



Internal Audit Report
Follow Up Report on
Areas Requiring Improvement
Torbay Council

August 2013

Restricted



Auditing for achievement

FOLLOW UP REPORT ON AREAS REQUIRING IMPROVEMENT

1. INTRODUCTION

- 1.1 At the June Audit committee members were provided with the Annual Internal Audit report for the Council. Appendix 2 of that report provided a summary of the audits undertaken during 2012/13, along with our assurance opinion. Where a “high” or “good” standard of audit opinion was been provided we confirmed that, overall, sound controls were in place to mitigate exposure to risks identified; where an opinion of “improvement required” was provided then issues were identified during the audit process that required attention. We provided a summary of some of the key issues reported that were being addressed by management and pointed out that we were content that management were appropriately addressing these issues.
- 1.2 Members discussed and accepted the report; however, members at the other partner organisations of the Devon Audit Partnership have found it beneficial to receive a report on progress on the “improvement required” areas highlighted in Appendix 2 to the report.
- 1.3 As part of adding value and to ensure a consistency service across all partners, Devon Audit Partnership has completed follow up reviews to provide updated assurance to members. The results from this process are contained in this report at Appendix 1.

2. PROCESS

- 2.1 For each service area where an overall audit opinion of “improvements required” was provided at the end of 2012/13 we completed a follow up review. The follow up review was undertaken to provide assurance to management and those charged with governance, that the agreed actions identified at our initial audit visit had been implemented, or suitable progress is being made to address the areas of concern.
- 2.2 Our approach was to initially write to the appropriate service manager to obtain an update on progress being made against agreed audit recommendations. The level of assurance we requested was dependant upon the priority of the agreed recommendation.
- 2.3 For recommendations of "low" priority we required written confirmation that the action had been enacted upon, or an update on the progress being made.
- 2.4 For "medium" priority recommendations we required written confirmation that the action has been enacted upon, or an update on the progress being made, plus some evidence to support this. For example, if the recommendation was for a monthly imprest reconciliation to be produced and signed as correct, then a copy of the most recent reconciliation was required.

- 2.5 For "high" priority recommendations we required written confirmation that the action had been enacted upon, or an update on the progress being made, plus some evidence to support this (as above) plus, and depending upon the nature of the recommendation, we considered a physical visit to confirm that the recommendation was operating as expected and that the identified risk had been reduced to an acceptable level.
- 2.6 Following the completion of our review we considered the progress made against of the agreed recommendations. This then enabled us to reconsider our assurance opinion against each of the risk areas identified, and has enabled us to reconsider our overall assurance opinion enabling an updated opinion to be provided where appropriate.
- 2.7 It should be noted that this updated opinion is based upon the assumption that systems and controls as previously identified at the original audit remain in operation and are being complied with in practice. The purpose of our follow up exercise has not been to retest the operation of those previously assessed controls, but to consider how management have responded to the agreed action plans following our previous work.

3 FINDINGS

- 3.1 Overall we can report that progress is being made against the agreed recommendations following our initial audit and this is shown in the direction of travel in appendix 1 to this report. A significant number of opinions remain unchanged at this time although this does not necessarily reflect lack of action.
- 3.2 It should be noted that in a number of instances action is being taken to address the issues identified, but this is ongoing and therefore we have been unable to form a new overall assurance opinion. It is acknowledged that the need to make changes to some processes can take time to achieve, and as a consequence not all recommendations have been completed, but this is as expected.
- 3.3 In some instances we were unable to obtain full responses from the service area due to availability of staff; we will ensure that once staff have returned that we complete the follow up process, and confirm that the service areas are on track to implement agreed recommendations. Any areas where issues or concerns are noted will be flagged to senior management for further consideration and resolution.
- 3.4 Other agreed actions have not been implemented for a variety reasons including other work priorities resulting from changes in the service area. We shall work with management in determining revised implementation dates to ensure that actions are taken as promptly as is possible to address the risk identified.

- 3.5 During our initial audit work we have made reference to areas where risk exists; however in some cases it is either not economically appropriate to address this risk, or technical solutions are not yet available. In such cases management agree to accept this risk, and use other monitoring arrangements to ensure that the risk is kept to a minimum. In such cases we are unable to provide an improved audit opinion, although we fully recognise that the risk is identified, managed and management will resolve the issue as and when opportunities arise.
- 3.6 Appendix 1 of this report set out the audits at the end of 2012/13 which were identified as “improvements required”. The appendix shows the current (updated) assurance opinion following our follow up work, and a “direction of travel”. We have also provided some more detailed commentary on progress being made.

4 CONCLUSION





- 4.1 Overall we conclude that progress is being made against the agreed audit recommendations. Improved assurance opinions have been provided in some areas, and the direction of travel is showing as improving in the majority of areas (see Appendix 1); this should provide assurance to those charged with governance.
- 4.2 We would like to acknowledge and offer our thanks to all those who have assisted with this process. We understand that the work was undertaken at a traditionally difficult time for management (due to the summer holiday season) and their help in providing the information for this review is appreciated.

