

Tuesday, 15 March 2022

AUDIT COMMITTEE

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

Wednesday, 23 March 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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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 - 8)
To confirm as a correct record the Minutes of the meeting of the Audit Committee and Adjourned Audit Committee held on 26 and 31 January 2022.

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. **Informing the Audit Risk Assessment** (Pages 9 - 36)
To consider a report on the above.

6. **External Audit Plan** (Pages 37 - 60)
To consider the Council's External Auditors Audit Plan.

7. **Internal Audit Strategy and Charter** (Pages 61 - 80)
To consider a report on the Internal Audit Charter and Strategy which sets out how the internal audit service will be delivered and developed and how it links to the organisational objectives and priorities.

8. **Internal Audit Plan 2022/23** (Pages 81 - 95)
To consider a report on the Internal Audit Plan which sets out the proposed internal audit activity for the year and an outline scope of coverage.
9. **Exclusion of the Press and Public**
To consider passing a resolution to exclude the press and public from the meeting prior to consideration of the following item 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.
10. **Planning, Housing and Climate Emergency - Service of the Future Project** (Pages 96 - 120)
As requested at the Adjourned Audit Committee held on 31 January 2022, further details of the Planning, Housing and Climate Emergency – Service of the Future Project are provided for Members consideration.

Meeting Attendance

Whilst national Covid-19 restrictions were lifted on 19 July 2021, 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

26 January 2022

-: Present :-

Councillor Loxton (Chairman)

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

273. Minutes

The Minutes of the meeting of the Audit Committee held on 6 December 2021 were confirmed as a correct record and signed by the Chairman.

274. Exclusion of the Press and Public

Prior to consideration of the item in Minute 275 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).

275. TDA Annual Report and Financial Statements

The Committee considered and noted the draft Torbay Economic Development Company Limited (trading as TDA) Annual Report and Financial Statements for the period ending 31 March 2021. Members discussed the following:

- Company structure and work streams;
- Performance reporting;
- EPIC;
- Staff training and development in relation to Neighbourhood Plans and the Local Plan;
- Risks in relation to capacity, contractors and clients;
- Teckal status, profits and tax;
- Environmental Sustainability Plan; and
- TorVista.

(Note: Councillor O'Dwyer declared a non-pecuniary interest as he is the Council's appointed Director of the TDA Board.)

Resolved:

That the Audit Committee receive copies of the Management Accounts for the TDA twice a year.

276. Internal Audit - Follow Up Report on Areas Requiring Improvement

Members noted the Internal Audit – Follow Up Report on Areas Requiring Improvement. The Head of the Devon Audit Partnership informed Members that the Annual Internal Audit Report was presented to the Audit Committee in May 2021, the report provided a summary of the audits undertaken and an assurance opinion. Members were advised that areas which were identified as ‘improvements required/limited assurance’ had action plans in place and the progress against these action plans had been reviewed; the majority of the assurance opinions remain as reported in the Annual Audit Report 2020/21.

Members sought clarification as to the process for determining which services would be subject to an internal audit. Members were advised that the Audit Plan had three key elements:

- key financial systems;
- high risk areas; and
- supporting mechanisms to ensure delivery

The biggest variable was the risk element which depended on having an affective risk register in place and up to date to effectively identify those areas. Members noted that Internal Audit Reports were one element of the assurance that is provided to the Committee with other components being provided by External Audit and Performance and Risk.

277. Internal Audit - Half Year Audit Report 2021-22

Members considered the Internal Audit – Half Year Audit Report 2021-22. The Head of the Devon Audit Partnership informed Members that the Internal Audit plan for 2021/22 was presented and approved in March 2021. The Half year Audit Report provides Internal Audits current opinion on the overall adequacy and effectiveness of the Authority’s internal control environment.

Overall, and based on work performed to date during 2021/22, and Internal Audits experience from previous years, and the outcome of the Annual Follow Up exercise, the Head of Internal Audit’s Opinion was one of “Reasonable Assurance” on the adequacy and effectiveness of much of the Authority’s internal control framework. The exception to this was Children’s Services Directorate which is of ‘Limited Assurance’.

Members welcomed the addition of the Adult Social Care Letter of Assurance, set out in Appendix 8 and hoped this would continue in the future.

Members asked questions in respect of ‘irregularities’ and sought further information and reassurance in relation to the opinion of ‘Limited Assurance’ regarding the Covid-19 related Restart Grants, Vulnerable Renters, Household Support Fund, and the certification of the Test and Trace grant.

278. Audit Progress Report and Sector Update

Members noted a report which detailed the progress Grant Thornton had made in delivering their responsibilities as the Council's External Auditors. The report also included a summary of emerging national issues and developments that may be relevant to the Council.

Members were advised that the External Auditors were hopeful that they would be able to close the accounts very soon, with a few technical issues around accounts disclosure remaining. Members were informed that the Council had completed and submitted to the External Auditors the workbooks for the Housing Benefit Certification work, with External Audit about to commence testing. Members were advised that at present there did not appear to be anything within the workbooks to suggest that error extrapolation may be required.

Members were made aware of the Financial Reporting Council fining an auditing organisation for failings in their audit of a Council in respect of asset valuations and group accounts. As a result, Grant Thornton had engaged their own valuation experts who were satisfied that, from a group view, the Council's asset valuations were correct.

279. HR Investigations and Whistleblow

Members considered the submitted report which set out a high-level summary of the number of HR and Whistleblowing investigations. Members requested future reports include data on our arm's length companies who use the Council's systems.

280. Adjournment

At this juncture the meeting was adjourned until 10 am on 31 January 2022.

Chairman/woman

Minutes of the Audit Committee

31 January 2022

-: Present :-

Councillor Kennedy (Chairwoman)

Councillors Brooks, Douglas-Dunbar, Hill and O'Dwyer

1. Apologies

Apologies for absence were received from Councillors Johns and Loxton. In the absence of the Chairman, the Vice-Chairwoman, Councillor Kennedy chaired the meeting.

2. Quarter 2 Corporate Performance and Risk Report

Members noted the Quarter 2 Corporate Performance and Risk Report.

3. Quarter 3 Corporate Performance and Risk Report

The Audit Committee considered a high level report that been designed and produced with a series of key performance indicators and high scoring risks which align to the visions of the Community and Corporate Plan, and outlined how well the Council was performing against these key priorities. The report enabled the Senior Leadership Team, Cabinet Members and the Audit Committee to review and challenge the Council's performance on a regular basis and to identify any improvement actions that may be required.

The Committee welcomed the improved performance report and the timeliness of its presentation. Members thanked the Performance and Risk Team for developing a performance framework and metric set that provided them with the reassurance that performance and risk were being adequately monitored.

The Committee challenged the performance in respect of the following areas:

- Tackling Climate Change – the collection of base line data in respect of the Council's carbon footprint;
- The development of the Open Spaces Strategy;
- The future engagement approach in respect of potential sea defence schemes in Paignton and Preston;
- Budget allocation in respect of tackling climate change;
- The Planning Service in respect of capacity, caseloads and empowerment of officers, as well as, the recognition of the 'customer';

- The learning from Ombudsman's and equivalent bodies findings against the Council;
- SWISCo in respect of customer relations;
- The measures put in place regarding departments that are not responding to complaints; and
- The findings of the SEND Inspection.

Resolved:

- i) that the Cabinet consider further allocation of resources to ensure that the Council can seek external funding towards tackling climate change;
- ii) that the Chief Executive determine appropriate reporting to Audit Committee and Overview and Scrutiny Board regarding the implementation of the Planning Advisory Service report and monitoring of actions contained within;
- iii) that the Audit Committee receives an update on the Planning Service for the Future Project, including the project initiation document as well as national and regional performance comparators;
- iv) the Complaint Performance Recovery Report be circulated every quarter;
- v) that the Corporate Performance Report include the number of complaints upheld by Local Government Ombudsman and other equivalent bodies;
- vi) that Audit Committee monitor the performance indicators relating to customer relations and customer feedback and performance reporting regarding SWISCo; and
- vii) that the Children and Young People's Overview and Scrutiny Board be recommended to ensure appropriate KPI's are developed in respect of SEND and Elective Home Education are developed and included in the Council's Performance Framework.

Chairman/woman

Informing the audit risk assessment for Torbay Council 2021/22



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 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 your business or any 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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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Torbay Council's external auditors and Torbay Council's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required 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,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Torbay Council's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?	Ongoing impacts of Covid and Covid Funding
2. Have you considered the appropriateness of the accounting policies adopted by Torbay Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	Yes, no significant changes required.
3. Is there any use of financial instruments, including derivatives? If so, please explain	No derivatives or similar instruments used.
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	No.

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	Only from any valuations on investment properties.
6. Are you aware of any guarantee contracts? If so, please provide further details	None other than those disclosed in accounts.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No.
8. Other than in house solicitors, can you provide details of those solicitors utilised by Torbay Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	The Council uses a range of legal advice to supplement its own in-house team. We use external lawyers for capacity on particular projects – e.g. Purchase of building/leases etc. Not aware that external solicitors are working on any litigation in 21/22. The compulsory purchase order of Crossways shopping centre is ongoing.

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General Enquiries of Management

Question	Management response
9. Have any of the Torbay Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	PPE valuers – Valuations Pension Actuary – Liability estimation Devon County Council Pension Fund – Pension Advice Gallagher Insurance Advisors – Broker Arlingclose – Treasury Management
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	We will review loans at year end for evidence of any issues.

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Torbay Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Torbay Council's management.

