

Internal Audit

Annual Audit Report 2021-22

Plymouth City Council
Audit & Governance Committee

July 2022

Official

Introduction

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

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

The Internal Audit plan for 2021/22 was presented and approved by the Audit and Governance Committee in July 2021. The following report and appendices set out the background to audit service provision, a review of work undertaken in 2021/22 and provides our opinion on the overall adequacy and effectiveness of the Authority’s internal control environment.

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

Expectations of the Audit and Governance 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.

This report provides the internal audit assurance on the internal control framework necessary for Members to consider in support of the Annual Governance Statement.

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Robert Hutchins
Head of Devon Audit Partnership

Audit Assurance Statement

Overall, based on work performed during 2021/22 and our experience from the current year progress and previous years' audit, the Head of Internal Audit's Opinion is of **Reasonable Assurance** on the adequacy and effectiveness of the Authority's internal control framework.

Internal Audit assesses whether key, and other, controls are operating satisfactorily within audit reviews, 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. To provide ongoing assurance that scheduled actions are taking place and the identified risks mitigated, Internal Audit track progress in completion. Implementation of agreed management actions will further strengthen internal controls, but it should be noted that the overall assurance opinion for 2021/22 provided in this report is at a point in time and will not change.

Directors have been provided with details of Internal Audit's opinion on each audit review carried out in 2021/22 to assist them with compilation of their individual annual governance assurance statements.

If significant weaknesses have been identified in specific areas, these will be considered by the Authority in preparing its Annual Governance Statement which will accompany the published Statement of Accounts for 2021/22.

Internal Control Framework

The control environment comprises the Council's policies, procedures and operational systems including 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. Core financial and administrative systems were reviewed by Internal Audit.

Risk Management

The risk management process at strategic and operational levels remains in place.

In consultation with management, the audit plan has been "flexed" in response to the changing risk profile.

Governance Arrangements

Governance arrangements have been considered in all of our audits along with opportunities to improve consistency or alignment to business need.

Performance Management

Regular reporting to management, the leadership team and the Council continues to ensure effective performance management.

The budget monitoring and scrutiny arrangements in operation have enabled pressure points to be identified and prompt remedial action to be taken.

Substantial Assurance	A sound system of governance, risk management and control exists 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.

Value Added

We know that it is important that the internal audit service seeks to "add value" whenever possible and we believe internal audit activity has added 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 and support as a “trusted advisor” effective and constructive in these significantly changing times.

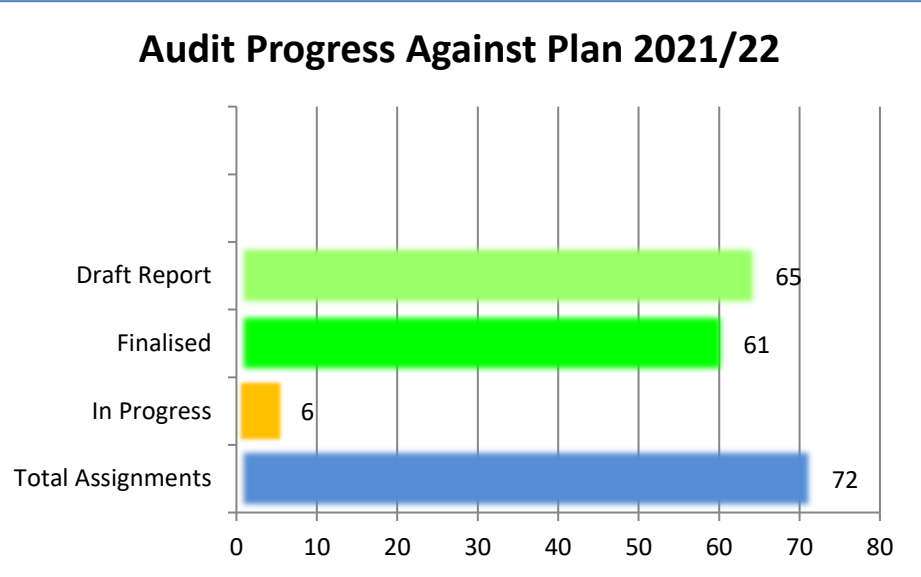
Detailed below is some of the feedback received from those audited during 2021/22.

