

Internal Audit

Annual Audit Report 2020-21

Torbay Council
Audit Committee

May 2021

Official



Robert Hutchins
Head of Audit Partnership



Auditing for achievement

Introduction

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

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

The Internal Audit plan for 2020/21 was presented and approved by the Audit Committee in March 2020. The following report and appendices set out the background to audit service provision; a review of work undertaken in 2020/21 and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual report providing an opinion that can be used by the organisation to inform its governance statement. This report provides that opinion.

Expectations of the Audit Committee from this annual report

Audit Committee members are requested to consider:

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

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

Opinions

As detailed in the Half Year Audit Report 2020-21, we adopted the CIPFA guidance common practice of using four standard internal audit assurance opinions for individual audit assignments and organisational assurance ratings in April 2020.

Robert Hutchins

Head of Devon Audit Partnership

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Overall Opinion Statement

Based on work performed during 2020/21, our experience from previous years, and the outcome of the Annual Follow Up, the Head of Internal Audit's Opinion is one of "Reasonable Assurance" on the adequacy and effectiveness of much of the Authority's internal control framework. The exception to this is Children's Services Directorate (excluding Education where our opinion is Reasonable Assurance), although we acknowledge a positive direction of travel as supported by external assessment **. In the case of both Public Health, and Adults Directorates our assurance opinion is based on 2019/20 and prior years. Our audit planning process is risk based and as such our report will inevitably focus upon higher risk areas.

** assessments by statutory external bodies note significant improvement in Children's Services, albeit work remains to see this through to the final stages of the full implementation of the improvement plan. Although this does not affect our internal audit opinion, readers of this report may also wish to consider such other reports.

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

The Authority's internal audit plan for 2020/21 included specific assurance, risk, governance and value-added reviews which, together with prior years audit work, provide a framework and background within which we can assess the Authority's control environment. The audit plan has been significantly revised on the instruction of the S151 Officer in order that we could operationally support Torbay Council's Covid-19 response and undertake other requested work. The reviews in 2020/21 have informed the Head of Internal Audit's Opinion. If significant weaknesses have been identified in specific areas, these will need to be considered by the Authority in preparing its Annual Governance Statement as part of the 2020/21 Statement of Accounts.

In carrying out reviews, Internal Audit assesses whether key, and other, controls are operating satisfactorily and an opinion on the adequacy of controls is provided to management as part of the audit report. All final audit reports include an action plan which identifies responsible officers, and target dates, to address control issues identified. Implementation of action plans rests with management and these are reviewed during subsequent audits or as part of a specific follow-up.

This statement of opinion is underpinned by:

Internal Control Framework

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

The Council's overall internal control framework is considered to have operated effectively during the year. Where internal audit work has highlighted instances of non or part compliance, none are understood to have had a material impact on the Authority's affairs. However, the opinion provided must be considered in light of the current and (at time of writing) ongoing coronavirus pandemic, and the impact of this on the Council. Our opinion is based on internal audit work undertaken during 2020/21, as part of a revised plan.

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

Risk Management

Performance and Risk Management (PRM) is being developed. The related strategy and framework were presented to Cabinet. Progress continues in relation to information gathering, procurement of a software package and recruitment. The audit is deferred until 2022-23 to allow for embedding. However, we are involved in the ongoing development within our Transformation Project Assurance role. PRM continues to be reported to Senior Leadership Team (SLT) and Audit Committee. Until fully embedded this area remains a risk. The ongoing Covid-19 response continues to present financial and service risks.

Governance Arrangements

Arrangements are generally reviewed within projects, including Transformation. There is opportunity for the Council to review its position in terms of broadening Portfolio Management. The Information Governance Steering Group provides overarching governance in relation to information security, management and compliance, with local responsibility for compliance delegated to service areas. Finance, Ethics and Probity (FEP) maintain governance over issues within their remit

Performance Management

As detailed under Risk Management, the Performance Framework is in development, with monitoring arrangements continuing, and includes outcome mapping and business planning. Until embedded this area remains a risk. Irregularity and whistleblowing complaints, alongside the work of the Corporate Fraud Officer are also reported to Audit Committee. Budget performance is monitored by SLT and full Council. Children's Services Sufficiency Strategy and Medium-Term Financial Plan (MTFP) are monitored by SLT and are currently subject to update, including a 3-year forecast.

Substantial Assurance	A sound system of governance, risk management and control exist across the organisation, with internal controls operating effectively and being consistently applied to support the achievement of strategic and operational objectives.	Limited Assurance	Significant gaps, weaknesses or non-compliance were identified across the organisation. Improvement is required to the system of governance, risk management and control to effectively manage risks and ensure that strategic and operational objectives can be achieved
Reasonable Assurance	There are generally sound systems of governance, risk management and control in place across the organisation. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of some of the strategic and operational objectives.	No Assurance	Immediate action is required to address fundamental control gaps, weaknesses or issues of non-compliance identified across the organisation. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of strategic and operational objectives.

Summary Assurance Opinions

Service Area Overview of Audit Coverage		
Children's Services	Place	Corporate and Financial Services
Use of Agency staff and control of Safeguarding employee costs (follow up)	Events	ICT: Mobile Device Management; ICT Continuity and Disaster Recovery
Early Education / Nursery Funding (ANA - High)	Technology Forge - Asset and FM Implementation Project (ANA - Medium)	Key Financial Systems: FIMS System Administrator; Asset Register; Creditors and POP (follow up); Treasury Management; Payroll; IBS Open System Administration; Income Collection
Early Help - Prevention (linked to the Future Model - Improved Outcomes)	Commissioning and Performance Monitoring by the Council of the TDA (ANA - High)	Covid-19 Response: Council Tax Reduction Scheme - Post Award Assurance
Admissions and Place Planning	Governance of the Safety Camera Partnership (SCP)	ICT: Information Governance (IG) and Data Quality
Special Education needs (SEN) / Higher Needs	Port Marine Safety Code - Follow up of 2019-20	Key Financial Systems: Benefits and Council Tax Support Scheme; Council Tax and National Non - Domestic Rates Follow Up
Adoption (Client monitoring of the Regional Adoption Agency)	Grant Certification (x4)	Community Protection - Prevention
Grant Certification (x4)		Transformation Portfolio
		Information Risk Management Procedure
		Information Governance Steering Group
		Housing Benefits Subsidy testing
		Covid-19 Response: Business Grants Operational Support; Business Grants pre award advice note