Fraud risk assessment

Question	Management response
<p>1. Has Torbay Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>Yes.</p> <p>S151 officer has access to a Fraud and Error team and the Internal Audit Function.</p> <p>Significant risks are reflected in the MTRP and Risk Register.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Financial transactions.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Torbay Council as a whole, or within specific departments since 1 April 2021? If so, please provide details</p>	<p>Any allegations are referred to the Financial, Ethics and Probity board.</p>

Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Risk Register, Internal Audit Reports and Fraud Updates.
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Torbay Council where fraud is more likely to occur?</p>	<p>Business Grants were again identified as a risk.</p> <p>As above.</p> <p>Business Grants</p>
6. What processes do Torbay Council have in place to identify and respond to risks of fraud?	<p>Fraud and Error Team, Internal Audit and Finance, Ethics, and Probity Group.</p> <p>Audit Committee</p>

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Torbay Council, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>As the S151 officer, I'm satisfied that there is an adequate "systems of control".</p> <p>Annual Governance Statement</p> <p>Internal Audit Reports</p> <p>N/A.</p> <p>Fraud and Error Team, Internal Audit and Finance, Ethics and Probity Group</p> <p>We are not aware of any.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>We are not aware of any.</p>

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Fraud risk assessment

Question	Management response
<p>9. How does Torbay Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>Mandatory learning courses, All Staff updates and Standard Contract Terms.</p> <p>Access to internal audit, fraud team and whistleblowing.</p> <p>The Whistleblowing Policy is not confined to fraud and irregularities but is aimed at encouraging freedom of speech in respect to general poor practice or areas of inefficiency. Any issues would be reported to the Finance, Ethics and Probity group.</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>1) Any post that does not have appropriate segregation of duties. 2) Any post that is involved in the process of authorising large payments- e.g. Treasury Management, Payroll, Housing Benefits, Accounts Payable.</p> <p>1) Appropriate segregation of duties is in place over the majority of processes. Internal audit have highlighted some areas where best practice is not followed. This is due to not having teams of sufficient size and is a risk that management accept. 2) Annual audits of keys systems (e.g. Payroll, HB) are made</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>None that I'm aware of.</p> <p>Declaration of interest and financial regulations</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Internal Audit reporting, Fraud updates, Whistleblowing policy and Finance, Ethics and Probity Group. Torbay belongs to the NFI Fraud Initiative. The Fraud Team contains three posts. There are internal audits of key systems.</p> <p>Audit Committee receive annual audit updates, review internal audit plan, regular internal audit reports, mid-year review and external audit report.</p> <p>Nothing material has been flagged in year from audit report or the work of the fraud team who has focused on Covid Business Grant assurance. The Finance, Ethics and Probity Board meet regularly to consider whistleblowing and no significant issues have been raised in the year.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>All such allegations are to the Finance, Ethics and Probity Group.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>Not that I'm aware of.</p>

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that Torbay Council's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

2023

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Torbay Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>Responsibility of Statutory Officers.</p> <p>Employment of Statutory Officers and suitably qualified officers.</p> <p>No.</p>
<p>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>No reporting specifically to Audit Committee on this issue.</p> <p>Accounts produced are in line with Code of Practice.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details</p>	<p>None that I'm aware of.</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>None that I'm aware of.</p>

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Impact of laws and regulations

Question	Management response
5. What arrangements does Torbay Council have in place to identify, evaluate and account for litigation or claims?	Monitoring Officer supported by a legal team.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	No.

Related Parties

Matters in relation to Related Parties

Torbay Council are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Torbay Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any body that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Council's perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Torbay Council's 2020/21 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and Torbay Council whether Torbay Council has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>Company structure is as March 21.</p> <p>Torbay Education Limited started trading November 2021.</p> <p>No new companies have been set up or purchased.</p>
<p>2. What controls does Torbay Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Financial transactions are recorded on the Council's finance system.</p> <p>Disclosure of interest by members and officers.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Financial regulations apply. Controls include Agreed budgets and commissioning agreement.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Financial regulations apply.</p>

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
<p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Torbay Council will no longer continue?</p>	<p>Council will continue to consider any changes in legislation that will impact on the number and level of services provided.</p>
<p>2. Are management aware of any factors which may mean for Torbay Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p>	<p>Not aware of any factors</p>
<p>3. With regard to the statutory services currently provided by Torbay Council, does Torbay Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Torbay Council to cease to exist?</p>	<p>There is no forthcoming legislation to disband Torbay Council.</p>
<p>4. Are management satisfied that the financial reporting framework permits Torbay Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?</p>	<p>Yes – words on going concern assumption are included in the annual accounts. Torbay Council is a statutory body and will continue to exist unless legislation changes.</p>

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Any transaction that require an estimate – usually around valuation of assets and liabilities. The significant valuation would include pensions, non-current assets and impairment.
2. How does the Council’s risk management process identify and address risks relating to accounting estimates?	Note in accounts on the significant estimates.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Use ‘experts’ as appropriate – e.g. Actuary for pension estimates, RICS qualified valuer for NCA.
4. How do management review the outcomes of previous accounting estimates?	Previous year estimates are updated as at end of current year.
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	Impairment estimates in the light of Covid impact on debt will continue to be reviewed.

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	<p>Use of specialised skills – e.g. use of an appointed PPE valuer is mandated or is good practice.</p> <p>Use of specialised skills may apply when the council identifies a knowledge/skills deficit within their own staff – e.g. Airlingclose for fair value calculations, Devon County Council for energy from waste calculation, external “sector” advice on valuations</p>
7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	<p>Where judged to be appropriate the Council uses professional advice and designs control activities around the expert’s processes, e.g.:</p> <ul style="list-style-type: none"> • Valuers for the valuation of Land and Buildings, • Pensions Actuary used for valuation of Pension Liability <p>Other estimated are determined internally and have control activities which have been applied based on best practice:</p> <ul style="list-style-type: none"> • Accrual estimates come from services who use information available to them (e.g. invoices. Valuation certificates). • Bad debt provisions estimates made by finance team with input from valuers in some cases. • Appeals provisions on business rates also done by finance team.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	<p>Sense checks are applied on estimates produced by third parties – e.g. challenging any significant or unusual movements with the PPE valuer and seeking explanations or corrections as applicable.</p> <p>Consideration of expectation (per budget) compared to actual would flat any estimates made outside of expectations and signal that control activities are not carried out as designed.</p>
9. What is the nature and extent of oversight and governance over management’s financial reporting process relevant to accounting estimates, including: - Management’s process for making significant accounting estimates	<p>Instructions provided to RICS qualified valuer.</p> <p>Pension Fund subject to separate external audit</p> <p>S151 authorises accounts as a true and fair view</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?</p> <p>Please populate the grid in Appendix A</p>	<p>No.</p>
<p>11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?</p>	<p>Yes – basis for preparing estimates will remain as per previous years (which had been audited by GT).</p>
<p>12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?</p>	<p>S151 authorisation of the accounts.</p> <p>No issues raised by external auditors.</p>

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	Per Code of Practice	Rolling Valuations for all non current assets	RICS qualified valuer	Estimated Asset value	no
Investment Property valuations	Per Code of Practice	Annual Valuations for all investment property	RICS qualified valuer	Estimated Asset value	no
PFI Liabilities	Based on PFI model at inception of contract	n/a	n/a	n/a	no
Valuation of defined benefit net pension fund liabilities	Per Code of Practice	Annual valuation in line with IAS19	Pension actuary employed by pension Fund	Estimated asset and liability values	no

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Depreciation	Per Code of Practice	Accounting policy	RICS qualified valuer	Asset life and valuation of asset	no
Bad Debt Provision	Per Code of Practice	Accounting policy plus s151 guidance	no	Percentage of debt deemed irrecoverable	no
Individually material accruals (e.g. unpaid leave accrual or GRNI)	Per Code of Practice	Accounting policy	no	E.g. annual leave accrual: calendar of holidays for teachers	no
MRP Provision	Per Code of Practice and statutory guidance	MRP policy approved by Council as part of TMS	no	Asset life	no



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Torbay Council audit plan

Year ending 31 March 2022

Torbay Council
March 2022
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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 Council 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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Key matters

Factors

Infrastructure Assets and 2020/2021 Audit

Following recent regulatory reviews and discussion between firms at a national level, it appears that some local authorities may be accounting for Infrastructure assets incorrectly. There are a number of aspects to this, but in particular, capital spending on replacing components has been added without derecognition of the previous component and hence has potentially materially enhanced the value of infrastructure assets in error. The firm has decided to pause the signing of audits with material infrastructure assets until a specified programme of work has been completed. The completion of this programme of work is currently underway.

Recovery from Covid 19 pandemic

The Council has had to remain flexible in 2021/22 in response to the changing situation caused by the COVID-19 pandemic. It has continued to influence service user behaviour but also impact how those services can be delivered and the working practices of staff. There remains uncertainty over the full financial impact on the Council and future funding arrangements with central government.

Council developments

You have a significant capital programme of over £300 million over a four year period including elements such as providing loans of £45 million to your subsidiary to acquire housing, redevelopment of the Fleet Walk site of £15 million and you have secured significant capital grant allocations such as £13.4 million for Paignton Future High Street and £7.9 million for Edginswell station redevelopment. Taken together this is an ambitious programme and will feature in our wider value for money work. Much of the Council's regeneration agenda is supported by the Council's companies.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector
- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- We will provide you with sector updates via our Audit Committee updates.
- We will liaise with the Council's valuer to clarify any potential material uncertainties in 2021-22.
- We will continue to assess the Council's companies and their governance arrangements.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Torbay Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Torbay Council. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council [and group]'s financial statements that have been prepared by management with the oversight of those charged with governance the Audit committee; and we consider whether there are sufficient arrangements in place at the Council and group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of [list subsidiary undertakings].

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Revenue cycle includes fraudulent transactions (risk rebutted)
- Expenditure cycle includes fraudulent transactions (risk rebutted)
- Management override of control
- Valuation of land and buildings
- Valuation of net pension fund liability
- Valuation of investment properties

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

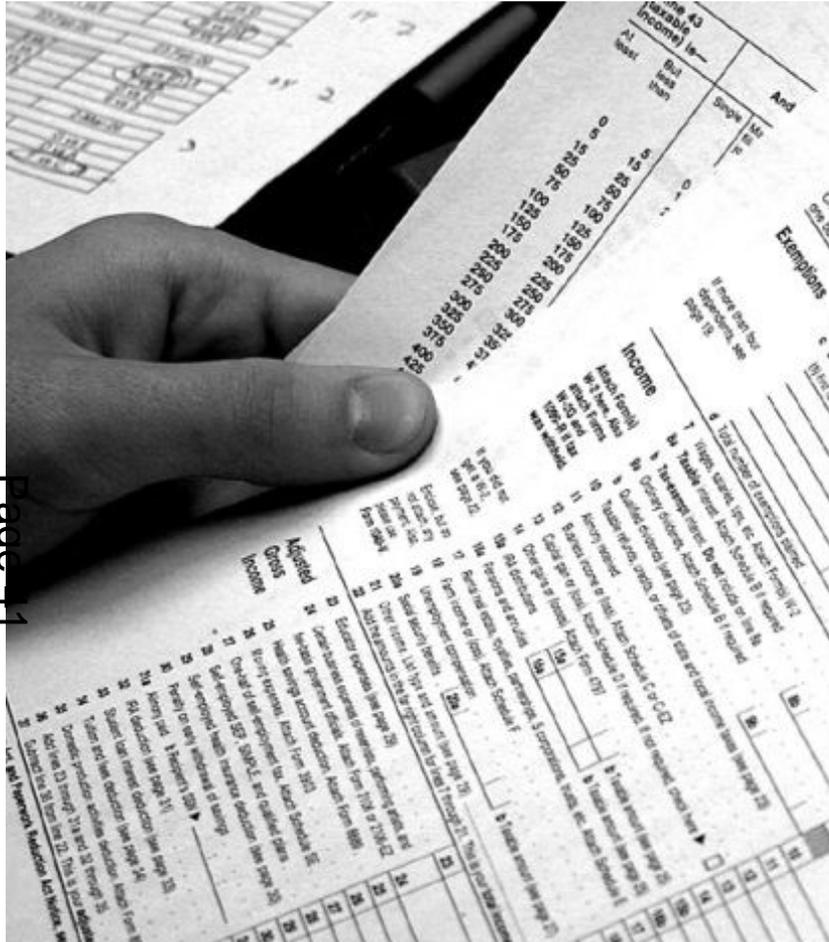
We have determined planning materiality to be £6.572m (PY £6.194m) for the group and £6.194m (PY £5.808m) for the Council, which equates to 2% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £310k (PY £296k).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following risks of focus:

- Assessing the risk of new schemes or complex financial arrangements involving reverse lease premiums
- Delivering grant funded capital schemes
- Governance over the subsidiaries and how the Council assesses the risks arising from the subsidiaries

Introduction and headlines cont.