- “Consultation on whether there were any specific areas which my department felt should be audited was very welcomed and it was good to see our ideas incorporated into the plan”.
- “The depth and breadth of the audit, not just looking at high level data but delving in to find out underlying”.
- “The audit brought to light many of my department's suspicions and with the backing of an audit report means I have the mandate to push forward with planned improvements and corrective”.
- “Excellent planning from the start. Setting the scope is obviously very important to get right and the Auditor and I discussed it in depth, and I was guided rightly so by the Auditor as to the priorities”.
- “After an initial face to face run through of the service that was in the scope of the audit, the Auditor went away and did a lot of research and looking at documents and data. She then regularly set up further catch-up sessions to ask questions and confirm understandings of some of the findings to inform the final audit. These meetings were always useful and done in a very friendly and professional manner with little disruption to the Service. I found the Auditor to be an excellent communicator and I thoroughly enjoyed the process.”

Progress against plan

This report compares the work carried out with the work that was planned through risk assessment and client requests and presents a brief summary of audit work undertaken at Appendix I. The bar chart below shows delivery of the plan.

Progress includes completion of work from 2021/22 necessarily spanning year end but does not include our quarterly exercises to track progress with implementation of audit recommendations.



The split of audit coverage across directorate areas is shown on page 4 of this report.

Audit Coverage

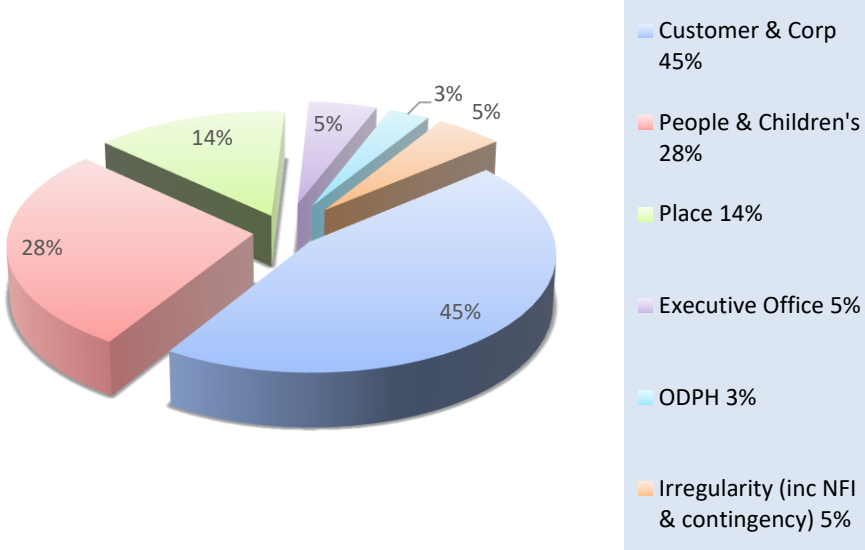
The pie charts on the right shows the breakdown of audit days planned by service area / type of audit support provided. The balance of work has varied during the year as can be seen from comparison with the second chart. Variations have been with the agreement of the client.

Appendix I to this report provides a summary of the audits undertaken during 2021/22, along with our assurance opinion. Where a “substantial” or “reasonable” standard of audit opinion has been provided we can confirm that, overall, sound controls are in place to mitigate exposure to risks identified; where an opinion of “improvement required” 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. It should be pointed out that we are content that management are appropriately addressing these issues.

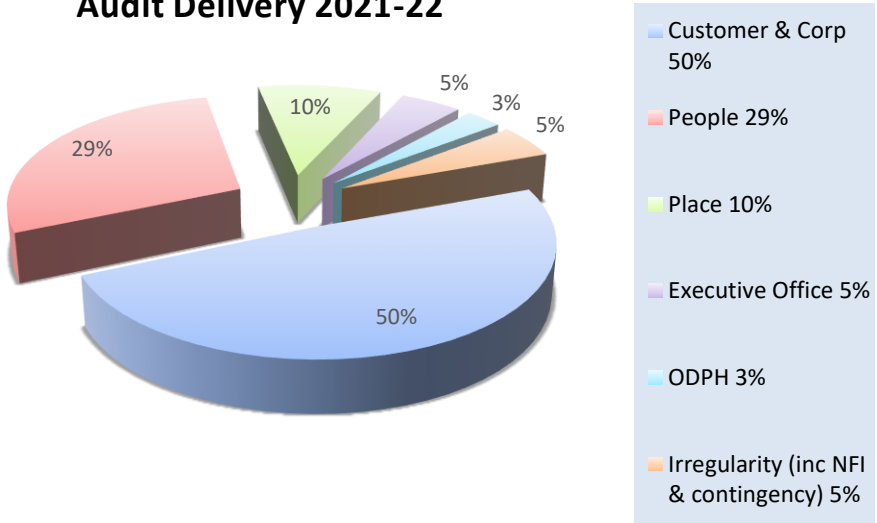
It will be noticed that there is a small variation in the percentage split across service areas. The audit plan was developed in consultation with management across the Council and agreed by the Audit and Governance Committee in July 2021. Local authorities operate in a rapidly changing environment and the Council has been working to put into place new and innovative solutions to address the ongoing challenges brought about by the pandemic and budgetary pressures. The audit plan has needed to be flexible and able to reflect and respond to the changing risks and priorities of the Council to ensure it remains valid and appropriate.

