

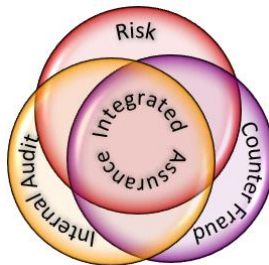
Internal Audit

Audit and Governance Committee In-Year Monitoring Report 2024/25

Torridge District Council

September 2024

Official



Brad Hutton – Senior Assurance Manager

Tony Rose – Head of DAP

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Devon Assurance Partnership	Confidentiality and Disclosure Clause
<p>The Devon Assurance Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid Devon, North Devon, Torridge, South Hams, West Devon councils and Devon and Somerset Fire and Rescue. We aim to be recognised as a high-quality assurance service provider 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 tony.d.rose@devon.gov.uk .</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>

Introduction

This report provides a summary of the performance against the Internal Assurance plan to date for the 2024/25 financial year, highlighting the key areas of work undertaken and summarising our main findings and recommendations aimed at improving controls where our work has been finalised.

In June 2024, the previous Audit Manager, Paul Middlemass retired from his role at Devon Assurance Partnership (DAP), Brad Hutton took over responsibility of delivery of the audit plan and the role of Audit Manager.

During the summer period, it has, occasionally and understandably been problematic to reach managers due to annual leave being taken both in DAP and at TDC. Therefore, progress against the plan has been slower than anticipated but we remain confident that this will not adversely affect the successful delivery of the audit plan for 2024/25.

Two audits reports have been issued so far in 2024/25, Grounds Maintenance was awarded a 'Substantial Assurance' rating and 'Members Expenses and Allowances' was awarded a 'Reasonable Assurance' rating. We have now commenced audits in the following areas: Creditors, Safeguarding and a review of the Disability Facilities Grant with further work currently being scheduled.

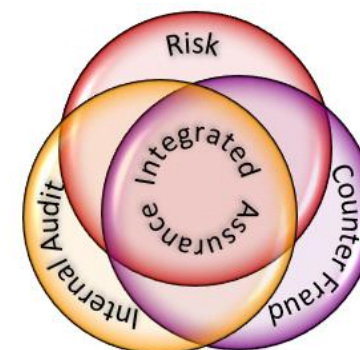
The key objectives of DAP have been to provide assurance to Torridge District Council on the adequacy, security and effectiveness of the systems and controls operating across the Council and to provide advice and assurance to managers and staff. The Internal Assurance plan for 2024/25 was presented to, and approved by, the Audit Committee in April 2024. The following report and appendices set out the position to 6th September 2024.

The Institute of Internal Audit (IIA) are the key body involved in setting out the global standards for the profession which form the basis for the Public Sector Internal Audit Standards (PSIAS) and are undergoing review and revision. The proposed new standards are likely to take effect in 2025 and will impact on our work and activity.

Expectations of the Audit Committee from this report are to consider

- 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 these the Audit Committee are required to consider the assurance provided alongside that of Corporate Risk Management and satisfy themselves from this assurance that the internal control framework continues to be maintained at an adequate level to mitigate risks and inform the Executive for governance requirements.



High Level Summary Plan

High Level Summary Audit Plan – 2024/25					
Core Systems	Risk Based Audits	Strategic Goal: Develop a Prosperous & Sustainable Economy	Strategic Goal: Protect and Enhance the Quality Environment	Strategic Goal: Support Stronger, Safer, Healthier Communities	Strategic Goal: An Effective and Customer Focused Council
Creditors ICT/Cyber Security Income Main Accounting System VAT Treasury Management	Risk Management Annual Fraud and Corruption Assessment	Harbour/Pilotage/Port Marine Safety	Building Control Services Car Parks Conservation (Follow Up) Development Management Estates Management Climate Change Grounds Maintenance Planning Policy/LDF	Cemeteries DFG Grant Housing Renewal Licensing Safeguarding	Project Delivery Member Expenses & Allowances Travel & Subsistence