Audit logistics

Our interim visit will take place in March and our final visit will take place from July to September. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our fee for the council audit is to be confirmed as all 2021/22 fees for Local Government are being discussed by PSAA (PY: £138,581). All fees are subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Further consideration will be given to the approach at the final accounts fieldwork stage.

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Torbay Council	Yes		<ul style="list-style-type: none"> See pages 6-8 	Full scope audit performed by Grant Thornton UK LLP
Torbay Economic Development Company (TEDC) and subsidiaries (TDA group)	Yes		<ul style="list-style-type: none"> TEDC is owned wholly by Torbay Council and has a material PPE balance within their financial statement. 	The nature, time and extent of our involvement in the work of the PPE balance will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of valuer's report and meeting with appropriate members of management.
CSW Group	No		None	Analytical review performed by Grant Thornton UK LLP.
Swisco Limited	No		None	Analytical review performed by Grant Thornton UK LLP.

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Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to significant risks of material misstatement of the group financial statements
- Analytical procedures at group level

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent revenue transactions (ISA240)	Group and Council	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council and the group, we have determined that the risk of material fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none"> • There is little incentive to manipulate revenue recognition • There are adequate controls in place to deter and identify material fraud • The culture and ethical frameworks of local authorities, including Torbay Council, mean that all forms of fraud are seen as unacceptable. 	We do not consider this to be a significant risk for the Council or the group (noting that any fraud in the subsidiaries could not be material to the group)
Risk of fraud related to expenditure recognition PAF Practice Note 10	Group and Council	<p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period)</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to expenditure recognition.</p> <p>we have determined that the risk of material fraud arising from revenue recognition can be rebutted because, per Practice note 10, misstatements may arise where the audited body is under pressure to meet externally set targets. This environment does not exist at the Council or group.</p>	We do not consider this to be a significant risk for the Council or the group (noting that any fraud in the subsidiaries could not be material to the group)

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Group and Council	<ul style="list-style-type: none"> Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. 	<p>We will:</p> <ul style="list-style-type: none"> evaluate the design effectiveness of management controls over journals; analyse the journals listing and determine the criteria for selecting high risk unusual journals; Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; Gain an understanding of the accounting estimates and critical judgements made by management. Consider their reasonableness with regard to corroborative evidence; and Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Valuation of investment properties	Council	<p>The Council revalues its Investment Properties on an annual basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£203.1million per prior year accounts) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2021. We therefore identified valuation of Investment Properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; evaluate the competence, capabilities and objectivity of the valuation expert; write to the valuer to confirm the basis on which the valuation was carried out; challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the valuer's report and the assumptions that underpin the valuation; test revaluations made during the year to see if they had been input correctly into your asset register; and evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	Council and Group	<p>The Council revalues its land and buildings on a rolling five yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Council financial statements is not materially different from the current value or the fair value (for investment properties) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuation was carried out; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the valuer's report and the assumptions that underpin the valuation; • test revaluations made during the year to see if they had been input correctly into your asset register; and • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.
Valuation of the pension fund net liability	Council	<p>Your pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£211 million in your balance sheet) and the sensitivity of the estimate to changes in key assumptions..</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of Devon County Council Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

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Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings, and investment properties
- Depreciation
- Year end provisions and accruals, specifically for demand led services such as Adult's and Children's services
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- MRP considerations
- PFI liabilities

The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

How management understands the degree of estimation uncertainty related to each accounting estimate; and

How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.

We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.

We consider our other duties under legislation and the Code, as and when required, including:

- giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
- issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
- issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Materiality

The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £6.572m (PY £5.922m) for the group and £6.194m (PY £5.808m) for the Council, which equates to x% of your forecast gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £100k for Senior officer remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit Committee

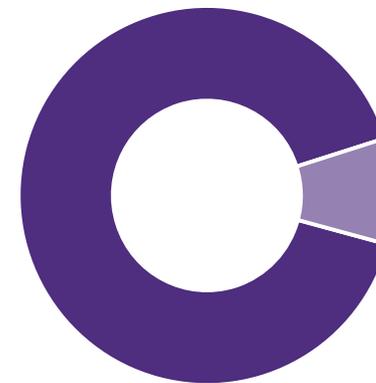
Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £310k (PY £296k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Prior year gross operating costs

£328.6m group

£309.7m Council



Materiality

£6.572m

group financial statements materiality

(PY: £5.922m)

£6.194m

Council financial statements materiality

(PY: £5.808m)

£309.7k

Misstatements reported to the Audit Committee

(PY: £296.1)

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

We are not planning to rely on the operation of application controls. Therefore we will carry out a streamlined ITGC assessment on the IT systems that support the operation of the finance system rather than gaining assurance that the relevant controls of specific systems have been operating effectively throughout the period.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
FIMS	Financial reporting	<ul style="list-style-type: none"> Streamlined ITGC design assessment Understanding of link to feeder systems
OpenRevenue from Civica	Council Tax, Housing Benefits	<ul style="list-style-type: none"> Streamlined ITGC design assessment
ResourceLink from Zellis	Payroll	<ul style="list-style-type: none"> Streamlined ITGC design assessment
Adelante	Income feeds	<ul style="list-style-type: none"> Streamlined ITGC design assessment

Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office (NAO) issued updated guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

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We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.



Audit logistics and team



Paul Dossett, Key Audit Partner

Paul is responsible for the overall delivery of the Audit Plan, covering the totality of our work across the opinion and VFM audits.

This includes liaison with senior officers and attendance at Audit Committee meetings supported by the Manager as required

Oliver Durbin, Audit Manager

Oliver plans, manages and leads the delivery of the audit, is your key point of contact for your finance team and is your first point of contact for discussing any issues arising

Ben Lancaster, Audit Incharge

Ben's role is to assist in planning, managing and delivering the audit fieldwork, ensuring the audit is delivered effectively and efficiently, and is also involved in supervising and co-ordinating the on-site audit team

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of items for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees

PSAA awarded the contract for the audit of Torbay Council. The scale fee agreed in the initial contract was £76,581. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

Across all sectors and firms, the 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, as detailed on page 12 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2021/22 can not be confirmed until the PSAA consultation is complete.

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	Proposed Fee 2020/21	Actual Fee 2020/21	Proposed fee 2021/22
Torbay Council Audit	£138,581	£TBC	£TBC

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of financial statements, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

[The following other services provided by Grant Thornton were identified/ No other services provided by Grant Thornton were identified]

[The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

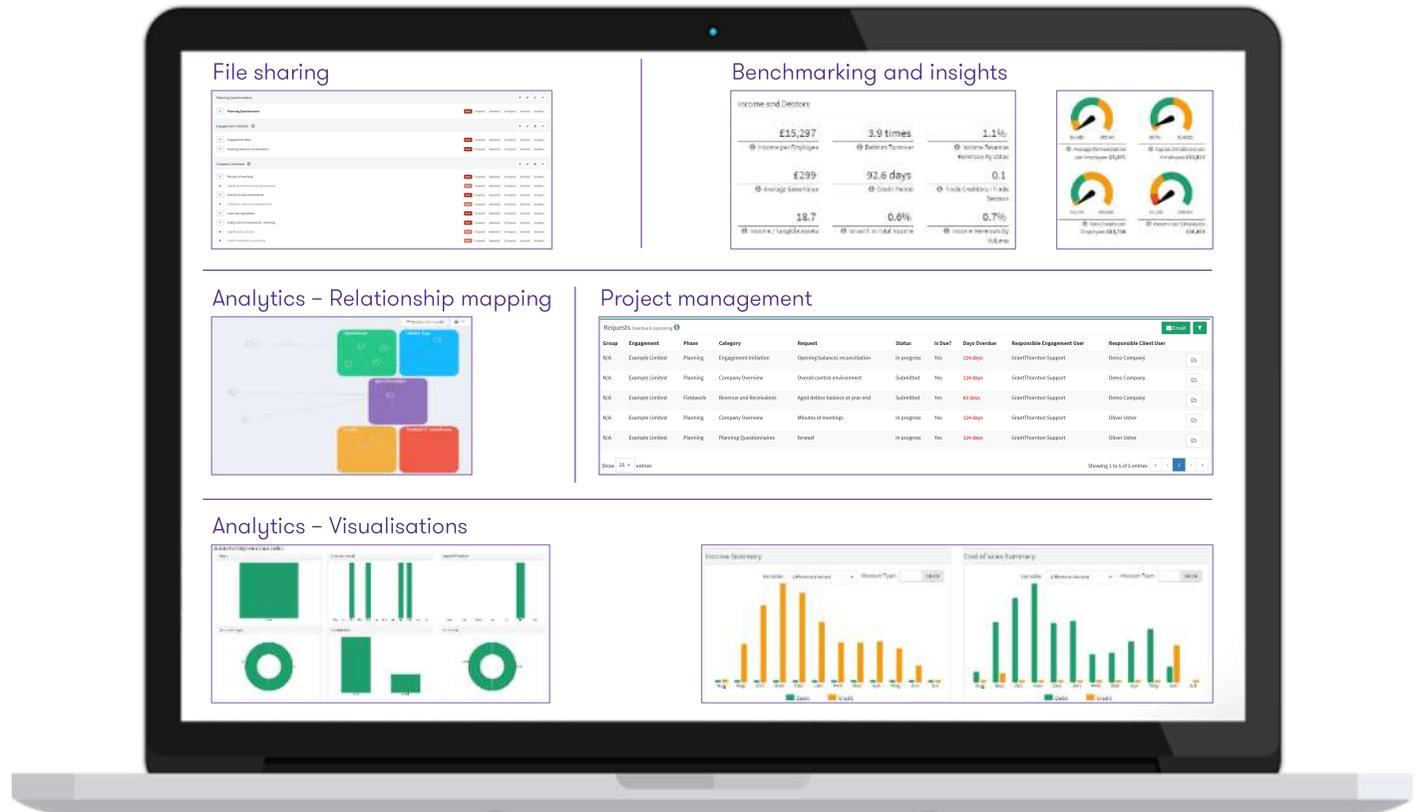
None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Benefit subsidy	£20,250	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £20,250 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Teacher's Pension Scheme	£5,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Harbour audit	£1,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £1,500 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



Project management

- Facilitates oversight of requests
- Access to a live request list at all times



Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

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How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.

Significant improvements from the Financial Reporting Council's (FRC) quality inspection

On 29 October, the 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.