Key: **Green** = Substantial or Reasonable

Amber = Limited

Red = No Assurance

Blue = Opportunity or Value Added

Value Added

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

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

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

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

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

Corporate Services and Financial Services

- operational support to the Council's Covid-19 response in relation to Business Grant processing (various types), and Test and Trace payments,
- changes to the plan to accommodate audit examination and assurance in relation to various Covid-19 grants awarded,
- ongoing engagement in various Transformation programmes and projects; provision of relevant information and practices from Local Government articles and guidance,
- ongoing development of a recommendation tracker to support the Council's Performance monitoring processes for 2021-22,
- change in the audit plan to support the external audit requirement for benefit subsidy audit,
- change in the scope of the subsequent Benefits audit to utilise the results of the subsidy work to identify similar issues the following year, thereby providing Exchequer & Benefits with opportunity to correct any relevant claims before commencement of the next external subsidy claim audit,
- support to the ongoing GDPR project,
- continued advice, guidance and challenge to the Information Governance Steering Group,

- support to the Council's Data Protection Officer in the provision of Freedom of Information (FOI) and Subject Access Request (SAR) data; and input to the Information Commissioners Office Audit,
- operational support to address an ICO recommendation related to the development of the Council's Information Risk Management procedure,
- development of a Devon Audit Partnership outcomes map and business plan to support the Council's overarching framework

Place

- review of the Technology Forge system implementation,
- follow up of Port Marine Safety Code compliance audit,
- support to the TOR2/SWISCo transition,
- cross partner audit of the Governance of the Safety Camera Partnership,
- certification of additional grant related to Covid-19 Compliance and Enforcement.

Children's Services

- ongoing engagement in relation to the Liquid Logic implementation,
- assistance in maintaining the impetus in management action plans to address previously identified risks through an annual and robust follow up exercise,
- certification of Troubled Families grants,
- regular liaison with the Director of Children's Services to promote the completion of audits and progress of draft reports through to final reports with management action plans.

Schools

- continued assurance through the routine internal audit visits that systems and controls are in place to ensure compliance with Department for Education and Council requirements are being met.
- maintained schools' visits recommenced in November 2020 with all planned 2020/21 visits being completed by the end of the summer term 2021.

Audit Coverage and performance against plan

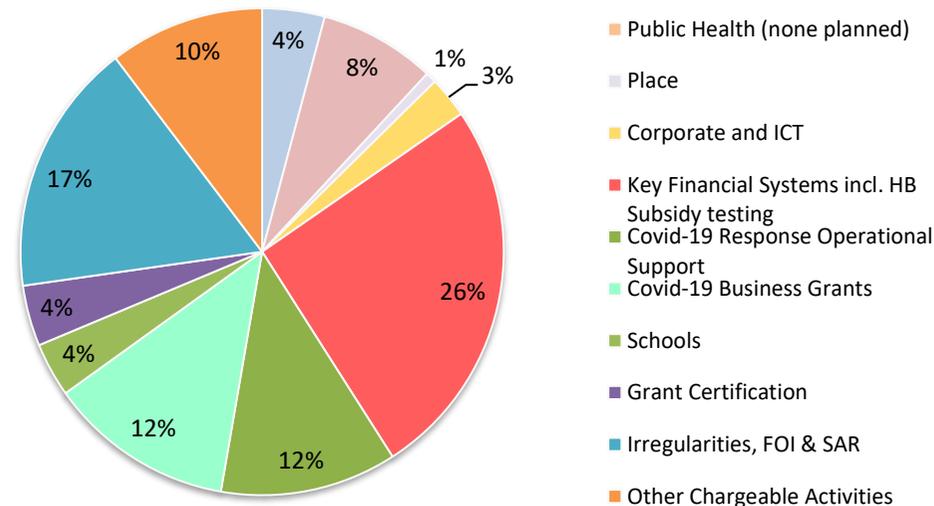
The pie charts right show the breakdown of audit days planned by service area / type of audit support provided. The balance of work has varied slightly during the year as can be seen from comparison with the second chart, and variations have been with full agreement of the client.

Appendix 1 to this report provides a summary of the audits undertaken during 2020/21, along with our assurance opinion. Where a 'substantial' or 'reasonable' standard of audit opinion has been provided we can confirm that, overall, sound controls are in place to mitigate exposure to risks identified; where an opinion of "limited assurance" has been provided then issues were identified during the audit process that required attention. We have provided a summary of some of the key issues reported that are being addressed by management. We are content that management are appropriately addressing these issues.

Appendix 6 shows the performance indicators for audit delivery in 2020/21 against the revised audit plan. It will be noticed that there was a small variation in the total number of audit days provided during the year. When we prepare our plans, we make an educated assessment of the number of days that an audit is likely to take.