All changes to the audit plan have been agreed with management and reported to the Audit and Governance Committee throughout the year.

Audit Plan 2021-22



Audit Delivery 2021-22



Fraud Prevention and Detection

Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. The Cabinet Office runs a national data matching exercise, The National Fraud Initiative (NFI), every two years. For the 2021-22 exercise, DAP co-ordinated the extract of relevant Council datasets, as defined by the Cabinet Office.

Alongside support from DAP, Council departments have been processing the matches received with the most notable results reported in respect of the transport passes data where a total of 82 blue badges and 540 concessionary bus passes have been cancelled. The estimated saving to the Council is £47,150 in respect of the blue badges and £12,960 for concessionary bus passes. The Council were not aware that the badge / pass holder was deceased until reviewing the NFI matches provided.

Irregularities – DAP have provided management with a range of advice and support on courses of action or improvements to controls. DAP had received one report under the Whistleblowing Policy but when we looked into the matter, we found that the situation was already known to management who had taken the appropriate steps to address the situation.

Active Counter Fraud Investigation – The Counter Fraud Services Team within DAP continue to provide a full and comprehensive investigation service to Plymouth, whilst offering a commercialised service to other DAP partners in order to provide Plymouth City Council with a return on its investment. Details of the counter fraud work undertaken across 2021/22 is reported separately in the Counter Fraud Annual Report & Update.

Appendix I - Assurance Opinion and Extract Executive Summaries for 2021/22

Areas of Review	Assurance Opinion	Residual Risk / Audit Comment
Customer and Corporate		
Business Rates	Reasonable Assurance Status: Final	<p>The system in operation for the billing and collection of business rates continues to operate to a good standard with the service area having worked hard to return to a position of 'business as normal' following the disruption caused by the Covid 19 pandemic. In particular, the processing of VOA amendment schedules has been brought up to date following delays experienced during 2020-21. This has ensured that the rating list is as accurate as possible and will have been of benefit to the Council's processing of Covid 19 grant applications during the year.</p> <p>Performance reporting arrangements focus on in-year collection rates and collection volume and could be expanded to include the level, age and management of arrears providing more insight for Senior Management.</p>
Council Tax	Reasonable Assurance Status: Final	<p>Internal control within the Council Tax system continues to be effective. Bills were accurate and sent out on time and valuation schedules are updated promptly. Recovery action is undertaken in a timely manner with reminders and final notices being automatically generated by the system. The rolling review of discounts and exemptions has seen approximately 2,500 discounts being removed.</p> <p>The capacity to refund or write on small balances sitting on old accounts remains a challenge and any available resource is focussed on the newest credits which are easier to resolve but this does not address those on prior year accounts.</p>
Housing Benefit	Status: Fieldwork Complete, Report Being Drafted	Performance against the Key Performance Indicators (processing times for new claims and changes in circumstances) has been maintained with both sets of processing times being within the respective targets set. As such, some of the most vulnerable sections of the City have not been subject to undue delays in receiving financial assistance at a time when the cost of living is increasing.

		<p>However, in maintaining processing times, the department face a continual challenge in balancing the demands on the service with the resources available and difficult decisions have had to be taken regarding the department's priorities. Inevitably, there are areas of the service which have not been afforded sufficient resource. In particular, there has been no recovery resource in place throughout the year to pursue benefit overpayments. Additionally, whilst work has been undertaken in developing the processes required to participate in the DWP's Housing Benefit Award Accuracy Initiative, there have only been a limited number of 'full case reviews' undertaken. The Council's voluntary participation in the initiative has become a mandatory requirement for 2022-23, and it will be a challenge for the department to achieve the target number of interventions set by the DWP.</p> <p>Our review found very little error in the calculation of benefit entitlement and overpayments. Whilst this is consistent with the department's internal QA work, the more targeted testing undertaken by the External Auditor, as part of the subsidy audit, has continued to identify errors within the benefit caseload which will have a negative impact on the amount of subsidy received. There is scope for DAP to work more collaboratively with the department moving forward to target our testing and provide periodic assurance regarding common errors.</p>
Material Systems – System Admin & Backup	Reasonable Assurance Status: Final	<p>Our review concluded that the current user management process is sufficiently robust to provide assurance that there are no issues that materially impact the Councils accounts. Service improvements have been provided by the implementation of a new Backup solution and our review of interface processes provides high confidence that the integrity of financial data remains robust. The Council and Delt are to arrange a workshop to explore ways to further improve access and user management and reflect current risks, operational needs and changing technologies.</p>
Payroll (CoreHR) System	Reasonable Assurance Status: Draft	<p>We can provide "reasonable assurance" that the overall internal control framework operating within the Council's payroll system provides reasonable assurance that employees have been paid accurately, on time and in accordance with their contract of employment.</p> <p>The current controls in operation provide assurance that inappropriate or inaccurate amendments will be detected and prevented and Delt Payroll Services consistently apply robust procedures that ensure the identification and rectification of errors and anomalies.</p>