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

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

Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, 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.

Significant improvements from the Financial Reporting Council's (FRC) quality inspection (cont.)

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 an 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.



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INTERNAL AUDIT CHARTER AND STRATEGY

TORBAY COUNCIL

(March 2022)

MISSION

The Mission of Devon Audit Partnership is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight across its partners.

TERMS OF REFERENCE

This document details the **Internal Audit Charter** and **Internal Audit Strategy** for Torbay Council as required by the Public Sector Internal Audit Standards (PSIAS). The Audit Charter formally describes the purpose, authority, and principal responsibilities of the Council's Internal Audit Service, which is provided by the [Devon Audit Partnership \(DAP\)](#), and the scope of Internal Audit work. This Charter complies with the mandatory requirements of the PSIAS. The accompanying Audit Strategy is designed to deliver the requirements outlined in the Charter.

DEFINITIONS

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

The PSIAS set out the requirements of a ‘Board’ and of ‘Senior Management’. For the purposes of the internal audit activity within The Council the role of the Board within the Standards is taken by the Council’s Audit Committee and Senior Management is the Council’s Senior Leadership Team. They also make reference to the role of “Chief Audit Executive”. For the Council this role is fulfilled by the Head of Devon Audit Partnership (HoDAP).



INDEX TO SECTIONS OF THE CHARTER AND STRATEGY

Charter

3. Statutory Requirements and Purpose of Internal Audit
4. Professionalism, Ethics and Independence
6. Authority
7. Accountability
8. Responsibilities
9. Management
10. Internal Audit Plan and Resources
11. Internal Audit Reporting
12. Relationship with the Audit Committee and Non Conformance to the Charter
13. Quality Assurance and Improvement Programme

Strategy

14. Audit Strategy - Purpose
15. Annual Audit Opinion
16. Audit Planning & Delivery
17. Performance Management and Quality Assurance
19. Resources and skills
20. Staff Development and use of MKI

CHARTER - STATUTORY REQUIREMENTS AND PURPOSE OF INTERNAL AUDIT

Statutory Requirements

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state:

5.—(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

In addition, the Local Government Act 1972, Section 151, requires every local authority to designate an officer responsible for the proper administration of its financial affairs. In the Council, the Director of Finance is the 'Section 151 Officer'. One way in which this duty is discharged is by maintaining an adequate and effective internal audit service.

The Purpose and Aim of Internal Audit

The role of Internal Audit is to understand the key risks of the Council, to examine and evaluate the adequacy and effectiveness of the system of risk management and the entire control environment as operated throughout the organisation, and contribute to the proper, economic, efficient and effective use of resources. In addition, the other objectives of the function are to:

- Support the Section 151 Officer to discharge his / her statutory duties
- Contribute to and support the Finance function in ensuring the provision of, and promoting the need for, sound financial systems
- Support the corporate efficiency and resource management processes by conducting value for money and efficiency studies and supporting the work of corporate working groups as appropriate
- Provide a quality fraud investigation service which safeguards public monies.

The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

Internal Audit for the Council is provided by Devon Audit Partnership. We aim to provide a high quality, professional, effective and efficient Internal Audit Service to the Members, directorate areas and service areas of the Council, adding value whenever possible.

CHARTER - PROFESSIONALISM, ETHICS AND INDEPENDENCE

Being Professional

Devon Audit Partnership will adhere to the relevant codes and guidance. In particular, we adhere to the Institute of Internal Auditors' (IIA's) mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the Public Sector Internal Audit Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing within the public sector and for evaluating the effectiveness of Internal Audit's performance. The IIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, Internal Audit will adhere to the Council's relevant policies and procedures and the internal audit manual. Internal Auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not, however, imply infallibility.

Our Ethics

Internal auditors in UK public sector organisations must conform to the Code of Ethics as set out by IIA. This Code of Ethics promotes an ethical culture in the profession of internal auditing. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

The Code of Ethics extends beyond the definition of internal auditing to include two essential components:

1. Principles that are relevant to the profession and practice of internal auditing.
2. Rules of Conduct that describe behaviour norms expected of internal auditors.

The Code of Ethics provides guidance to internal auditors serving others, and applies to both individuals and entities that provide internal auditing services. The Code of Ethics promotes an ethical, professional culture. It does not supersede or replace Codes of Ethics of employing organisations. Internal auditors must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life.

CHARTER - PROFESSIONALISM, ETHICS AND INDEPENDENCE

Being Independent

Internal Audit should be independent of the activities that it audits. The status of Internal Audit should enable it to function effectively. The support of the Council is essential and recognition of the independence of Internal Audit is fundamental to its effectiveness.

The Head of Devon Audit Partnership should have direct access to and freedom to report in his or her own name and without fear or favour to, all officers and members and particularly to those charged with governance (the Audit Committee). In the event of the necessity arising, the facility also exists for Internal Audit to have direct access to the Chief Executive, the S.151 Officer and the Chair of the Audit Committee.

The Council should make arrangements for Internal Audit to have adequate budgetary resources to maintain organisational independence.

The Head of Devon Audit Partnership should have sufficient status to facilitate the effective discussion of audit strategies, audit plans, audit reports and action plans with senior management and members of the Council.

Auditors should be mindful of being independent, and must:

- Have an objective attitude of mind and be in a sufficiently independent position to be able to exercise judgment, express opinions and present recommendations with impartiality;
- Notwithstanding employment by the Partnership / Council, must be free from any conflict of interest arising from any professional or personal relationships or from any pecuniary or other interests in an activity or organisation which is subject to audit;
- Be free from undue influences which either restrict or modify the scope or conduct of their work or significantly affect judgment as to the content of the internal audit report; and
- Not allow their objectivity to be impaired by auditing an activity for which they have or have had responsibility.



CHARTER - AUTHORITY

Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement.

All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities. This is enforced in the Accounts and Audit (England) Regulations 2015 section 5(2-3) that state that: Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit:

- 2) (a) make available such documents and records; and
- 3) supply such information and explanations; as are considered necessary by those conducting the internal audit.
- 3) in this regulation “documents and records” includes information recorded in an electronic form.

In addition, Internal Audit, through the HoDAP, where deemed necessary, will have unrestricted access to:

- The Chief Executive
- Members
- Individual Directors and Heads of Service
- Section 151 Officer
- Monitoring Officer
- All authority employees
- All authority premises.

CHARTER - ACCOUNTABILITY

Devon Audit Partnership is a shared service established and managed via a Partnership Committee and Board with representation from each founding partner. The Partnership operates as a separate entity from the client authorities and Internal Audit is therefore independent of the activities which it audits. This ensures unbiased judgements essential to proper conduct and the provision of impartial advice to management. DAP operates within a framework that allows:

- Unrestricted access to senior management and members;
- Reporting in its own name;
- and Separation from line operations

Every effort will be made to preserve objectivity by ensuring that all audit members of audit staff are free from any conflicts of interest and do not, ordinarily, undertake any non-audit duties.

The HoDAP fulfils the role of Chief Audit Executive at the Authority and will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit activity. The Director of Finance 'Section 151 Officer' will liaise with the HoDAP and is therefore responsible for monitoring performance and ensuring independence.

The HoDAP reports functionally to the Audit Committee on items such as:

- Approving the internal audit charter;
- Approving the risk based internal audit plan and resources;
- Receiving reports from the Head of Devon Audit Partnership on the section's performance against the plan and other matters;
- Approving the Head of Devon Audit Partnership's annual report'
- Approve the review of the effectiveness of the system of internal audit.

The HoDAP has direct access to the Audit Committee, and has the opportunity to meet privately with the Audit Committee.

CHARTER - RESPONSIBILITIES

The Chief Executive, Directors, Heads of Service and other senior officers are responsible for ensuring internal control arrangements are sufficient to address the risks facing their services. The HoDAP will provide assurance to the Director of Finance 'Section 151 Officer' regarding the adequacy and effectiveness of the Council's financial framework, helping meet obligations under the LGA 1972 Section 151.

The HoDAP will provide assurance to the Monitoring Officer in relation to the adequacy and effectiveness of the systems of governance within the Council helping him/her meet his/her obligations under the Local Government and Housing Act 1989 and the Council's Constitution. The HoDAP will also work with the Monitoring Officer to ensure the effective implementation of the Council's Whistleblowing Policy.

Internal Audit responsibilities include:

- Examining and evaluating the soundness, adequacy and application of the Council's systems of internal control, risk management and corporate governance arrangements;
- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- Reviewing the systems established to ensure compliance with policies, plans, procedures and regulations which could have a significant impact on operations;
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Investigating alleged fraud and other irregularities referred to the service by management, or concerns of fraud or other irregularities arising from audits, where it is considered that an independent investigation cannot be carried out by management;
- Appraising the economy, efficiency and effectiveness with which resources are employed and the quality of performance in carrying out assigned duties including Value for Money Studies;
- Working in partnership with other bodies to secure robust internal controls that protect the Council's interests;
- Advising on internal control implications of new systems;
- Providing consulting and advisory services related to governance, risk management and control as appropriate for the organisation; and,
- Reporting significant risk exposures and control issues identified to Audit Committee and to senior management, including fraud risks, governance issues.

CHARTER - MANAGEMENT

The PSIAS describe the requirement for the management of the internal audit function. This sets out various criteria that the HoDAP (as Chief Audit Executive) must meet, and includes:

- Be appropriately qualified;
- Determine the priorities of, deliver and manage the Council's internal audit service through a risk based annual audit plan;
- Regularly liaise with the Council's external auditors to ensure that scarce audit resources are used effectively;
- Include in the plan the approach to using other sources of assurance if appropriate;
- Be accountable, report and build a relationship with the Council's Audit Committee and S.151 Officer; and
- Monitor and report upon the effectiveness of the service delivered and compliance with professional and ethical standards.

These criteria are brought together in an Audit Strategy which explains how the service will be delivered and reflect the resources and skills required.

The HoDAP is required to give an annual audit opinion on the governance, risk and control framework based on the audit work done.

The HoDAP should also have the opportunity for free and unfettered access to the Chief Executive and meet periodically with the Monitoring Officer and S.151 Officer to discuss issues that may impact on the Council's governance, risk and control framework and agree any action required.

CHARTER - INTERNAL AUDIT PLAN AND RESOURCES

At least annually, the HoDAP will submit to the Audit Committee a risk-based internal audit plan for review and approval.

The HoDAP will:

- Develop the annual plan through discussions with Leadership and Heads of Service based on an understanding of the significant risks of the organisation;
- Submit the plan to the Audit Committee for review and agreement;
- Implement the agreed audit plan;
- Maintain a professional audit staff with sufficient knowledge, skills and experience to carry out the plan and carry out continuous review of the development and training needs;
- Maintain a programme of quality assurance and a culture of continuous improvement;

The internal audit plan will include timings as well as budget and resource requirements for the next fiscal year. The Head of internal audit will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.