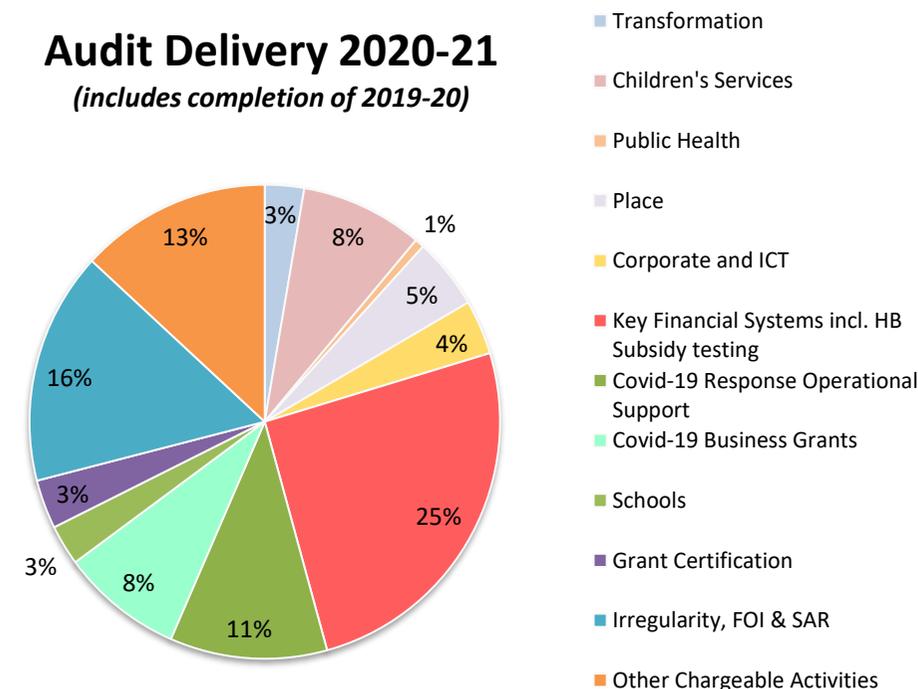
When the fieldwork is completed there is inevitably a variance from the planned days. In addition, we provide an allowance for work on areas such as fraud and corruption; in some years the requirement will exceed the planned budget and in others the need for our resource will be less than planned. It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

Revised Audit Plan 2020-21



Audit Delivery 2020-21

(includes completion of 2019-20)



Irregularities Prevention and Detection

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

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

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

Finance, Ethics and Probity (FEP) group provide a gateway and decision-making body for all irregularities / allegations received by the Council providing transparency in the process. DAP is an active member of FEP and in addition to the investigative work and associated reporting, contributes to FEP meetings and general management of the irregularity records.

Irregularities – During the 2020/21 year, Internal Audit have carried out, or assisted in fifteen new irregularity investigations. Analysis of the types of investigation and the number undertaken compared with the investigations for previous years shows the following:

Issue	20/21 Number	19/20 Number	18/19 Number	17/18 Number
Poor Procedures	0	4	2	8
Employee / Member Conduct	9	9	9	4
Financial Irregularities	4	1	3	1
Misappropriation of Income	0	0	0	1
IT Misuse	0	0	2	0
Theft	0	0	1	0
Tenders & Contracts	2	1	0	0
Total	15	15	17	14

Summary details as follows: -

Most irregularity investigations were as a result of concerns raised internally and externally, with a number being formally raised through the Council’s Whistleblowing process. Some were received at the end of the year and therefore investigatory work continues into the 2021-22 year.

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

We were asked to assist with six requests under Freedom of Information and Data Protection legislation.

Appendix 1 – Summary of audit reports and findings for 2020/21

Risk Assessment Key

LARR – Local Authority Risk Register Score Impact x Likelihood = Total & Level

ANA - Audit Needs Assessment risk level as agreed with Client Senior

Management

Client Request – additional audit at request of Client Senior Management; no risk assessment information available

Direction of Travel Assurance Key

 - action plan agreed with client for delivery over appropriate timescales & is progressing

 - action plan agreed and is being progressed though some actions are outside of agreed timescales or have stalled

 - action plan not fully agreed, or we are aware progress has stalled or yet to start

* report recently issued; assurance progress is of managers feedback at debrief meeting

** previously reported against 2019-20 assurance opinion definitions

CORPORATE SERVICES and FINANCIAL SERVICES

Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
Transformation Portfolio			
Business Improvements and Change Portfolio (<i>formerly known as Transformation Portfolio</i>)	Status: Final Added Value	<p>We continue to undertake a dual role in both Audit assurance and support to operational delivery in line with programme and project timescales. We recognise the large scale and complexities of the Programmes and Projects within Business Improvement and Change, which have all faced added pressures resulting from the current Covid-19 pandemic, despite which, we continue to see positive progress.</p> <p>We continue to provide reports and feedback resulting from our general audit work where we've identified a direct link to respective Programmes and projects to support progression and strengthen associated control frameworks.</p> <p>In relation to Business Improvement and Change Programmes and Projects, we continue to provide a project assurance role, engaging respective Programme and Project Managers. We have provided this role within various programmes and projects the Council has engaged us in, the key ones being Children's Services system implementation; Council Redesign and the recent successful transition from TOR2 to SWISCo (South West Integrated Services Company Ltd) in July 2020.</p> <p>We undertake ongoing horizon scanning through provision of information/articles from Local Government and other relevant publications identifying projects and programmes that may be of interest to Torbay Council.</p> <p>It is pleasing to note that external project and programme support continues to be engaged by the Council to support progression of Business Improvement and Change. Previously we have noted concern regarding the operational capacity, albeit that project governance provided a framework for managing the associated risks. However, as noted above the team have now restructured to ensure sufficient capacity and skill sets to support delivery of significant improvement and change projects to a successful conclusion. We are still of the opinion that there is an opportunity for broader Portfolio Management to provide integrated management of all Council projects both within and outside of Business Improvement and Change.</p>	N/A

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Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
IT Audit			
ICT Information Governance (IG) and Data Quality (ANA - High)	Status: Draft Limited ** Assurance <i>Draft Report Issued 15/4/2020 Awaiting client response</i>	Assurance was reported in last year's annual report; please refer to that for details. We have received responses from the IG team and Human Resources but are awaiting two outstanding responses from Children's Services which have been delayed due to the recent Ofsted visit.	
Mobile Device Management (ANA – High)	Status: Final Reasonable Assurance	Assurance was reported in this year's half yearly report; please refer to that report for details.	
ICT Continuity and Disaster Recovery (ANA – High)	Status: Final Reasonable Assurance	Assurance was reported in this year's half yearly report; please refer to that report for details.	
Information Risk Management Procedure (previously 'General Data Protection Regulations (GDPR) – Information Asset Register (ANA – Client Request)	Status: Draft Added Value <i>Issued 05/05/2021 Awaiting client response</i>	The planned time was originally requested to allow Internal Audit to provide operational support in the ongoing development of the Council's Information Asset Register. We provided initial support to this task; however remaining time was allocated by the client for development of the Council's Information Risk Management Procedure in response to an ICO Audit Action. A recommendation made by the ICO required development and adoption of an Information Risk Management Procedure to support compliance with Data Protection regulations. The procedure was to include the types of risks that should be recorded on the information asset register, departmental registers and the IG risk register. Information should also be included around how risks should be assessed and escalated to the corporate risk registers (if applicable). DAP have developed / drafted the procedure which is subject to review by the Council's DPO / Information Governance Manager prior to it being put forward to the Council for adoption.	N/A
Information Governance Steering Group (including GDPR - trusted advisor) (ANA – High)	Status: Ongoing Added Value	The Information Security Group operates within a defined terms of reference, attended by an appropriate cross representation of Council service areas with the Council's Assistant Director of Corporate Services as Senior Information Risk Owner (SIRO) and the Data Protection officer (DPO) / Information Governance Manager as Chair. The group provides a framework within which existing and emerging information governance and security matters are reviewed, evaluated and managed. As noted above, this now incorporates the ongoing management of the GDPR project.	N/A