		<i>The draft report was discussed with the Service Director for HR&OD on the 27 June and the draft report with proposed management responses issued for agreement and finalisation on 30th June 2022.</i>
Business Rates Grant Post Event Assurance (Additional Restrictions Grant / Closed / Local Restrictions Support Grant)	Reasonable Assurance Status: Final	Assurance was reported in September 2021 Progress Report, please refer to that report for details.
Main Accounting System	Reasonable Assurance Status: Final	The control environment for the maintenance of the General Ledger is sound and ensures that budgetary and transactional data is effectively recorded with processes generally operating as expected by audit and as required by the organisation. Automated processes ensure daily posting and review of the figures from feeder systems to the General Ledger. Reconciliations, including cash and bank are completed in a timely manner.
Creditors (inc purchasing)	Status: In Progress	Fieldwork is underway. The objective of this review is to evaluate and report on the adequacy of controls, processes and procedures operating within the Purchasing and Creditors systems.
Debtors	Reasonable Assurance Status: Draft	The billing, collection, and recovery of debtor income (excluding council tax, business rates, housing benefit overpayments and parking penalty charge notices) is administered using the Civica Debtors system either within the Service Centre or in individual departments. The objective of this audit is to evaluate and report on the adequacy of controls, processes and procedures to ensure invoices are raised correctly, income collection is effective.
Treasury Management (This review also incorporated Risk Management in TM)	Substantial Assurance Status: Final	The Treasury Management (TM) system remains highly effective with robust governance arrangements and operational processes in place and complied with. TM Officers understand the Council's Treasury Management objectives and ensure activities are carried out in accordance with approved strategies and that internal controls and operational processes are complied with, enabling ongoing effective financial management.

		Arlingclose, the Council's TM advisor, have continued to provide expert financial advice, supporting the Council in continuously assessing and developing its borrowing and investment strategies. They have provided all of its clients with an update on the potential exposures to Russia and Belarus of Money Market Funds and Pooled Funds. They contacted Fund Managers to determine any exposure and have advised the Council it has no direct exposure.
Icon Cash / Bank Receipting System	Status: In Progress	Work is being undertaken to review the Councils income collection processes. The review will look to obtain an overview of the systems, processes and technical solutions used by the Council to receive and administer its income. The audit will focus on key risks based on Internal Audit's view of risk within the function.
Additional Holiday Pay <i>Not included in original plan</i>	Value Added Status: Complete	Assurance was reported in September 2021 Progress Report, please refer to that report for details.
Cyber Security	Added Value Status: Final	Assurance was reported in November 2021 Half Year Report, please refer to that report for details.
Safer Recruitment (Disclosure & Barring Service (DBS) Checks)	Limited Assurance Status: Final	Assurance was reported in November 2021 Half Year Report, please refer to that report for details.
Acting Up & Additional Duties	Incorporated into the Payroll (CoreHR) System Report	Assurance was reported in November 2021 Half Year Report, please refer to that report for details. <i>The findings from the initial report issued in May 2021 were consolidated within the Payroll (CoreHR) system audit report above, the draft report was discussed with the Service Director for HR&OD on the 27 June and the draft report with proposed management responses issued for agreement and finalisation on 30th June 2022.</i>
IR35 Off-Payroll Working	Limited Assurance Status: Final	Our review found that IR35 management and record-keeping is spread across Human Resources (HR), Procurement and the wider organisation resulting in a fragmented approach. However, work is underway to centralise the management of IR35 and to improve current processes.