Internal Audit resources must be appropriately targeted by assessing the risk, materiality and dependency of the Council's systems and processes. Any significant deviation from the approved Internal Audit plan will be communicated through the periodic activity reporting process.

A requirement of the Council's Anti-Fraud and Corruption Strategy is that the HoDAP be notified of all suspected or detected fraud, corruption or impropriety. All reported irregularities will be investigated in line with established strategies and policies. The audit plan will include sufficient resource to undertake proactive anti-fraud work. Internal audit activities will be conducted in accordance with Council strategic objectives and established policies / procedures.

Monitoring of internal audit's processes is carried out on a continuous basis by internal audit management. Council's members and management may rely on the professional expertise of the HoDAP to provide assurance. Periodically, independent review may be carried out: for example, through peer reviews; ensuring compliance with the PSIAS is an essential approach to such a review.

CHARTER - INTERNAL AUDIT REPORTING

The primary purpose of Internal Audit reporting is to provide to management an independent and objective opinion on governance, the control environment and risk exposure and to prompt management to implement agreed actions. Internal Audit should have direct access and freedom to report in their own name and without fear or favour to, all officers and members, particularly to those charged with governance (the Audit Committee).

A written report will be prepared for every internal audit project and issued to the appropriate manager accountable for the activities under review. Reports will include an 'opinion' on the risk and adequacy of controls in the area that has been audited, which, together, will form the basis of the annual audit opinion on the overall control environment.

The aim of every Internal Audit report should be to:

- Give an opinion on the risk and controls of the area under review, building up to the annual opinion on the control environment; and
- Recommend and agree actions for change leading to improvement in governance, risk management, the control environment and performance.

The Manager will be asked to respond to the report within 30 days, although this period can be extended by agreement.

The response must show what actions have been taken or are planned in relation to each risk or control weakness identified. If action is not to be taken, this must also be stated. The HoDAP is responsible for assessing whether the manager's response is adequate.

Where deemed necessary, the Internal Audit report will be subject to a follow-up, normally within six months of its issue, in order to ascertain whether the action stated by management in their response to the report has been implemented.

The HoDAP will:

- Submit periodic reports to the Audit Committee summarising key findings of reviews and the results of follow-ups undertaken;
- Submit an Annual Internal Audit Report to the Audit Committee, incorporating an opinion on the Council's control environment. This will also inform the Annual Governance Statement.



CHARTER - RELATIONSHIP WITH THE AUDIT COMMITTEE, AND NON CONFORMANCE TO THE CHARTER

The Council's Audit Committee will act as "the Board" as defined in the Public Sector Internal Audit Standards (PSIAS), The Specific Functions of the Audit Committee are set out in the Council's Constitution (Part 2 Article 9 – Audit Committee).

The HoDAP will assist the Committee in being effective and in meeting its obligations. To facilitate this, the HoDAP will:

- Attend meetings, and contribute to the agenda;
- Ensure that it receives, and understands, documents that describe how Internal Audit will fulfil its objectives (e.g. the Audit Strategy, annual work programmes, progress reports);
- report the outcomes of internal audit work, in sufficient detail to allow the committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address;
- establish if anything arising from the work of the committee requires consideration of changes to the audit plan, and vice versa;
- present an annual report on the effectiveness of the system of internal audit; and
- present an annual internal audit report including an overall opinion on the governance, risk and control framework

Any instances of non conformance with the Internal Audit Definition, Code of Conduct or the Standards must be reported to the Audit Committee, and in significant cases consideration given to inclusion in the Annual Governance Statement.

The Head of Devon Audit Partnership will advise the Audit Committee on behalf of the Council on the content of the Charter and the need for any subsequent amendment. The Charter should be approved and regularly reviewed by the Audit Committee.

CHARTER - QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

The PSIAS states that a quality assurance and improvement programme must be developed; the programme should be informed by both internal and external assessments.

An external assessment must be conducted at least once in five years by a suitably qualified, independent assessor. For DAP this was recently conducted at the end of 2021 by the Head of Southwest London Audit Partnership, and the Chief Internal Auditor of Orbis (a partnership organisation covering Brighton and Hove, East Sussex, and Surrey County Council).

The assessment result was that *“Based on the work carried out, it is our overall opinion that DAP generally conforms* with the Standards and the Code of Ethics”*.

The report noted that *“As a result of our work, a small number of areas where partial conformance was identified. These were minor observations, none of which were significant enough to affect the overall opinion”*. DAP is actively addressing these improvement areas.

* **Generally Conforms** – This is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards

AUDIT STRATEGY - PURPOSE

The PSIAS require the HoDAP to produce an Audit Charter setting out audits purpose, authority and responsibility. We deliver this through our Audit Strategy which:

- Is a high-level statement of how the internal audit service will be delivered and developed in accordance with the Charter and how it links to the organisational objectives and priorities;
- Should be approved, but not directed, by the Audit Committee.
- Will communicate the contribution that Internal Audit makes to the organisation and should include:
 - Internal audit objectives and outcomes;
 - How the HoDAP will form and evidence his opinion on the governance, risk and control framework to support the Annual Governance Statement;
 - How Internal Audit's work will identify and address significant local and national issues and risks;
 - How the service will be provided, and
 - The resources and skills required to deliver the Strategy.

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The Strategy should be kept up to date with the organisation and its changing priorities.



AUDIT STRATEGY - OPINION ON THE GOVERNANCE, RISK AND CONTROL FRAMEWORK

A key objective of Internal Audit is to communicate to management an independent and objective opinion on the governance, risk and control framework, and to prompt management to implement agreed actions.

Significant issues and risks will be brought to the attention of the S.151 Officer as and when they arise. Regular formal meetings will be held to discuss issues arising and other matters.

The HoDAP will report progress against the annual audit plan and any emerging issues and risks to the Audit Committee. The HoDAP will also provide a written annual report to the Audit Committee, timed to support their recommendation to approve the Annual Governance Statement, to the Council.

The Head of Devon Audit Partnership's annual report to the Audit Committee will:

- Provide an opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework;
- Disclose any qualifications to that opinion, together with the reasons for the qualification;
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance streams;
- Draw attention to any issues the HoDAP judges particularly relevant to the preparation of the Annual Governance Statement;
- Compare audit work actually undertaken against the work that was planned and summarise the performance of the internal audit function against its performance measures and targets; and
- Comment on compliance with the Public Sector Internal Audit Standards and communicate the results of the internal audit quality assurance programme.

AUDIT STRATEGY - PLANNING & AUDIT DELIVERY

INCLUDING LOCAL AND NATIONAL ISSUES AND RISKS

The audit planning process includes the creation of and ongoing revision of an “audit universe”. This seeks to identify all risks, systems and processes that may be subject to an internal audit review.

The audit universe will include a risk assessment scoring methodology that takes account of a number of factors including: the Council’s own risk score; value of financial transactions; level of change, impact on the public; political sensitivity; when last audited; and the impact of an audit. This will inform the basis of the resources allocated to each planned audit area.

The results from the audit universe will be used in creating an annual audit plan; such a plan will take account of emerging risks at both local and national level.

Assignment Planning & Delivery

Further planning and risk assessment is required at the commencement of each individual audit assignment to establish the scope of the audit and the level of testing required.

The primary objective of the audit is to provide management with an independent opinion on the risk and control framework through individual audits in the audit plan. Individual audits will be completed using our methodology in our Audit Manual to the standards set by PSIAS, to independently evaluate the effectiveness of internal controls. Our audit assignment report will communicate our opinion and include agreed management action, where required, to improve the effectiveness of risk management, control and governance processes.

AUDIT STRATEGY - PERFORMANCE MANAGEMENT AND QUALITY ASSURANCE

The PSIAS state that the HoDAP should have in place an internal performance management and quality assurance framework; this framework must include:

- A comprehensive set of *targets to measure performance*. These should be regularly monitored and the progress against these targets reported appropriately;
- Seeking *user feedback* for each individual audit and periodically for the whole service;
- A periodic review of the service against the Strategy and the achievement of its aims and objectives. The results of this should inform the future Strategy and be reported to the Audit Committee;
- Internal quality reviews to be undertaken periodically to ensure compliance with the PSIAS and the Audit Manual (self-assessment);
- and
- An action plan to implement improvements.

The PSIAS and the Internal Audit Manual state that internal audit performance, quality and effectiveness should be assessed for each individual audit; and for the Internal Audit Service as a whole. The HoDAP will closely monitor the performance of the team to ensure agreed targets are achieved. A series of performance indicators have been developed for this purpose (please see the following pages).

Customer feedback is also used to define and refine the audit approach. Devon Audit Partnership will seek feedback from: auditees; senior leadership; and executive management. The results from our feedback will be reported to Senior Management and the Audit Committee in the half year and annual reports.

The HoDAP is expected to ensure that the performance and the effectiveness of the service improves over time, in terms of both the achievement of targets and the quality of the service provided to the user.

AUDIT STRATEGY - PERFORMANCE MANAGEMENT AND QUALITY ASSURANCE

Performance Indicator	Full year target
Percentage of Audit Plan completed	90%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%
Draft reports produced with target number of days (currently 15 days)	90%
Final reports produced within target number of days (currently 10 days)	90%

Internal Audit
Performance
Monitoring
Targets

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Task	Performance measure
Agreement of Annual audit plan	Agreed by Chief Executive, Leadership Team and Audit Committee prior to start of financial year
Agreement of assignment brief	Assignment briefs are agreed with and provided to auditee at least two weeks before planned commencement date.
Undertake audit fieldwork	Fieldwork commenced at agreed time
Verbal debrief	Confirm this took place as expected; was a useful summary of the key issues; reflects the findings in the draft report.
Draft report	Promptly issued within 15 days of finishing our fieldwork. Report is "accurate" and recommendations are both workable and useful.
Draft report meeting (if required)	Such a meeting was useful in understanding the audit issues
Annual internal audit report	Prepared promptly and ready for senior management consideration by end of May. Report accurately reflects the key issues identified during the year.
Presentation of internal audit report to Management and Audit Committee.	Presentation was clear and concise. Presented was knowledgeable in subject area and able to answer questions posed by management / members.
Contact with the audit team outside of assignment work.	You were successfully able to contact the person you needed, or our staff directed you correctly to the appropriate person. Emails, letters, telephone calls are dealt with promptly and effectively.

Other indicators measured as part of the audit process that will be captured and reported to senior management

AUDIT STRATEGY - RESOURCES AND SKILLS

The PSIAS and the Audit Manual states that:

- Internal Audit must be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its responsibilities and objectives, or have access to the appropriate resources;
- The Internal Audit service shall be managed by an appropriately qualified professional with wide experience of internal audit and of its management; and
- The Chief Audit Executive (Head of Devon Audit Partnership) should be of the calibre reflecting the responsibilities arising from the need to liaise with members, senior management and other professionals, and be suitably experienced.