CORPORATE SERVICES and FINANCIAL SERVICES

CORPORATE SERVICES and FINANCIAL SERVICES			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		The focus on other responsibilities such as GDPR, Information Governance requests and the ICO Audit does impact the resource available to undertake certain ISG tasks, however the governance process is in place, and in our opinion, operates on a risk basis, prioritising the groups work and focus. This has been particularly pertinent and challenging in relation to the Council's response to the Covid-19 pandemic, which in itself creates additional and differing risks in relation to Information Governance and security.	
The following audits have been deferred / cancelled due to the Covid-19 pandemic and at the agreement / request of the s151 officer:		<ul style="list-style-type: none"> • Cyber Essentials (ANA – High) • Information Governance – Data Quality and Records Management (ANA – High) 	
Key Financial Systems			
We understand that this financial year has been one of uncertainty due to the pandemic, and as a result of restrictions on working practices, a number of departments have had to make temporary changes to their procedures in order to accommodate home working. As part of our annual review of the key financial systems, we have reviewed these alternative arrangements, specifically where key controls are now being operated differently. We do not have any major concerns resulting from our findings, as we appreciate that such unusual circumstances necessitate practical solutions which cannot feasibly mitigate all the risks involved. However should the current need to work from home continue for a much longer period, or indeed officers now be given the opportunity to work from home permanently, we recommend that the opportunity be taken to review how new ways of remote working can be utilised in the long term to ensure that the risk of fraud or error within the Authority's key financial systems is effectively minimised.			
FIMS System Administrator (ANA – High)	Status: Final Reasonable Assurance	The control environment relating to FIMS System Administration continues to be robust. Comprehensive procedures and processes are maintained, and system training is mandatory for users with transactional capability. Access to the system is appropriately controlled for most users, however we continue to report the lack of full segregation of duty between the system administration and finance roles which is a risk accepted by management. Changes to system parameters as well as system modifications and fixes are effectively controlled. Routine verification processes ensure that the system remains operating correctly and that the General Ledger remains properly reconciled to other FIMS modules.	
Asset Register (ANA – Medium)	Status: Final Substantial Assurance	This year's opinion remains one of 'Substantial Assurance' and we have only identified a couple of minor issues as a result of this year's sample testing. We are also pleased to report that all of the recommendations that were made last year have now been actioned.	
Payroll – follow up (ANA – High)	Status: Final Reasonable Assurance	We understand that implementation of those prior year recommendations that were agreed is well underway, with estimated completion dates being in early 2021-22. Progress will be reviewed during the coming year. For those recommendations that were not agreed, management have accepted the related risks.	

CORPORATE SERVICES and FINANCIAL SERVICES

Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
Creditors & POP – follow up (ANA – High)	Status: Final Reasonable Assurance	<p>Covid-19 restrictions have remained in place throughout the year, including during the audit. Testing has therefore been restricted to following up last year’s audit report. Notable progress includes a number of initiatives to ensure that expenditure is in line with the Council’s required procurement process, and we will review a sample of orders placed as part of next year’s audit to establish their effectiveness.</p> <p>Concern remains however, in relation to the lack of authorisation of manual payments below £5k, as the proposed system-based solution has not yet been implemented due to delays caused by Covid-19. As was the case last year, we are unable to provide assurance in relation to petty cash claims, credit notes and amendments and the input of invoices due to our work being restricted to follow up activity this year.</p> <p>We note that email authorisations, as opposed to hard copy signatures, are now being used to due increased home working, however we consider this to be appropriate form of authorisation, and therefore do not have any concerns in this regard.</p>	
Treasury Management (ANA – Medium)	Status: Final Substantial Assurance	<p>This year’s walkthrough found that the system in place to prevent or detect errors, omissions or inappropriate amendments remains, in the main, sufficiently robust.</p> <p>Covid-19, and the requirement for officers to work remotely, has meant a small change in the way investments are authorised, and we have recommended that this control is strengthened to reduce the risk of inappropriate investments from being made.</p> <p>A number of recommendations from prior year audits remain and it would be good to see these implemented soon, though we accept that additional work may now be required as a result of changes to working practices due to the pandemic.</p> <p>We have made an opportunity recommendation in relation to the current lack of specific TM software as we consider that the related control environment could be strengthened, and processes streamlined, if this area could be automated</p>	
IBS Open system Administration (ANA – High)	Status: Final Reasonable Assurance	<p>This year’s walkthrough found that there have been no significant changes to the control environment and, in the main, it remains sufficiently robust.</p> <p>Recommendations made are those carried over from previous years, and there are some areas, for example finalising the Business Continuity Plan, and updating procedures that may require a revisit, given the different ways of working due to the current Covid-19 situation.</p>	