Client and Audit Governance
Audit Committee Reporting, Support and Training Audit Committee Self-Assessment (CIPFA) Corporate Governance Follow Up Reviews Audit Planning and Coordination Contingency

High Level Summary Audit Plan Outcomes

High Level Summary Audit Plan – 2024/25													
Core Systems	Risk Based Audits	Strategic Goal: Develop a Prosperous & Sustainable Economy	Strategic Goal: Protect and Enhance the Quality Environment	Strategic Goal: Support Stronger, Safer, Healthier Communities	Strategic Goal: An Effective and Customer Focused Council								
<p>Creditors</p> <p>ICT/Cyber Security</p> <p>Income</p> <p>Main Accounting System</p> <p>VAT</p> <p>Treasury Management</p>	<p>Risk Management</p> <p>Annual Fraud and Corruption Assessment</p>	<p>Harbour/Pilotage/Port</p> <p>Marine Safety</p>	<p>Building Control Services</p> <p>Car Parks</p> <p>Conservation (Follow Up)</p> <p>Development Management</p> <p>Estates Management</p> <p>Climate Change</p> <p>Grounds Maintenance</p> <p>Planning Policy/LDF</p>	<p>Cemeteries</p> <p>DFG Grant</p> <p>Housing Renewal</p> <p>Licensing</p> <p>Safeguarding</p>	<p>Project Delivery</p> <p>Member Expenses & Allowances</p> <p>Travel & Subsistence</p>								
<table border="1"> <tr> <td>Substantial</td> <td>Reasonable</td> </tr> <tr> <td>Limited</td> <td>No Assurance</td> </tr> <tr> <td colspan="2">Opportunity/Non-Opinion</td> </tr> <tr> <td>At Draft Report Stage</td> <td>In Progress</td> </tr> </table>		Substantial	Reasonable	Limited	No Assurance	Opportunity/Non-Opinion		At Draft Report Stage	In Progress				
Substantial	Reasonable												
Limited	No Assurance												
Opportunity/Non-Opinion													
At Draft Report Stage	In Progress												

Progress Against Plan

We continue to strive towards ever greater flexibility audit plans to enable Internal Audit to be more responsive to changing risks, in turn maximising resource focused to clients' needs as and when needed – Agile Auditing. This principle will continue and has several benefits with ever changing priority and related risks. Key benefits provide for:

- Reduction in non-productive resource planning.
- Improved opportunity to keep the plan aligned to current risks within Service Areas and as a whole for the Authority.
- More effective and timely pre-audit engagement with Service Leads.
- Greater and more regular discussion with client leads – Supporting current risk and work priorities.
- The current trend for more flexible audit plans – agile auditing.
- Experience that plans change regularly.
- Changes in external risk drivers are more easily picked up in audit assurance needs.

Our audit plans are always built around the Risks identified through Risk Management, audit needs and perceptions of current issues and in discussion with client management.

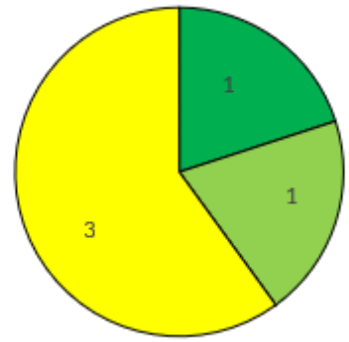
Our approach is to scope, schedule and resource plans throughout the year with Service Leads in an agile way incorporating risk changes as necessary. Resource allocation will be decided based on need at this time.

We endeavour to ensure that sufficient coverage across the Council is maintained to ensure that we can provide an inclusive end of year annual assurance opinion.

The positive engagement from staff across the Council has enabled us (as of 6th September 2024) to have 2 pieces of work finalised for the 2024/25 financial year and a further 3 audits in progress (inclusive of grant certification).