DAP currently has c.40 staff who operate from any one of our three main locations (Plymouth, Torquay and Exeter), we also operate from offices at Torrington DC (Bideford), Mid Devon DC (Tiverton) and South Hams/West Devon Councils (Totnes). The Partnership employs a number of specialists in areas such as Computer Audit, Contracts Audit and Counter Fraud Investigators as well as a mix of experienced, professionally qualified and non-qualified staff.

The Partnership draws on a range of skilled staff to meet the audit needs. Our current staff includes: -

- 4 x Chartered Accountants
- 7 x qualified IIA (CMIIA and PIIA)
- 1 x qualified computer audit (QICA & CISA)
- 1 x risk management (IRM)
- 10 x AAT (qualified and part qualified)
- 6 x ACFS / ACFT (accredited counter fraud specialists)
- 5 x ILM (Institute of Leadership & Management) level 5 or above
- 5 Apprentices (Finance, Data Analyst, IIA, Business Admin)

AUDIT STRATEGY - STAFF DEVELOPMENT AND TRAINING AND USE OF MK AUDIT

Staff Skills and Development

Devon Audit Partnership management assess the skills of staff to ensure the right people are available to undertake the work required.

Staff keep up to date with developments within internal audit by attending seminars, taking part in webinars and conferences, attending training events and keeping up to date on topics via websites and professional bodies. Learning from these events helps management to ensure they know what skills will be required of our team in the coming years, and to plan accordingly.

Devon Audit Partnership follows formal appraisal processes that identify how employees are developing and create training and development plans to address needs.

Internal Audit Software System

Devon Audit Partnership uses Pentana MK as an audit management system. This system allows Partnership management to effectively plan, deliver and report audit work in a consistent and efficient manner. The system provides a secure working platform and ensures confidentiality of data. The system promotes mobile working, allowing the team to work effectively at client locations or at remote locations should the need arise.

Internal Audit

Internal Audit Plan 2022-23

Torbay Council
Audit Committee

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March 2022

Not Protectively Marked

CUSTOMER
SERVICE
EXCELLENCE



Robert Hutchins
Head of Devon Audit Partnership

Auditing for achievement

Agenda Item 8

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<p>Devon Audit Partnership</p> <p>The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Torridge, Mid Devon, North Devon, South Hams, West Devon, 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@devon.gov.uk</p>	<p>Confidentiality and Disclosure Clause</p> <p>This report is protectively marked in accordance with the government security classifications. 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>
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Introduction

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) which set out the requirements of a 'Board' and of 'senior management'. For the purposes of the internal audit activity within the Council the role of the Board within the Standards is taken by the Council's Audit Committee and senior management is the Council's Senior Leadership Team. The Audit Committee, under its Terms of Reference contained in the Council's Constitution, is required to review and approve the Internal Audit Plan to provide assurance to support the governance framework (see appendix 2).

This Council's Internal Audit Charter formally describes the purpose, authority, and principal responsibilities of the Council's Internal Audit Service, which is provided by the Devon Audit Partnership (DAP) as represented in the audit framework at appendix 1, and the scope of Internal Audit work. The PSIAS make reference to the role of "Chief Audit Executive". For the Council this role is fulfilled by the Head of Devon Audit Partnership.

The chief audit executive is responsible for developing a risk-based plan which takes into account the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation as represented in appendix 3.

The audit plan represents the proposed internal audit activity for the year and an outline scope of coverage. At the start of each audit the scope is discussed and agreed with management with the view to providing management, the Chief Finance Officer (Section 151) and members with assurance on the control framework to manage the risks identified. The plan will remain flexible, and any changes will be agreed formally with management and reported to Audit Committee.

Expectations of the Audit Committee for this annual plan

Audit Committee members are requested to consider:

- the annual governance framework requirements,
- the basis of assessment of the audit work in the proposed plan,
- the resources allocated to meet the plan,
- proposed areas of internal audit coverage in 2022/23.

In review of the above the Audit Committee are required to consider the proposed audit plan.

Robert Hutchins
Head of Audit Partnership

High Level Audit Plan

This chart shows a summary of planned audit coverage for the year totalling 761 direct days (797 including 36 days for Schools). It should be borne in mind that, in accordance with the Public Sector Internal Audit Standards, the plan needs to be flexible to be able to reflect and respond to the changing risks and priorities of the Council and, to this end, it will be regularly reviewed with directorates, and updated as necessary, to ensure it remains valid and appropriate.

There has been a growing trend in the sector towards more flexible audit plans to enable internal audit to be more agile and responsive to changing risks. The ongoing Covid-19 responses have highlighted the needs and benefits of this approach, with a significant number of in-year changes having been made to the 2021/22 audit plan.

As outlined in Appendix 3 to this report, the Audit Plan is drawn up considering various factors including risks to the Council and the views of Directors and Senior Officers. Detailed terms of reference will be drawn up and agreed with management prior to the start of each assignment – in this way we can ensure that the key and current risks to the operation or function are considered during our review.

As we progress through the year, any changes to the audit plan will be agreed by the s151 officer and are notified to the Audit Committee via our six-monthly monitoring reports.

A brief overview of proposed audits is provided in the following schedule.

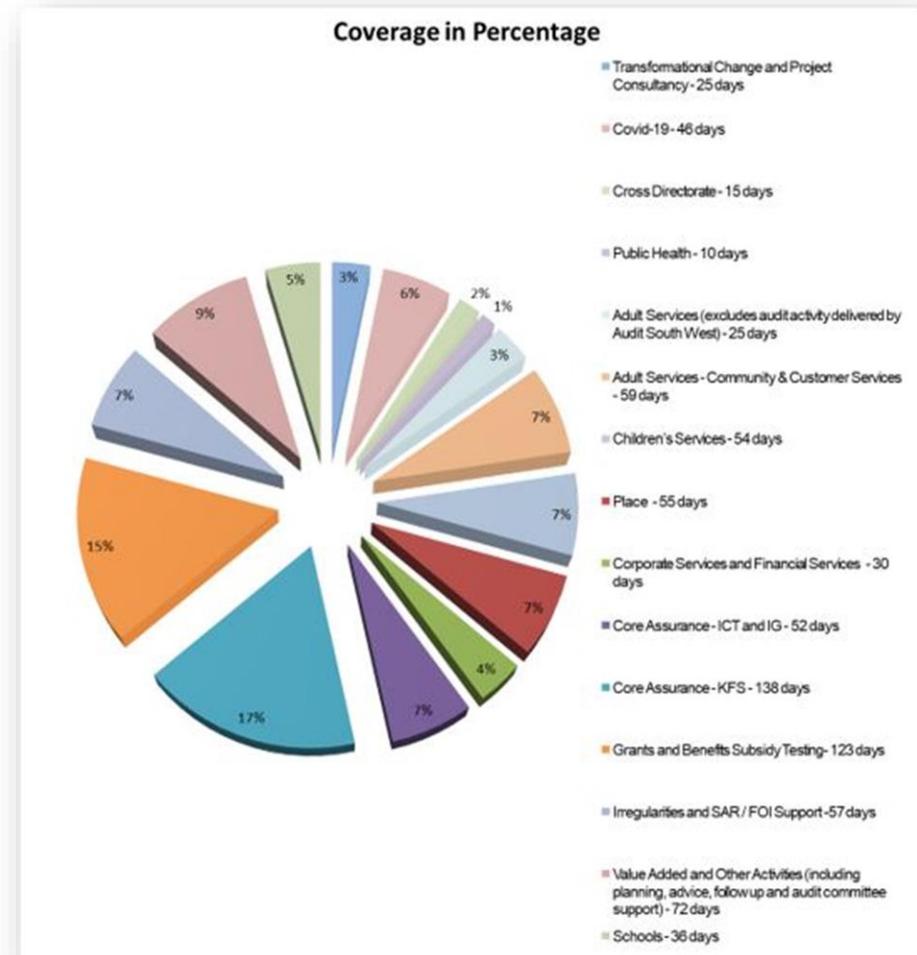
Colleagues at Mazars undertake an annual review of emerging risks that could be considered when preparing Local Government Internal Audit Plans. Whilst not all organisations are in the same place in terms of how they respond to risk, the document provides a useful reference source for Auditors, Senior Management and Audit Committee Members as they consider what items should be included in the Annual Internal Audit plan. Please see the link below from which the report can be downloaded.

[Risk in the public and social sector - horizon scanning - Mazars - United Kingdom](#)

In addition to the Mazars document we regularly review wider risk information to help inform our Internal Audit Plans. Recently both the Institute of Internal Auditors (IIA) and the World Economic Forum have produced documents linked to global, national, and regional risks, many of which are relevant to the services delivered by Local Authorities. These can be found using the following links should you wish to view them.

[FINAL-Risk-in-Focus-2022-V11.pdf \(ecija.eu\)](#)

[Global Risks Report 2022 | World Economic Forum \(weforum.org\)](#)



Service Area Overview of Audit Coverage

Service Area Overview of Audit Coverage							Business Projects & Value Added
Adult Services	Adult Services Community & Customer Services	Public Health	Children's Services	Corporate Services & Financial Services	Place		
Commissioning / Performance Management – Young Devon	Housing Options Housing (including cross Council joint working)	0 – 19 Service Commissioning and Performance Management	Fostering and Connected Carers Sufficiency Strategy	Capital Programme Risk Management (Assurance Mapping)	Housing Companies Tor Bay Harbour Authority Climate Change SWISCo (client role / management)	Business Improvement and Change Information Governance Steering Group Irregularity Prevention and Investigation Subject access and freedom of information requests Advice Audit Follow Up Schools incl. Financial Value Standard	
Adult Social Care Precept Use	Vulnerable Renters		Higher Needs/SEND				
Adult Social Care Client Debt	Health & Safety		Quality Assurance and Audit Frameworks				
ASW Assurance <i>The Director of Adult Services works with ASW Assurance to devise an audit plan covering Adult Services delivered by the Trust.</i>	Covid-19 Household Support Grant Omicron Grant CT Rebate Covid Additional Relief Fund		Recruitment, Retention and Learning Academy				
Core Assurance	Business Processes & Governance – Cross Directorate Service Delivery Interdependencies and related Improvement Plans (Adult Services, Children's Services and Public Health), Commissioning and Performance Monitoring, Grant Certification, and Audit Assurance Planning and Reporting						
	Key Financial Systems – Payroll, IBS Sys Admin, Creditors & Electronic Ordering, FIMS Sys Admin, Debtors & Corporate Debt, Benefits & Council Tax Support Scheme, Income Collection, Asset Register, Council Tax & Non-Domestic Rates, General Ledger & Bank Reconciliation, Treasury Management						
	ICT – Cyber Essentials, Change Management, Incident and Problem Management, Information Governance – Data Quality and Records Management, ICT Continuity and Disaster Recovery (arrangements for key systems)						

The diagram shows the thematic approach to the elements proposed for audit coverage in the coming year as identified through risk assessment and discussion with Senior Management. This overview is supported by the detailed plans, by theme, from page 4.