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Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
Income collection (ANA – Medium)	Status: Final Reasonable Assurance	<p>A new system, ‘Smartpay’, was introduced during this financial year, with officer access from the previous system, ‘Icon’, being migrated over as part of its implementation. However, although there are robust access controls in place within the new system, the ongoing appropriateness of access is not regularly reviewed. There is therefore a risk that officers, who may have ceased to need access some time ago, were also migrated over.</p> <p>In terms of processes to ensure that income is collected, held, transported and banked securely, we have no significant concerns. A small number of recommendations have been made, specifically in relation to demonstrating compliance with PCI security standards and reviewing access to high risk areas of the building.</p> <p>As in previous years, effective controls ensure that income is recorded completely and accurately on the system, with a number of reconciliations being performed within the daily balancing process.</p> <p>We note that transfer of data from the Smartpay system to the general ledger, FIMS, and its subsequent reconciliation is undertaken by the FIMS Sys Admin and Debtors teams. We have therefore reviewed related controls as part of these audits, and the outcome will be reported there.</p>	
Housing Benefits Subsidy testing (ANA - High)	Status: Complete Added Value	<p>This is a significant piece of work, involving the testing of over two hundred housing benefit claims on behalf of the Authority’s external auditors, Grant Thornton.</p> <p>Initial results showed a fairly significant number of errors in relation to the following areas:</p> <ul style="list-style-type: none"> • Rent increases being applied to the wrong week • Incorrect classification of overpayments • Incorrect calculation of earned income • Incorrect BRMA rate being applied • Incorrect calculation of ineligible service charges • No deductions being made for ineligible service charges • Incorrect WDP amount being used • DHP incorrectly coded as a local scheme payment <p>Our results were passed to Grant Thornton for their review and subsequent determination on the impact on the Authority’s subsidy claim. We understand that their work has recently been completed and separately reported to the Authority. We are advised that their report indicates only minimal impact on the subsidy claim.</p>	N/A
Benefits and Council Tax Support Scheme (ANA – High)	Status: Draft Limited Assurance	<p>This year’s audit has sample tested a number of benefit payments that will appear in the 2020-21 subsidy claim, to ensure the accuracy of associated entitlement calculations in relation to the specific risk areas identified in the audit scope. Where errors or other issues are identified, corrections can then be made by the Authority before the 2020-21 subsidy claim is made.</p>	

CORPORATE SERVICES and FINANCIAL SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		<p>Our overall opinion is based, not only on the specific findings of this audit, but also on the results of the testing undertaken earlier in the year on the Authority's subsidy claim.</p> <p>Of the 32 claims tested as part of this audit, we identified seven issues on four claims relating to the calculation of earned income and the classification of overpayments. No issues were identified in relation to rent liabilities, identification of 'passport' benefit, use of the correct BRMA (Broad Rental Market Area) rate, or the amount of WDP (War Disablement Pension) used.</p> <p>Although only a small sample and therefore not wholly indicative of an underlying issue, management should consider whether additional training is required in relation to the correct classification of overpayments.</p> <p>We note that some of the issues identified have not yet been fully investigated by the Authority.</p>	
Council Tax and National Non – Domestic Rates Follow Up (ANA – Medium)	Status: Draft Limited Assurance	<p>Covid-19 restrictions have remained in place throughout the year, including during the audit. Testing has therefore been restricted to following up last year's audit report.</p> <p>Of the seventeen recommendations that appeared in last year's report, four have now been implemented. Notable progress includes automated removal of period discounts, and proper correction of accounts that are found to have had inappropriate discounts applied for a number of years.</p> <p>As was the case last year, we are unable to provide assurance in relation to obtaining supporting evidence from the customer before changes are made to NNDR accounts; ensuring all CT property amendments notified to the VOA have been actioned; and undertaking sufficient QC activity.</p> <p>In summary, due to the ongoing Covid-19 restrictions, the Department has been unable to demonstrate sufficient progress to enable a revised opinion to be given. It therefore remains as 'Improvements Required' (now defined as Limited Assurance).</p>	
Debtors and Corporate Debt- follow up (ANA – High)	Status: Draft Limited Assurance	<p>Covid-19 restrictions have remained in place throughout the year, including during the audit. This has prevented many prior year recommendations from being implemented, and as a result there has been little progress in the majority of areas.</p>	

The following audits are currently in progress:

- General Ledger & Bank Reconciliation (ANA – Medium)

CORPORATE SERVICES and FINANCIAL SERVICES

CORPORATE SERVICES and FINANCIAL SERVICES			
Risk Area / Audit Entity		Audit Report	
		Assurance opinion	Residual Risk / Audit Comment
Covid-19 Response			
Business Grants – Operational Support	Status: Complete Added Value	The Devon Audit Partnership provided operational support to the processing of business grants through the provision of one auditor to work full time for five months in the Exchequer & Benefits team in the role of a business grants processor.	N/A
Business Grants - Pre-Award Advice Note	Status: Complete Added Value	Assurance was reported in this year's half yearly report; please refer to that report for details.	N/A
Council Tax Reduction Scheme - Post Award Assurance	Status: Final Substantial Assurance	Assurance was reported in this year's half yearly report; please refer to that report for details.	
The following audits are currently in progress: <ul style="list-style-type: none"> • Business Grants - Post Award Assurance • Discretionary Business Grants - Post Award Assurance • Test & Trace Support Payments & Discretionary Fund • Local Restrictions Support Grants (Tier 2) • Local Additional Restrictions Support Grants • Local Restrictions Support Grants (Closed) • Local Restrictions Support Grants (Sector) • National Lockdown Support Grants • Wet-Led Pub Christmas Grants 			
Other			
Community Protection – Prevention (ANA – High)	Status: Final Limited ** Assurance	Assurance was reported in last year's annual report; please refer to that for details.	
The following audits have been deferred / cancelled due to the impact of the Covid-19 pandemic and at the agreement / request of the s151 officer: <ul style="list-style-type: none"> • Democratic Services and Member Allowances (ANA - Medium) • Corporate Complaint System (ANA – Medium) • Capital Programme (including new Financial Code and IR35 - Council and Companies) (ANA – Medium, client request) • Health & Safety (ANA – High) • Elections (ANA – Medium) • Emergency Planning and Business Continuity (ANA – Medium) • Legal Services (cross Council use of Legal Advice) (ANA – Medium) • Performance and Risk Management (ANA – Medium) 			