The chart opposite shows the breakdown of Assurance opinions provided to date as well as any non-opinion based work and Grant Certifications. For more information refer to Appendix 1.

Audit Assurance Provided



■ Substantial Assurance ■ Reasonable Assurance ■ In progress

Value Added

We know that it is important that the internal audit services seek to "add value" whenever it can. We obtained feedback from those audited during the year to date who considered we were able to add value by:

- Providing objective and relevant assurance.
- Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.
- Linking across Risk, Counter Fraud and Audit to respond to issues that occur.

Appendix 1 - Summary of audit reports and findings for 2024/25

Strategic Goal: Protect and Enhance the Quality Environment

Risk Area / Audit Entity	Audit Report
	Residual Risk / Audit Comment

The following audit from 2024/25 has been completed since June

Grounds Maintenance Substantial Assurance Status: Final	Overall, the functioning and management of Torridge District Council's Ground Maintenance Team is effective and well organised. We make several observations and suggestions to enhance the service provided by the team. Due to the potential implication of risk, one of the observations is marked as high priority (Security Measures). However, that does not have a detrimental effect on the performance of the service which merits a Substantial Assurance opinion.
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Strategic Goal: An Effective and Customer Focused Council

Risk Area / Audit Entity	Audit Report
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Residual Risk / Audit Comment	
The following audits from 2023/24 and 2024/25 have been completed since June	
<p>Members Expenses and Allowances</p> <p>Reasonable Assurance</p> <p>Status: Draft</p>	<p>In summary, the Council has this area well controlled. There is an up to date Members Allowance Scheme in place and the public can view the amounts and allowances as they are published on the Councils website.</p> <p>We do offer some recommendations in this area, mainly around wording in the policies to provide more clarity in this area, and utilising the 'Independent Remuneration Panel' to increase the overall control and assurance.</p>

Confidentiality under the National Protective Marking Scheme

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Marketing

Definitions

Official
The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.

Official: Sensitive
A limited subset of OFFICIAL information could have more damaging consequences if it were lost, stolen or published in the media. This subset of information should still be managed within the 'OFFICIAL' classification tier but may attract additional measures to reinforce the 'need to know'. In such cases where there is a clear and justifiable requirement to reinforce the 'need to know', assets should be conspicuously marked: 'OFFICIAL-SENSITIVE'. All documents marked OFFICIAL: SENSITIVE must be handled appropriately and with extra care, to ensure the information is not accessed by unauthorised people.

Appendix 2 – Scoring Definitions

Definitions of Audit Assurance Opinion Levels		Definition of Observation Priority	
Assurance	Definition		
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision. Important observations made to improve internal control arrangements and manage identified risks.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Opportunity	An observation to drive operational improvement which may enable efficiency savings to be realised, capacity to be created, support opportunity for commercialisation / income generation or improve customer experience. These observations do not feed into the assurance control environment.

Appendix 3 - Professional Standards and Customer Service Conformance with Public Sector Internal Audit Standards (PSIAS)

PSIAS Conformance - Devon Assurance 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 2024. This is supported through DAP self-assessment of conformance with Public Sector Internal Audit Standards & Local Government Application note.

The Institute of Internal Audit (IIA) are the key body involved in setting out the global standards for the profession which form the basis for the Public Sector Internal Audit Standards (PSIAS) and are undergoing review and revision. The proposed new standards which are likely to take effect in 2025 and this document helps clarity and raise awareness of the audit committee's governance roles and responsibilities in respect of this. [IIA Document – Draft Standards](#).

Quality Assessment - the Head of Devon Assurance Partnership maintains a quality assessment process which includes review by audit managers of all audit work. The quality assessment process and improvement are supported by a development programme.

External Assessment - 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 every five years by a suitably qualified, independent assessor. For DAP this was last 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

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. 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 reported to the DAP Management Board.