		<p>Temporary resourcing must be processed via payroll or through the Council's recruitment agency. However, there is the risk that some spend, such as low value transactions and direct purchasing can slip through the gap. A pilot programme with four departments is currently underway to improve the process of ordering through Self-Service procurement.</p> <p>Both HR and Procurement are aware of the weaknesses and the plans that are in place to bring the management of all IR35 related activities under the central control of HR, coupled with the improved Procurement Purchase Order process should provide the controls necessary to meet the statutory requirements and avoid the risk of non-compliance.</p>
Council Bank Accounts	Added Value Status: Final	<p>Council bank accounts are managed and controlled and subject to regular reconciliations. Five Trust Accounts were review with limited, if any, movement. Continuing to maintain these accounts is an administrative overhead with no obvious value and it is recommended that consideration is given as to whether it is possible to rationalise the number of trust accounts held.</p>
<p>Hollywell Housing Trust (HHT)</p> <p><i>Not included in original plan</i></p>	Added Value Status: Final	<p>In December 2021 HHT advised the Council that they would cease trading from 28th February 2022 and that all 82 of their residents, of which 32 were in Plymouth, would be served notice (the notification).</p> <p>A report on 14 January 2022 on Plymouth Live stated that HHT “<i>claimed it was no longer able to keep operating due to a funding shortfall it is alleged was caused by Plymouth City Council’s reclassification of what benefits it was entitled to.</i>”</p> <p>Internal Audit were asked to look into the matter. We found that the nature of the review undertaken by the Council and the type and level of evidence requested was reasonable and consistent with the requirements of Housing Benefit regulations.</p> <p>Furthermore, prior to receiving the notification from HHT the Council took no action to amend and reduce existing benefit claims, rather, it granted HHT an extension of time to provide the necessary evidence it had requested. This evidence was never forthcoming.</p>
Schools Financial Value Standards (SFVS)	Status: Complete	<p>The SFVS is a statutory self-assessment that all maintained school must complete and submit to the local authority (LA) on an annual basis. The purpose of the self-assessment</p>

		it to ensure the effective financial management of school resources. We have received returns for all eligible maintained schools in respect of the 2021/22 financial year and can confirm that the LA return was submitted to the Education & Skills Funding Agency on 30 May 2022.
Software Application Licensing <i>Not included in original plan</i>	Reasonable Assurance Status: Final	<p>Compliance with software licensing compliance is guided by policies from both the Council and Delt. Roles and responsibilities are laid out in key Delt documents. Objectives and key considerations are in place and guidance within the policies align with industry recommended best practice.</p> <p>Delt's approach to management and compliance of software licenses is based on a balance of risk versus cost and according to Delt aligns with industry best practice. This means that low cost, low risk licenses will not be compliance checked.</p> <p>Testing demonstrated that record-keeping of software licenses at Delt could be improved. Collating the evidence required to provide assurance that robust measures are in place took a prolonged period due to the information being held in a variety of places.</p> <p>Overall, robust controls are in place for day-to-day management at contract level, however it would be beneficial to both organisations to improve the management of individual license records. A workshop to deliver a mutually agreeable solution has been agreed.</p>
Management of Grants		There were 23 grants requiring audit in 2021/22 compared to just 8 in 2020/21 and the opportunity was taken to have real-time discussions with key officers as to how grant requirements could be better captured going forward.
O365 Follow-Up		This work has not been formally completed as changes were found to have been made to mitigate security and project risks identified within the original report.
Client Financial Services, Health & Safety and Governance of the Capital Programme		In consultation with management, it was agreed that these reviews would be carried forward into the 2022/23 audit plan.

Executive Office		
Electoral Services (Follow Up)	Reasonable Assurance Status: Final	Assurance was reported in November 2021 Half Year Report, please refer to that report for details.
Electoral Services	Value Added Status: Complete	DAP continues to provide assurance that the data quality checks conducted to ensure the integrity of the electoral roll and the election outputs and found those conducted for the 2022 Council elections to be performed to a high standard. However, as previously highlighted by DAP, limitations of the Civica Xpress system have impacted the level of data checks possible. The Team continue to liaise with Civica regarding this and other operational and reporting issues they have identified. The potential use of Microsoft's Power BI to provide supplementary reports is being explored.
Gifts & Hospitality Follow-Up	Incorporated into the Declaration of Interest report	Details reported in November 2021 Half Year Report, please refer to that report.
Declarations of Interest (Officers)	Limited Assurance Status: Complete	Assurance was reported in November 2021 Half Year Report, please refer to that report for details.
Risk Management	Reasonable Assurance Status: Final	<p>Overall risk management arrangements operating within Plymouth City Council are considered to be “Working”, providing Reasonable Assurance.</p> <p>The Council have a robust Risk and Opportunity Management Strategy that continues to be updated to ensure it remains fit for purpose, however compliance with the Strategy and the consistency with which the Risk Management process is embedded and integrated into the day-to-day business across the Council could be further strengthened.</p> <p>Recommendations made will help raise the profile and understanding of risk and opportunity management, ensure compliance with the Councils Risk Management Strategy and further strengthen existing arrangements.</p>