PLACE			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Technology Forge – Asset and FM Implementation Project (ANA – Medium)	Status: Final Limited ** Assurance	Assurance was reported in this year's half yearly report; please refer to that report for details.	
Commissioning and Performance Monitoring by the Council of the TDA (ANA – High)	Status: Final Limited ** Assurance	Assurance was reported in last year's annual report; please refer to that for details.	
Port Marine Safety Code – Follow up of 2019-20 (ANA-Medium)	Status: Final Compliant	Assurance was reported in this year's half yearly report; please refer to that report for details	
Events (ANA – High)	Status: Final Reasonable Assurance	<p>Applications for events held on Torbay land in 2019-20 were generally being effectively processed, with income being accurately charged and promptly invoiced. Although a number of issues were identified during sample testing, these are mainly minor in nature and not indicative of any significant underlying weaknesses in the related control environment.</p> <p>Council buildings are managed by the TDA (trading name of Torbay Development Company Limited) on behalf of the Council, including Torbay's theatres. Ultimate responsibility as to how relevant buildings are used and managed rests with the Culture and Events department, however governance and monitoring arrangements in the area are currently unclear, and there is no regular liaison between the department and the TDA. Going forward, we have recommended that arrangements are reviewed and strengthened to ensure relevant buildings are being used and managed in line with departmental objectives.</p>	
Governance of the Safety Camera Partnership (SCP) (ANA – Low, client request) <i>Note: this was a joint audit involving Torbay Council, Devon County Council and Plymouth City Council</i>	Status: Draft Limited Assurance	<p>There have been a number of attempts over preceding years to set out a new SCP agreement due to the 2016 version lapsing, however none of these had been successful and as a result the SCP continued to operate underpinned by the principles of the prior agreement. Whilst this provided a continued basis for operations, it has not supported the partnership in evolving to meet the future collective and individual partner objectives. Work over the last 12-14 months has moved the partnership closer to new arrangements most recently set out as a Memorandum of Understanding (MoU), however there is still no signed agreement in place which increases the risk of failed and unmet objectives. The breadth of partners and their respective internal processes, as well as governance structures make reaching any new agreement difficult, but not unachievable. Clear communication and in turn recognition and understanding of the different structures will help to ensure that any delays are understood and can in turn be overcome with collective effort.</p>	

PLACE			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		Historically the partnership has been aiming for cost neutrality and a low level of risk tolerance. Proposals for a new arrangement moving forward increase the risk for partners in different ways. From a Local Authority perspective in the current climate of post austerity and Covid-19 recovery, there is no desire or capacity to increase the risk of incurring costs for activity that was previously nil/minimal cost. Adoption of a new agreement/memorandum of understanding is key to ensuring that the partnership evolves to meet future needs and objectives, however this must be done with full recognition of the risks faced both collectively, and by individual partners.	
Grants x 4 <ul style="list-style-type: none"> Local Transport Capital Block Funding Local Growth Fund Bus Subsidy Covid-19 Compliance and Enforcement 	Status: Complete	No issues identified	N/A
The following audits have been deferred / cancelled due to the Covid-19 pandemic and at the agreement / request of the s151 officer: <ul style="list-style-type: none"> Housing Companies (client role / management) (ANA – Medium) Housing (including joint working of fragmented service) (ANA – Medium) Public Toilets (contract monitoring) (ANA – Low, client request) Beach Services (ANA - Low, client request) Spatial Planning – s106 and CIL (ANA – Medium) Tor Bay Harbour Authority (ANA – Medium) Tor Bay Harbour Authority – Mooring system (contract management) (ANA - Medium) Asset Management Strategy / Plan (ANA – High) Technology Forge system review (ANA – Medium) 			

CHILDREN'S SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Use of Agency staff and control of Safeguarding employee costs (follow up) (ANA – Medium)	Status: Final Reasonable** Assurance	Assurance was reported in last year's annual report; please refer to that for details.	
Special Education needs (SEN) / Higher Needs (ANA – Medium)	Status: Final Limited ** Assurance	Assurance was reported in last year's annual report; please refer to that for details.	
Adoption (Client monitoring of the Regional Adoption Agency) (ANA - Medium)	Status: Final Limited ** Assurance	Assurance was reported in last year's annual report; please refer to that for details.	
Early Help – Prevention (linked to the Future Model – Improved Outcomes) (ANA - High)	Status: Final Reasonable ** Assurance	Assurance was reported in last year's annual report; please refer to that for details.	
Early Education / Nursery Funding (ANA – High)	Status: Final Substantial Assurance	Assurance was reported in this year's half yearly report; please refer to that report for details	
Admissions and Place Planning (ANA – High)	Status: Final Substantial Assurance	Assurance was reported in this year's half yearly report; please refer to that report for details	
Troubled Families Grant Claims x 4	Status: complete	4 families removed from 3 of the claims.	N/A
The following audit is currently in progress:		The following audits have been deferred / cancelled due to the impact of the Covid-19 pandemic and at the agreement / request of the s151 officer:	
<ul style="list-style-type: none"> Special Guardianship Orders – Follow up (ANA – Medium) 		<ul style="list-style-type: none"> Fostering and connected care (ANA – Medium) Sufficiency Strategy Progress (ANA – High) 	

CHILDREN'S SERVICES

CHILDREN'S SERVICES			
Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Schools Financial Value Standards (SFVS)	No opinion given	Due to the Covid-19 pandemic, the 2019/20 Schools Financial Value Standard Chief Finance Officer Statement was not required by the Department of Education. For the 2020/21 SFVS submissions, the DfE have extended the submission date to no later than 28 May 2021 from 31 March.	N/A
Maintained Schools audit programme	Reasonable Assurance	The routine visits recommenced in November, albeit remotely, i.e. by not visiting schools. Seven out of the 11 visits were completed by 31 March 2021 with the remaining four being completed by the end of the summer term 2021.	N/A
Maintained Schools Summary Data			Assurance Opinion
The key matters arising from the audits are: <ul style="list-style-type: none"> • The use of the HCSS budgeting tool (software package for budgeting and forecasting) instead of a spreadsheet • Employment status checks being carried out to ensure compliance with the off payroll working rules (IR35). Schools being advised of update to rules from 6 April 2021. • Maintenance of school websites in accordance with DfE guidance – ‘what maintained schools must publish online. • Retention of evidence to confirm the ‘right to work in the UK’. • Procurement card only being used by the card holder. 			No opinion given

Appendix 2 - Professional Standards and Customer Service

Conformance with Public Sector Internal Audit Standards (PSIAS)

Conformance - Devon Audit Partnership conforms to the requirements of the PSIAS for its internal audit activity. The purpose, authority and responsibility of the internal audit activity is defined in our internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. Our internal audit charter was approved by senior management and the Audit Committee in March 2020. This is supported through DAP self-assessment of conformance with Public Sector Internal Audit Standards & Local Government Application note.