Customer Service Excellence

DAP was successful in re-accreditation by G4S Assessment Services of the CSE standard during 2023. This accreditation is a UK-wide quality mark which recognises organisations the prioritise customer service and are committed to continuous improvement.

Appendix 4 – Audit Authority



Service Provision

The Internal Audit (IA) Service for Devon County Council is delivered by the Devon Assurance Partnership (DAP). This is a shared service arrangement constituted under section 20 of the Local Government Act 2000. The Partnership undertakes an objective programme of audits to ensure that there are sound and adequate internal controls in place across the whole of the Council. It also ensures that the Council's assets and interests are accounted for and safeguarded from error, fraud, waste, poor value for money or other losses.



Strategy

Internal Audit Strategy sets out how the service will be provided, and the Internal Audit Charter describes the purpose, authority and principal responsibilities of the audit function.

Regulatory Role

There are two principal pieces of legislation that impact upon internal audit in local authorities:

Section 5 of the Accounts and Audit Regulations (England) Regulations 2015 which states that '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....'

Section 151 of the Local Government

Act 1972, which requires every local authority to make arrangements for the proper administration of its financial affairs.

Professional Standards

We work to professional guidelines which govern the scope, standards and conduct of Internal Audit as set down in the Public Sector Internal Audit Standards.

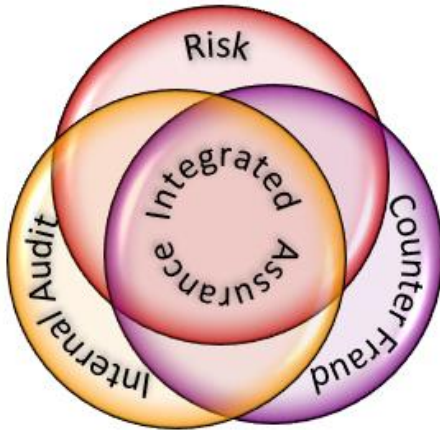
DAP, through external assessment, demonstrates that it meets the Public Sector Internal Audit Standards (PSIAS). Our Internal Audit Manual provides the method of work and Internal Audit works to and with the policies, procedures, rules and regulations established by the Authority. These include standing orders, schemes of delegation, financial regulations, conditions of service, anti-fraud and corruption strategies, fraud prevention procedures and codes of conduct, amongst others.

Appendix 5 - Audit, Risk & Counter Fraud Integration

Support, Assurance and Innovation

Our Vision

To be the leading provider of assurances services covering internal audit, counter fraud and risk management to public and not-for-profit organisations in the South West and beyond.



Operational delivery

- **Assurance Audit** Plans based on the best and most up to date risk information.
- Agile **Internal Audit** Plan
- Live **risk management** reporting and support across the Council
- Deliver a best-in-class **risk management framework**
- **Counter Fraud** Team co-ordinate / undertake irregularities work coming through the **audit** plan.
- Potential irregularities triaged to **fraud or audit** for review.
- **Proactive fraud** work e.g. NFI, developing a delivery plan at client level
- **Investigation** work to be completed jointly (where appropriate) to progress possible fraud review and strengthen internal control frameworks
- **Audit** scoping to include **Counter Fraud** input.
- Three-way liaison confirming risk and control.
- **Integrated reporting** to be delivered where possible.

Our Goals

Meet Client Needs	<ul style="list-style-type: none"> •Counter Fraud Strategy •Integrated Audit, Risk and Counter Fraud Activity •Easy access to additional services •Respond jointly to client concerns
IA, RM & CF Working Together	<ul style="list-style-type: none"> •Joint working practices •Staff understanding of audit, risk and fraud interrelationships •Assurance Officers
Efficiency	<ul style="list-style-type: none"> •Joint reviews on client functions and operations •Best skills from each team used at the right time •Tell us once •Joint outcomes
Infrastructure	<ul style="list-style-type: none"> •Integrated resource management •Joint Performance Reporting •Joint infrastructure