Proposed audit reviews

* Whilst audit area titles are detailed below, our practice is to agree detailed scopes closer to the actual timing of the audits.

Risk Area / Audit Entity *	Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Timing
		Quarter
Business Improvement and Change and Project Consultancy		
Business Improvement and Change Programme - project 'trusted advisor' including review of <ul style="list-style-type: none"> ○ Council Redesign Programme (including sub-projects such as Customer Relationship Management / Open Portal) ○ Children's Services (including CS IT Systems Board) ○ Digitalisation ○ S106 & CIL System Implementation ○ Other emerging projects as required 	ANA – critical	1-4
Covid-19		
Household Support Grant	ANA – high, client request (s151)	1
Omicron Grants	ANA – high, client request (s151)	1
CTAX rebate (band A to D) and discretionary scheme (band E and higher)	ANA – high, client request (s151)	1
Covid Additional Relief Fund (CARF) Scheme	ANA – high, client request (s151)	1
Other Directorate Areas (excluding Business Improvement and Change and project consultancy)		
Cross Directorate		
Service Delivery Interdependencies and related Improvement Plans (Adult Services, Children's Services and Public Health)	ANA – high, client request	2
Public Health		
0 – 19 Service Commissioning and Performance Management	ANA – high, client request	1
Adult Services		
Commissioning and Performance Management (direct contract management – Young Devon Contract)	ANA – medium, client request	1
Adult Social Care Precept Use (procurement and spend framework)	ANA – high, client request (s151)	2
Adult Social Care Client Debt (monitoring of commissioned function)	ANA – high, client request (s151)	3

Risk Area / Audit Entity *	Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Timing
		Quarter
The Director of Adult Services is working with colleagues at ASW Assurance to devise an audit plan that meets key risks / challenges regarding services delivered by the Trust.	Audit areas to be notified and agreed by the Director of Adult Services Audit Plan to be approved at TSDFT's Audit Committee	
Adult Services – Community and Customer Services		
Housing Options (focussed on Temporary Accommodation)	ANA – high, client request	3
Vulnerable Renters (use of Homelessness Prevention grant and other grants)	ANA – high, client request (s151)	2
Housing (including cross council joint working and an element of trusted advisor role)	ANA - medium	4
Health & Safety	ANA - high	4
Children's Services		
Fostering and Connected Carers	ANA – medium	3
Quality Assurance and Audit Frameworks	ANA – high, client request (s151)	2
Recruitment, Retention and Learning Academy	ANA – medium, client request (s151)	2
Sufficiency Strategy Progress	ANA – high, client request (s151)	2
Higher Needs Block / SEND Progress	ANA – high, client request	2
School Financial Value Standard (SFVS)	n/a	1
Schools	Service bought by Schools – summary of findings provided in relation to Authority Controlled Schools	n/a
Place		
Housing Companies (client role / management)	ANA – high	2
Tor Bay Harbour Authority	ANA - medium	2
Climate Change (cross partner audit)	ANA – high	4
SWISCo (client role / management)	ANA – high	3

Risk Area / Audit Entity *	Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Timing
		Quarter
Corporate Services and Finance		
Capital Programme (focussed on Town Deal and Future High Streets)	ANA – medium, client request	4
Risk Management - Assurance Mapping (DAP development of an Assurance Map for the Council, specifically the Senior Leadership Team, Audit Committee, and the Performance & Risk Team) **, i.e., consultatively involving the Performance and Risk Team	ANA – medium, (consultancy)	2
<p>**An assurance map brings an organisations risk appetite to life. At the same time as highlighting assurance gaps, it also shows where there is duplication or too much assurance. It is a simple way of aligning assurance resource, risk, and internal control. It improves awareness of the control environment by looking across the organisation rather than at individual reports which can lead to siloed thinking. It drives positive behaviours by enabling robust discussions about risk, educating on the value of assurance and aiding collaboration between functions. Collectively, the assurance community of an organisation often has a more powerful voice when it works together; an assurance map is a practical platform benefiting all parties. It also supports Public Sector Internal Audit Standards (PSIAS) Performance Standard 2050. [Chartered Institute of Internal Auditors Mapping assurance to support the audit committee COVID-19 guidance COVID-19 policy IIA]</p>		
Core Assurance – ICT and IG		
Cyber Essentials	ANA - high	2
Change Management	ANA – high	4
Incident and Problem Management	ANA – high	3
ICT KFS (including Continuity and Disaster Recovery arrangements for key systems) (cross partner audit)	ANA - high	1
Information Governance – Data Quality and Records Management	ANA - high	2
Information Governance Steering Group	ANA – high, client request	1-4
Core Assurance – Key Financial Systems and Grant Certification		
General Ledger (Main Accounting System) and Bank Reconciliation	ANA – medium	3
Creditors & Electronic Ordering (POP)	ANA – high	3
Debtors and Corporate Debt	ANA – high	4
FIMS Sys Admin (follow up audit)	ANA – high	1
Asset Register (follow up audit)	ANA – medium	1
Treasury Management (follow up audit)	ANA – medium	1
Income Collection (follow up audit)	ANA – medium	2

Risk Area / Audit Entity *	Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Timing
		Quarter
Payroll	ANA – high	4
Benefits and CTAX Support Scheme	ANA – high	2
Council Tax and Non-Domestic Rates	ANA – medium	3
IBS Open Sys Admin	ANA – high	1
A rolling programme of audits is adopted for material systems whereby although the overall planned days is likely to remain stable each year, the work programmes may differ, with each audit having varying amounts of system review, testing or a combination of the two, or follow up of the previous year's audit findings. This approach enables us to deliver a more cost-effective service, whilst providing enough assurance as to the adequacy of the Authority's material system control environment.		
Grant Certification	ANA – client request	n/a
Benefits Subsidy		2-3
Value Added and Other Activities		
Irregularity Prevention and Investigation ***	business driven requirement, client request	n/a
Subject access and freedom of information requests		n/a
Advice		n/a
Audit Follow Up ****		3
Other activities (including audit planning and annual plan report; support for audit committee; 6 month and annual monitoring reports; support for the preparation of the AGS; attendance at corporate meetings; external audit liaison etc.)		n/a

Risk Assessment Key

SRR / ORR – Local Authority Strategic or Operational Risk Register reference
 ANA - Audit Needs Assessment risk level

***To note, the time spent on irregularities in 2021-22 was more than 54 days. Should this be the case during 2022-23 then there will be a need to either revisit the audit plan and redirect resources or commission further internal audit days. In such instances in previous years, the s151 Officer and Director of Corporate Services have made these decisions.

****To note, this activity is currently being evolved to link with the Council's new Performance and Risk Management arrangements.

Fraud Prevention and Detection and Internal Audit Governance

Fraud Prevention and Detection and the National Fraud Initiative

Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. Internal Audit will continue to investigate instances of potential fraud and irregularities as requested by the Financial, Ethics and Probity (FEP) Group, and will also carry out pro-active anti-fraud and corruption testing of systems considered to be most at risk to fraud as directed by FEP. In recognition of the guidance in the Fraud Strategy for Local Government “Fighting Fraud Locally”, and the TEICCAF (The European Institute for Combatting Crime and Fraud) publication “Protecting the English Public Purse 2016”. Internal Audit will liaise with the Council’s Corporate Fraud Officer, to enable resource to be focussed on identifying and preventing fraud before it happens. Additionally, new guidance introduced by CIPFA, in their ‘Code of practice on managing the risk of fraud and corruption’, and also the Home Office ‘UK Anti-Corruption Plan’, will further inform the direction of counter-fraud arrangements going forwards.

The Cabinet Office runs a national data matching exercise (The National Fraud Initiative - NFI). Whilst the main NFI exercise is run every two years, with 2022-23 being an ‘off-year’, the Council are continuing to review data matches that were generated by the 2020-21 NFI exercise. There are further Covid 19 Business Grant data matches expected by the end of March 2022 which will require processing during the next financial year. The Council will also need to supply Council Tax (CT) and Electoral Registration (ER) data to the Cabinet Office towards the end of 2022 as part of the annual CT / ER NFI exercise.

Internal Audit Governance

One element of our work is classified as “other chargeable activities” – this is work that ensures effective and efficient services are provided to the Council and the internal audit function continues to meet statutory responsibilities. In some instances, this work will result in a direct output (i.e., an audit report) but in other circumstances the output may simply be advice or guidance. Some of the areas that this may cover include: -

- Preparing the internal audit plan and monitoring implementation,
- Preparing and presenting monitoring reports to Senior Management and the Audit Committee,
- Assistance with the Annual Governance Statement,
- Liaison with other inspection bodies (e.g., Grant Thornton),
- Corporate Governance - Over recent years Internal Audit has become increasingly involved in several corporate governance and strategic issues, and this involvement is anticipated to continue,
- On-going development within the Partnership to realise greater efficiencies in the future.

Partnership working with other auditors

We will continue to work towards the development of effective partnership working arrangements between ourselves and other audit agencies where appropriate and beneficial. We participate in a range of internal audit networks, both locally and nationally, which provide for a beneficial exchange of information and practices. This often improves the effectiveness and efficiency of the audit process, through avoidance of instances of “re-inventing the wheel” in new areas of work which have been covered in other authorities.

The most significant partnership working arrangement that we currently have with other auditors continues to be that with the Council’s external auditors (Grant Thornton) and ASW Assurance (Internal Audit for NHS).

Appendix 1 - Audit Framework

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state: “A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards (PSIAS) or guidance”.

DAP, through external assessment, demonstrates that it meets the Public Sector Internal Audit Standards (PSIAS).

The Standards require that the Chief Audit Executive must “establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”. When completing these plans, the Chief Audit Executive should take account of the organisation’s risk management framework. The plan should be adjusted and reviewed, as necessary, in response to changes in the organisation’s business, risk, operations, programs, systems and controls. The plan must take account of the requirement to produce an internal audit opinion and assurance framework.

This audit plan has been drawn up, therefore, to enable an opinion to be provided at the end of the year in accordance with the above requirements.



We will seek opportunity for shared working across member authorities. In shared working Devon Audit Partnership will maximise the effectiveness of operations, sharing learning & best practice, helping each authority develop further to ensure that risk remains suitably managed.