Children's Services		
OLM Eclipse Project	Value Added Status: Ongoing for duration of project	DAP continues to provide real-time support and challenge to the Eclipse Project Board and additional formal advice. Despite a minimal delay training momentum was maintained and early life support arrangements have been identified. Effective communication with all project stakeholders leading up to Children's Services 'Go Live' has created good awareness and helped manage expectations. All lessons learnt will be captured to inform the Adult Services Eclipse project.
Children's Additional Spend	Limited Assurance Status: Final	Assurance was reported in November 2021 Half Year Report, please refer to that report for details.
Special Educational Needs & Disability (SEND) Contracts	Value Added Status: Complete	<p>The priority for the Service Area is to be able to process the increasing number of Education Health & Care Plans required and how to tackle the increased complexity of the issues that children and young people are facing, including many more with social and emotional needs.</p> <p>Our work was conducted at a time when a number of reviews / projects were being undertaken but the focus was to liaise with managers and stakeholders to identify areas with processes and procedures which could be streamlined and improved, enabling the Service Area to take forward any solutions or suggestions from those discussions in real time.</p> <p>We found the decision-making process in the form of panel to be very open, transparent, and well recorded. Recommendations were made around streamlining of some processes and around the monitoring of contracts.</p>
Fully CATERed	Value Added Status: Final	Assurance was reported in September 2021 Progress Report, please refer to that report for details.
Special Guardianships (Children) Follow-Up	Follow-up work has been incorporated in our quarterly recommendation tracking.	
Families with a Future (Payment by Results)	Regulatory Requirement	DAP have completed ten verification audits and certified four quarterly payment by results claims during the year. The Council has achieved the maximum claim target by

		supporting 416 families to achieve significant and sustained progress for a range of outcomes and/or a move into continuous employment.
On Course South West (OCSW)		The need for audit review was superseded by two Ofsted monitoring visits and a full inspection in January 2022 with overall effectiveness as Good. It was reported that concerns raised in previous inspections had been addressed and that OCSW “have raised the standards of the courses, established effective governance and managed the return of OCSW to PCC well”.
People		
Finance & Assurance Review Group (FARG)	Value Added Status: Ongoing	The purpose of FARG is to provide oversight, scrutiny and assurance of the integrated fund and internal audit continue to have a seat on FARG providing real time support and challenge.
Pre-Paid Cards	Status: In Progress	This review is nearing completion and will evaluate how pre-paid cards are administered and used across the Council.
Alliance Contract	Draft report to be issued shortly	<p>The Council, in partnership with service users and service providers, co-designed a new complex needs system to enable people to receive the right support, at the right time, in the right place. In April 2019, 25 separate services (contracts) were brought together into The Plymouth Alliance (TPA) to create a new single system to deliver an improved experience and better outcomes.</p> <p>From discussions held with Council staff and stakeholders TPA is considered to have been successful in replacing siloed working with a culture of collaboration resulting in transformative outcomes for service users, reducing homelessness, tackling substance abuse and promoting independence.</p> <p>There are effective case management processes in place and management visibility of financial and performance data.</p>
Provider Payments	Status: In Progress	Work is underway in reviewing a sample of domiciliary care and extra-care provider returns.

Life Chances Fund (Pause Programme)	Regulatory Requirement	Work was undertaken which provided independent assurance and verification of the outcome payment invoices and two Life Chances Fund (LCF) grant claims for a cohort of 24 women currently on this programme which works with women who have experienced or are at risk of, repeated pregnancies that result in children needing to be removed from their care. The model aims to give women the opportunity to “pause” and take control of their lives and break free from destructive cycles. The programme is due to continue until September 2024.
Community Connections – New Business Solutions		The work to link the Esuasive system to the Dynamic Purchasing System has not been taken forward.
Disabled Facilities Grants		As a result of the pandemic and the work needed to support Afghan refugees build a new life in Plymouth, the service was struggling with capacity. It was agreed that we would come back to this area in the future.
Office of the Director of Public Health		
Public Burial Administration	Reasonable Assurance Status: Draft	<p>Overall, the administration of Public Burials is undertaken efficiently and in accordance with relevant legislation / best practice adequately safeguarding the Council’s financial and reputational positions.</p> <p>From the point of referral, checks include confirming residential and next of kin status and confirming any recovered items of value or evidence of financial means through liaison with landlords, housing providers, the Police and GPs. Record keeping is comprehensive and robust with all actions taken and corresponding evidence recorded.</p>
Place		
Commercial Properties	Reasonable Assurance Status: Final	<p>Tech Forge, the system used to manage the Council’s commercial property portfolio was migrated to the “TF Cloud” system in 2021. Land & Property have been very proactive in developing the system to improve data quality, streamline processes and overall, create a more robust control framework.</p> <p>A full walkthrough of the system has been undertaken and the “system” as is, documented. The design of the control framework is effective and compliance testing is</p>