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

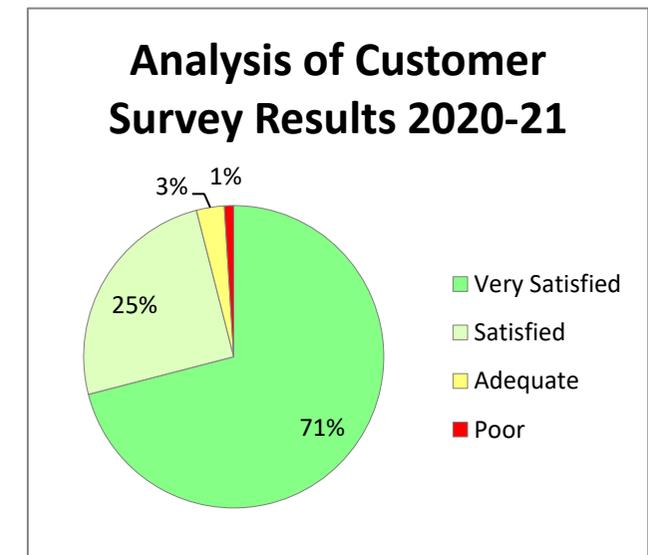
Improvement Programme – DAP maintains a rolling development plan of improvements to the service and customers. All recommendations of the external assessment of PSIAS and quality assurance were included in this development plan and have been completed. This will be further embedded with revision of our internal quality process through peer review. Our development plan is regularly updated, and a status report was reported to the Management Board in October 2020.

Performance Indicators

Overall, performance against the indicators has been very good (see Appendix 6). We continue to review performance in all areas to ensure continuous improvement.

Customer Service Excellence (CSE)

In June 2019, DAP was successful in re-accreditation by G4S Assessment Services of the CSE. We continue to issue client survey forms with our final reports and the results of the surveys returned are, although low in number, very good and again are very positive. The overall result is very pleasing, with 96% being "satisfied" or better across our services, see appendix 7. It is very pleasing to report that our clients continue to rate the overall usefulness of the audit and the helpfulness of our auditors highly.



Appendix 3 - Audit Authority



Appendix 4 - Annual Governance Framework Assurance

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

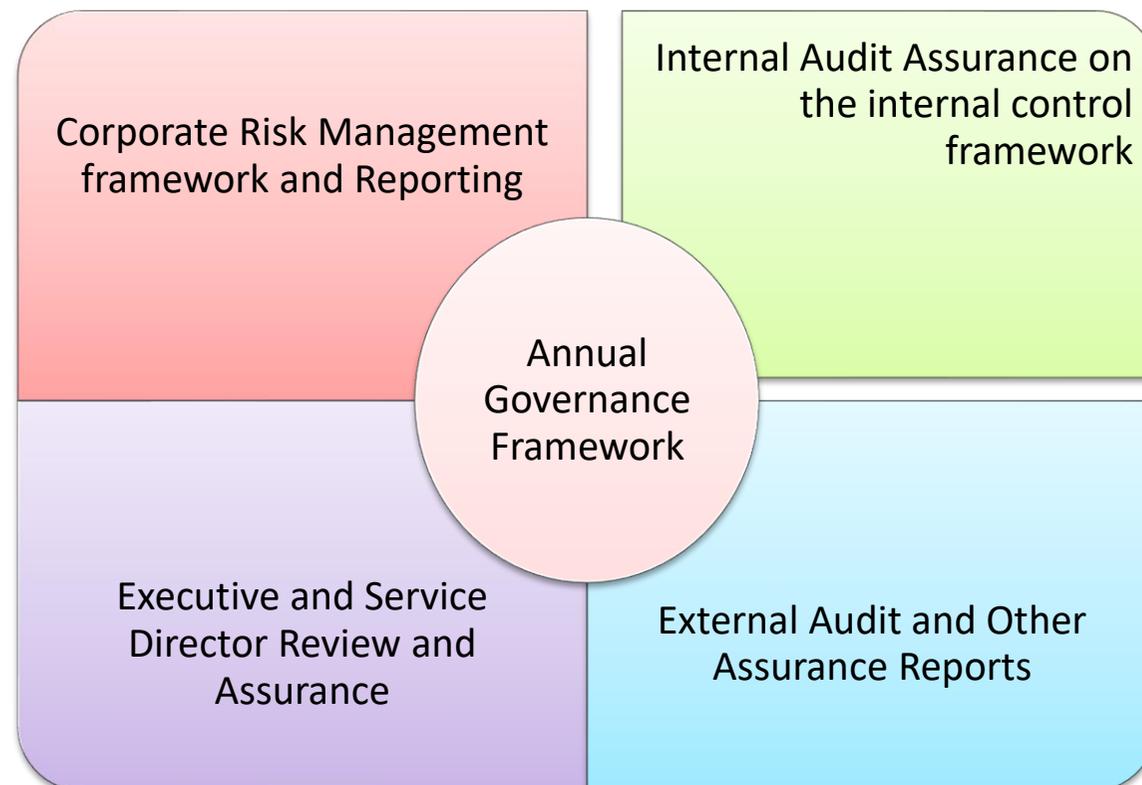
The Annual Governance Statement (AGS) provides assurance that

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

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

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

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



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

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

Appendix 5 - Basis for Opinion

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

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

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

The extent to which our work has been affected by changes to audit plans due to the pandemic has been significant and are shown in Appendix 1.