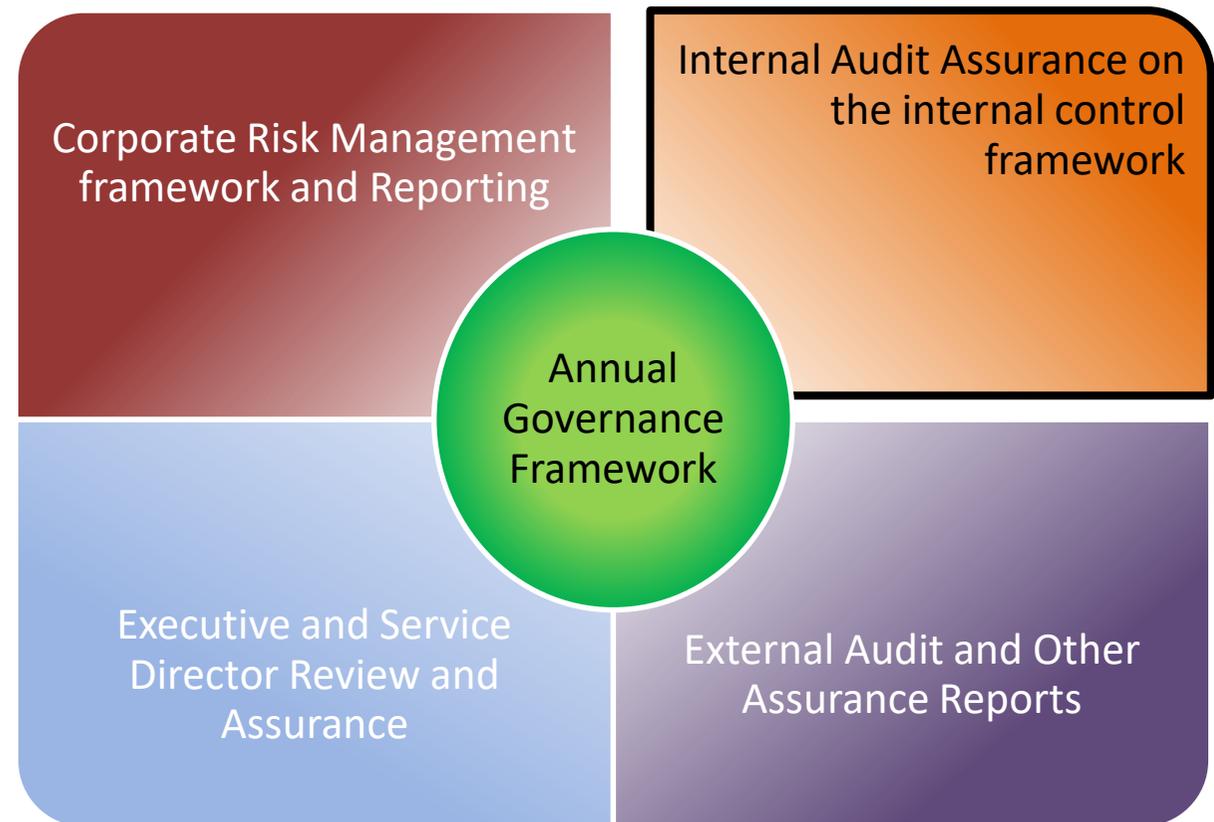
Appendix 2 - Annual Governance Framework Assurance

The Annual Governance Statement 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 the Mayor,
- 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 is 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's recently revised International Framework – Good Governance in the Public Sector. If not, a statement is required stating how other arrangements provide the same level of assurance.



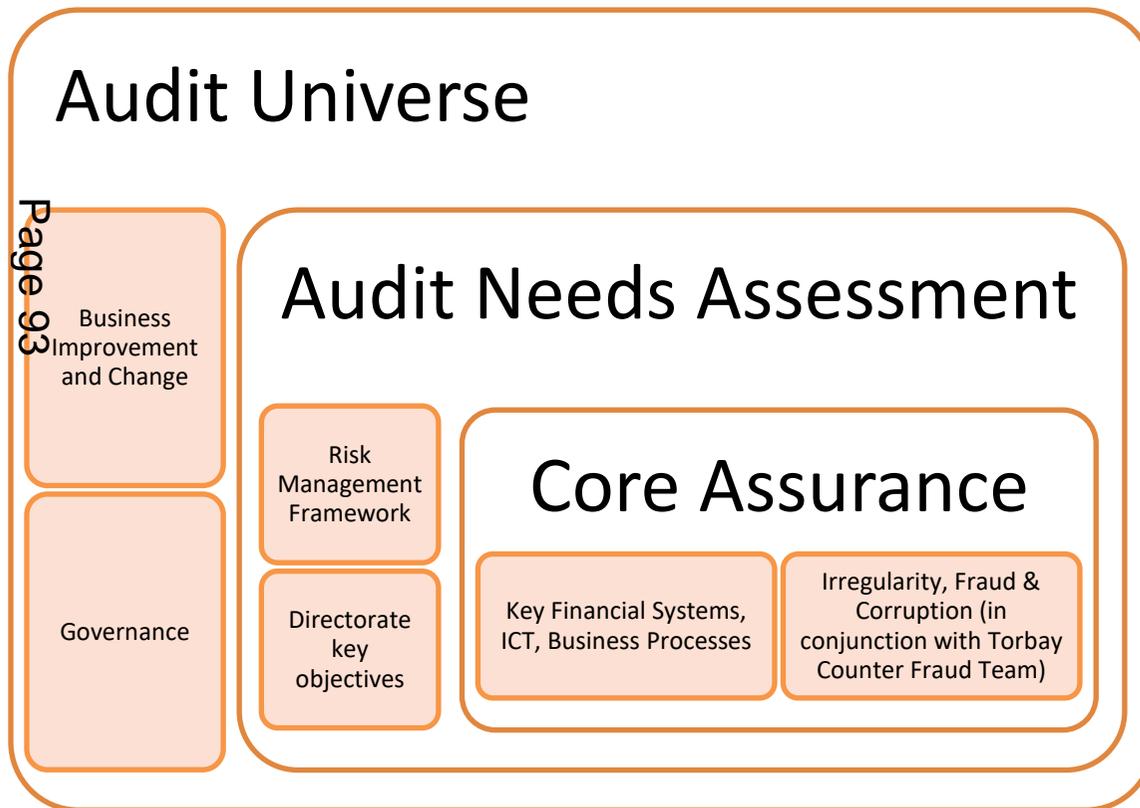
The AGS needs to be presented to, and approved by, the Audit Committee, and then signed by the Chair.

The Committee should satisfy themselves, from the assurances provided by the Annual Governance process, SLT, Internal Audit, and other assurance providers (e.g., ASW Assurance) that the statement meets statutory requirements.

Appendix 3 - Audit Needs Assessment

We employ a risk-based priority audit planning tool to identify those areas where audit resources can be most usefully targeted. This involves scoring a range of systems, services and functions across the whole Authority, known as the “Audit Universe” using a number of factors/criteria. The final score, or risk factor for each area, together with a priority ranking, then determines an initial schedule of priorities for audit attention.

The result is the Internal Audit Plan set out earlier in this report.



The audit plan for the year plan has been created by:

Consideration of risks identified in the Authority's strategic and operational risk registers

Review and update of the audit universe

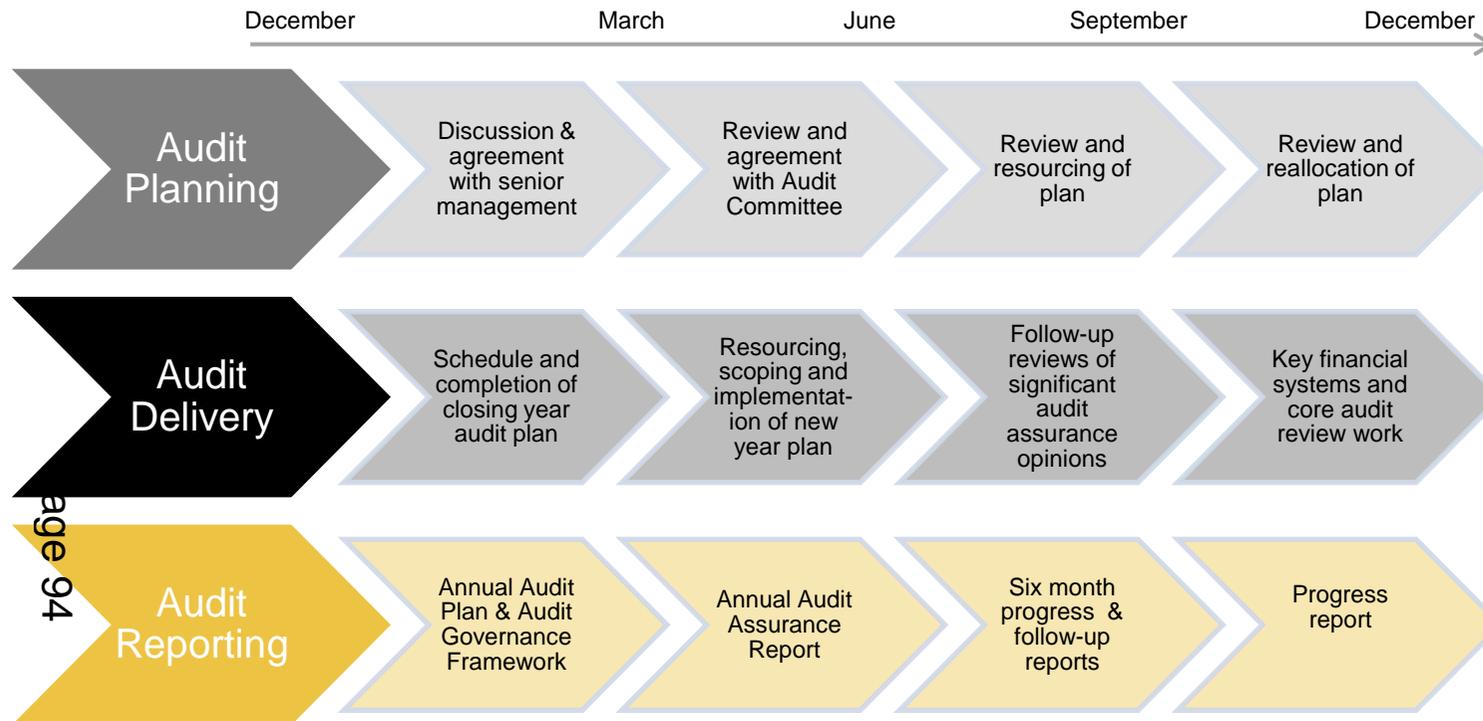
Discussions and liaison with Directors and Senior Officers regarding the risks which threaten the achievement of corporate or service objectives, including changes and / or the introduction of new systems, operations, programs, and corporate initiatives

Taking into account results of previous internal audit reviews

Taking into account Internal Audit's knowledge and experience of the risks facing the Authority, including factors and systems that are key to successful achievement of the Council's delivery plans

Requirements to provide a “collaborative audit” approach with the external auditors

Appendix 4 - Our Audit Team and the Audit Delivery Cycle



Date	Activity
Dec to Feb 2022	Directorate planning meetings
March 2022	Internal Audit Plan presented to Audit Committee
	Internal Audit Governance Arrangements reviewed by Audit Committee
	Year-end field work completed
Apr / May 2022	Annual Performance reports written
May 2022	Annual Internal Audit Report presented to Audit Committee
	Follow –up work of previous year’s audit work commences
January 2023	Follow-up and progress reports presented to Audit Committee
January 2023	Six-month progress reports presented to Audit Committee
	2023/24 Internal Audit Plan preparation commences

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

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