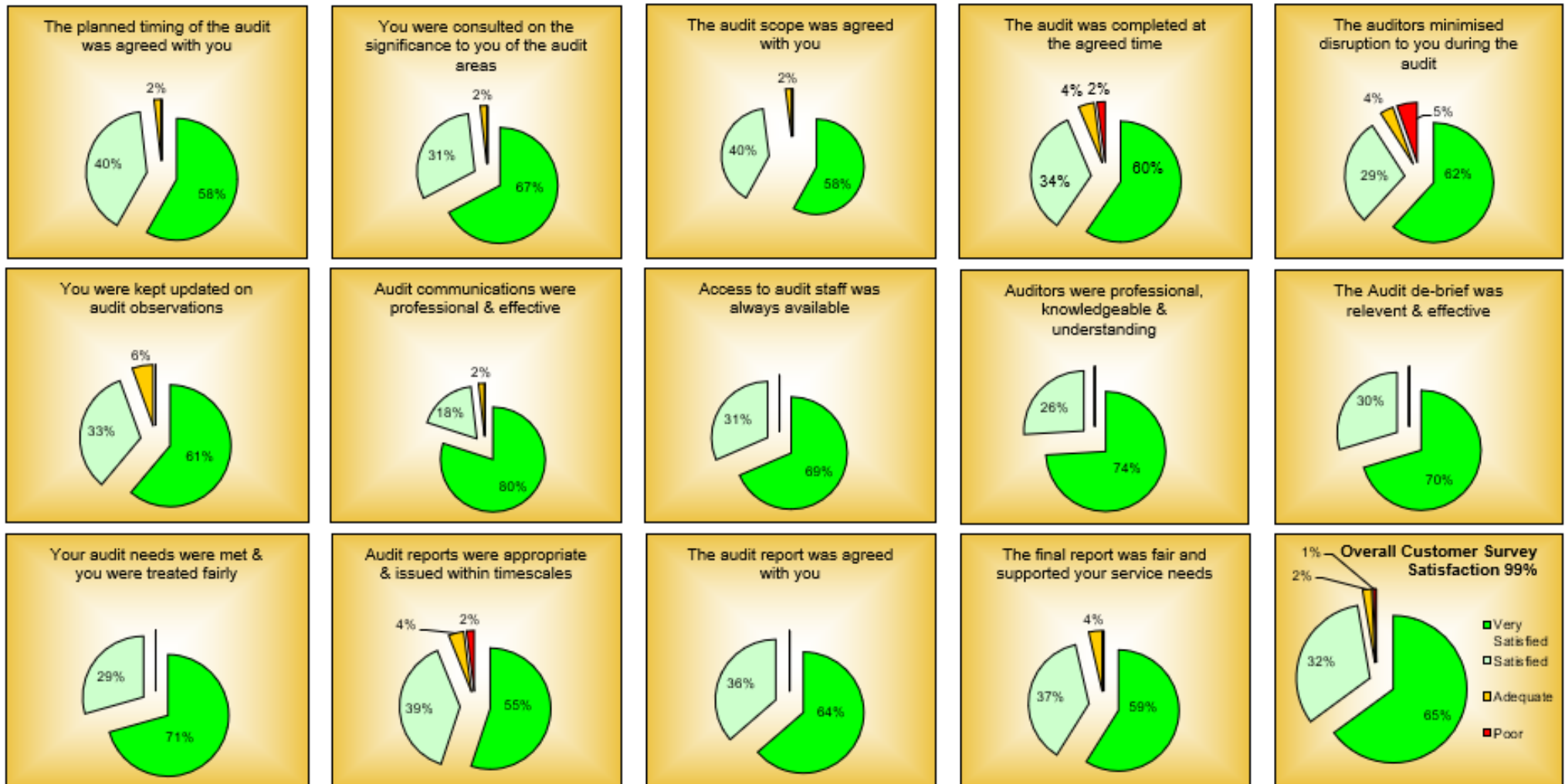
* Turnover – 7 leavers and 9 starters (x2 Apprentices; x4 Auditors; x1 Auditor Level 2; x1 Senior Auditor; x1 Senior Audit Manager)

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 continue to recover from the impacts of Covid-19, which has also impacted departments' capacity to support the audit process, resulting in further delays to audit completion. We agreed a 'smoothing' policy with the DAP Management Board, which allows for completion of deferred work and delivery of related days in the next year to offset the impact on our delivery. As expected, certain areas of the audit plan relate to project work, the completion of which is aligned to project timescales.

In addition, DAP itself has needed to undertake significant recruitment to replace leavers, as shown by the 'Percentage of Staff turnover' indicator. The 'Average Level of sickness' is also higher than the target indicator. The variance to these indicators links to recruitment activity 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 - March 2022



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Devon Audit Partnership	Confidentiality and Disclosure Clause
<p>The Devon Audit Partnership has been formed under a joint committee arrangement. 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@devon.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>