		planned for later in 2022-23 once the new processes and procedures have had sufficient time to bed in.
Highways Works Orders & Approval Process	Value Added Status: Ongoing as required by service	Details reported in November 2021 Half Year Report, please refer to that report.
Commercial Waste	Reasonable Assurance Status: Final	Audited in 2016, with follow ups in 2017/18 and 2018/19, the service was reported as 'Improvements Required'. Results of testing within in 2021/22 provide assurance that many of the observations from the previous audit have been addressed and many gaps closed following the recruitment of the new Head of Service. Pricing has been updated, debtor invoices are issued promptly, two new vehicles have been purchased, new business has increased. Use of a digital platform would help streamline and further strengthen back-office processes.
City Change Fund	This was a “reserve” item in the 2021/22 audit plan but there was insufficient resource to undertake this review. Time has been included in the 2022/23 audit plan.	
Grant Certification	Regulatory Requirement	<p>In 2021/22 we have audited and certified 23 grants as detailed below.</p> <ul style="list-style-type: none"> • DFE Additional Home to School Transport 2020 - 31/5137, 31/5268 and 31/5370 (Covid 19) • DFT Travel Demand Management 2020/21 - 31/5127 (Covid 19) • Innovate UK - Clean Streets EV Infrastructure grant - 31831 • SW LEP LGF GD20 Charles Cross • SW LEP LGF GD04 Derriford Transport Scheme • SW LEP LGF GD19 Eastern Corridor Cycle Route • SW LEP LGF GD18 Northern Corridor Junction Improvements • SW LEP LGF GD33 Oceansgate • SW LEP LGF GD50 Plymouth Railway Station • SW LEP LGF GD42C 5G Smart Sound • Arts Council England - Small Capital Grants (Artists and Lights) SCAP-00171800 • Arts Council England – Culture Recovery Fund (The Box) ACAP-00309634 • Arts Council England - Culture Recovery Fund Round 2 (The Box) CRFG-00379239

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| | | <ul style="list-style-type: none">• Arts Council England - Cultural Capital Kickstart Fund (The Box) ACAP-00309634• PHE HIV PrEP Grant No:31/5179• SW LEP LGF GD42C 5G Smart Sound• DFT Local Transport Capital Grant Highways Maintenance Block 31/5036• DFT Local Transport Capital Grant - Pothole and Challenge Fund 31/5072• DFT LA Majors - A38 Manadon• DFT LA Majors - Major Road Network Phase I• DFT Travel Demand Management 2020/21 - 31/5127 (Covid 19)• BEIS Green Homes Fund 31/5187• MHCLG IBCF DFG 31/5017 |
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Appendix 2 - Professional Standards and Customer Service

Conformance with Public Sector Internal Audit Standards (PSIAS)

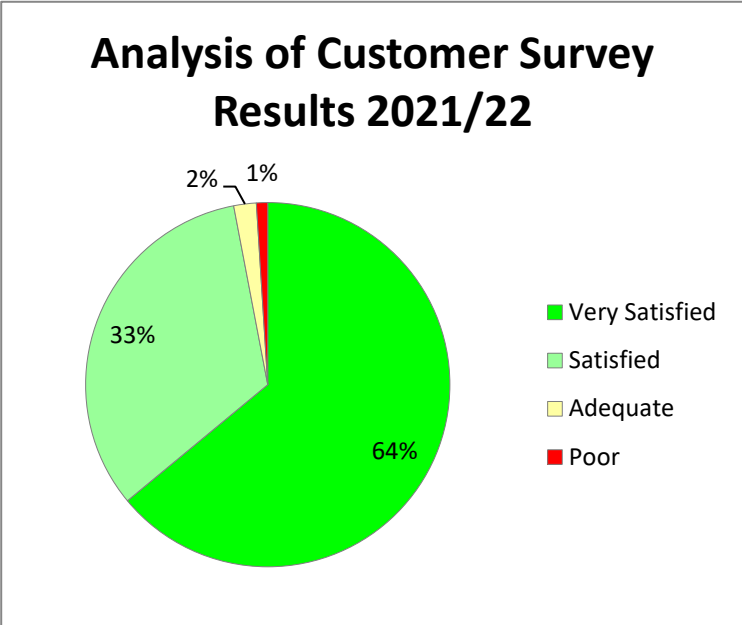
Conformance - Devon Audit Partnership conforms to the requirements of the PSIAS for its internal audit activity. The purpose, authority and responsibility of the internal audit activity is defined in our internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics*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

Quality Assessment - through external assessment December 2021, “DAP is considered to be operating in conformance with the standards”. External Assessment provides independent assurance against the Institute of Internal Auditors (IIA) Quality Assessment & Public Sector Internal Audit Standards (PSIAS). The Head of Devon Audit Partnership also maintains a quality assessment process which includes review by audit managers of all audit work. The quality assessment process and improvement are supported by a development programme.