Some of our work remains ongoing and will be completed within quarter one of 2021-22.

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

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

all audits completed during 2020/21, including those audits carried forward from 2019/20;

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

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

the quality of internal audit's performance;

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

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

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



Appendix 6 – Performance Indicators

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

Local Performance Indicator (LPI)	2018/19	2018/19	2019/20	2019/20	2020/21	2020/21
	Target	Actual	Target	Actual	Target	Actual
Percentage of Audit plan Commenced (Inc. Schools)	100%	100%	100%	100%	100%	100%
Percentage of Audit plan Completed (Inc. Schools)	93%	91%	93%	97%	93%	95%
Actual Audit Days as percentage of planned (Inc. Schools)	95%	94%	95%	104%	95%	108%
Percentage of fundamental / material systems reviewed annually	100%	100%	100%	100%	100%	100%
Percentage of chargeable time	65%	66%	65%	67%	65%	67%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	97%	90%	99%	90%	96%
Draft Reports produced within target number of days (currently 15 days)	90%	81%	90%	83%	90%	90%
Final reports produced within target number of days (currently 10 days)	90%	100%	90%	99%	90%	100%
Average level of sickness absence (DAP as a whole)	2%	3%	2%	3% *	2%	4.65%
Percentage of staff turnover (DAP as a whole)	5%	4%	5%	4%	5%	20%
Out-turn within budget	Yes	Yes	Yes	Yes	Yes	Yes

* Turnover – (8 people; 4 starters, 4 leavers). Staters: 3 x apprentices and 1 x Audit Manager. Leavers: 3 x Auditors and 1 x Senior Auditor.

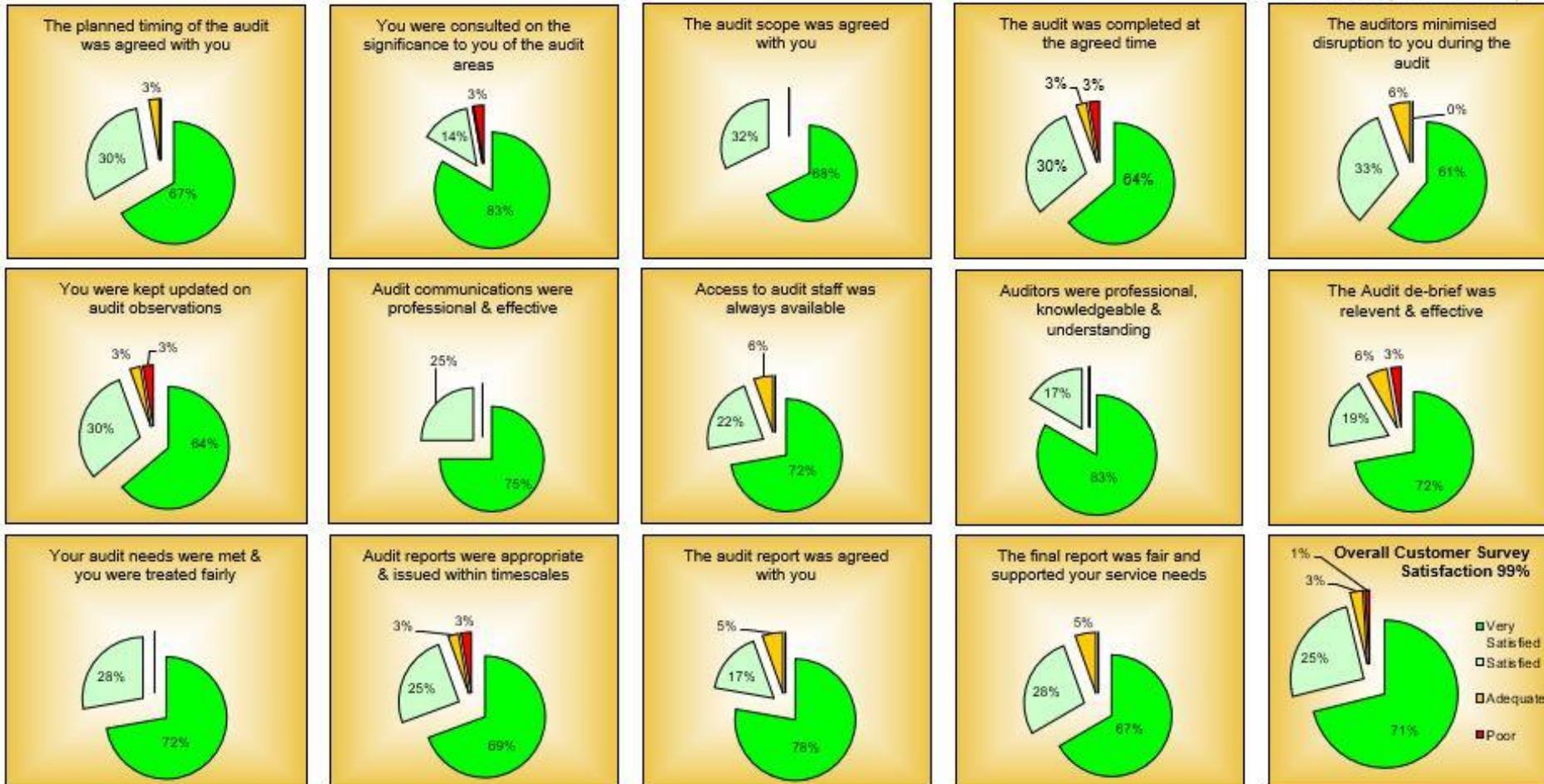
Overall, performance against the indicators has primarily been maintained, the exception to this being 'Percentage of Audit plan completed'; certain audits remain ongoing as at the year end. It should also be noted that the level of resource required to undertake irregularity investigations has been greater than anticipated and the plan revised accordingly, which has had an adverse impact on the overall completion of the plan. In addition, operational support in relation to business grants processing, and work in relation to benefits subsidy testing has also adversely impacted completion of the plan.

Appendix 7 - Customer Service Excellence

Customer Survey Results April 2020 - March 2021

The charts below show a summary of

36 responses received.



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