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

Customer Service Excellence

In November 2021, DAP was successful in re-accreditation by G4S Assessment Services of the CSE. We continue to issue client survey forms with our final reports and the results of the surveys returned are, although low in number, very good and again are very positive. The overall result is very pleasing, with 97% being "satisfied" or better across our services, see appendix 6. 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

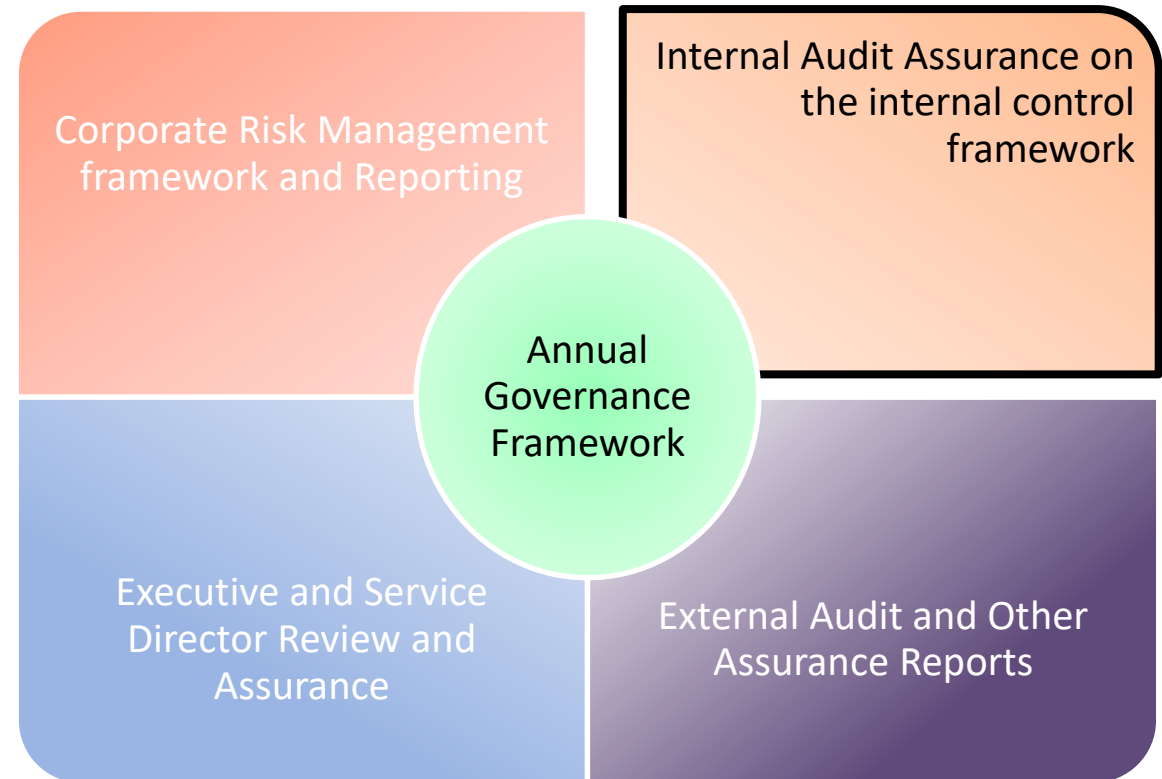
The conclusions of this report provide the internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.

The Annual Governance Statement 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 and Governance 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 and Governance 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 and Governance Committee, and then signed by the Chair.

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

Appendix 5 - Basis for Opinion

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

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

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

The extent to which our work has been affected by changes to audit plans has not been notable this year. Whilst certain changes have been made from the plans originally agreed this has been due to changes in operational business needs

As a result, some work originally included within the audit plan was no longer relevant or has been deferred to a later date to fit with client needs and current objectives. These changes do not limit the overall audit assurance opinion.



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

- all audits completed during 2021/22, including those audits carried forward from 2020/21;
- any follow up action taken in respect of audits from previous periods;
- any significant recommendations not accepted by management and the consequent risks;
- the quality of internal audit’s performance;
- the proportion of the Council’s audit need that has been covered to date;
- the extent to which resource constraints may limit this ability to meet the full audit needs of the Council;
- any limitations that may have been placed on the scope of internal audit.

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Devon Audit Partnership
<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>