Robert Hutchins
Head of Devon Audit Partnership
September 2013

Table to show updated Audit Assurance Opinion after completion of follow up work to end August 2013

Audit Area	Audit Assurance Opinion as at 31 May 2013	Updated Audit Assurance Opinion as at 31 August 2013	Direction of Travel	Commentary
Adults Services and Resources - IT audit				
IT IS Strategy 2011/12	Improvements required	Improvements required	↑	The key major components of an updated IS Strategy have already been correctly identified, but final completion of a fully documented formal IS Strategy is still dependent on finalising confirmation of available future funding and staff resource
Procurement 2011/12	Improvements required	Improvements required	↑	Positive progress has been made since the 2011/12 audit review. This will be followed up in 2013/14 with additional departmental testing, as agreed in the report. The direction of travel therefore is upwards, although the assurance opinion remains as 'Improvements required'.
Comino (Civica) 2012/13	Improvements required	Improvements Required	↑	Positive progress has been made, therefore the direction of travel is upwards, however the assurance opinion remains as 'improvements required' due to the risks that still remain. Progress has been made against a number of the recommendations made, and the Civica Support Team (now the Public Access Channel and Systems – PACS team) have made many operational changes to more effectively manage the system. There are a number of recommendations that are reliant upon product updates from the supplier and awaiting the next upgrade to the system. Despite progress there is a real risk to the organisation in relation to key reliance on the system for many aspects of the organisations service delivery.

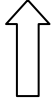
Audit Area	Audit Assurance Opinion as at 31 May 2013	Updated Audit Assurance Opinion as at 31 August 2013	Direction of Travel	Commentary
End User Computing 2012/13	Fundamental Weaknesses	Improvements Required	↑	Positive progress has been made through the formulation of a working group (IT, IG and Audit) to develop the EUC framework and EUC policy (which will sit within the existing DISP policy framework). The policy has been drafted and a tool / methodology for identifying and categorising EUC's against defined criteria is nearing development completion. The intention is to incorporate this into the requirements and responsibilities of the Information Asset processes. The direction of travel is upwards, and the assurance opinion has been moved to Improvements Required based upon the action taken to date and the assumption that this will be rolled out within the organisation as intended.
PCI Compliance Project	Improvements required	Improvements required	↑	Whilst full PCI compliance has not yet been obtained, significant progress has been made in overcoming a number of outstanding issues, such as data protection issues arising as a result of voice recording of credit card numbers. In this respect, the Authority is now in the process of finalising a contract with a third party contractor. It is anticipated that full PCI compliance will have been obtained by or before December 2013.
Directorate: Children's Services				
Section 17 Payments 11/12	Improvements required	Improvements required	→	We have been unable to meet with management within the Audit Committee timescales. We have therefore not been able to ascertain the progress in relation to the recommendations made, and cannot provide an updated audit assurance opinion or direction of travel at this time.

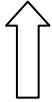
Audit Area	Audit Assurance Opinion as at 31 May 2013	Updated Audit Assurance Opinion as at 31 August 2013	Direction of Travel	Commentary
Use of Agency Staff 11/12	Improvements Required	Improvements required		We have been unable to meet with management within the Audit Committee timescales. We have therefore not been able to ascertain the progress in relation to the recommendations made, and cannot provide an updated audit assurance opinion or direction of travel at this time.
Social Care Transport 11/12	Improvements Required	Improvements required		We have been unable to meet with management within the Audit Committee timescales. We have therefore not been able to ascertain the progress in relation to the recommendations made, and cannot provide an updated audit assurance opinion or direction of travel at this time.
Housing Needs & Homelessness 11/12	Improvements Required	Improvements Required		<p>Management have responded positively to the audit and are in the process of taking appropriate action to address the issues identified, as shown by the direction of travel.</p> <p>Although there has been substantial progress made in terms of implementing recommendations, there are still a number which remain outstanding or are still being implemented, hence the updated assurance opinion remains as 'Improvements Required'.</p>
Early Year Services - Family Group Conferencing 12/13	Improvements Required	Improvements Required		We have been unable to meet with management within the Audit Committee timescales. We have therefore not been able to ascertain the progress in relation to the recommendations made, and cannot provide an updated audit assurance opinion or direction of travel at this time.

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Directorate: Place & Resources				
IBS Open Systems Admin 11/12	Improvements Required	Good Standard	↑	<p>A subsequent audit was undertaken in 12/13 resulting in the assurance opinion moving to 'Good Standard'. The 12/13 executive summary is detailed below:-</p> <p>Progress continues to be made in improving the system management arrangements for the Open Revenues system. The system has been kept current and fit for purpose and the team show a willingness to address the remaining weaknesses identified.</p> <p>Although there are still some areas that need to be addressed from the previous audit, the team have made significant progress in implementing the majority of recommendations made last year.</p> <p>There remain issues relating to the management of access rights, in particular in relation to the inadequate segregation of duty which impacts the overall assurance opinion that can be provided; this is reported annually and the associated risks accepted by management due to the operational need and the efficiency advantages achieved through generic working practices.</p>
Benefits 11/12	Improvements Required	Good Standard	↑	<p>A subsequent audit was undertaken in 12/13 resulting in the assurance opinion moving to 'Good Standard'. The 12/13 Executive Summary is detailed below:-</p> <p>The benefits department is generally performing effectively, and we have made a smaller number of recommendations than in</p>

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				<p>2011-12, which is reflected in the improvement in the overall level of assurance to 'Good Standard'. Only two errors were identified in relation to the processing of benefit claims, and neither were symptomatic of underlying issues such as poorly trained staff, weak quality control, etc.</p> <p>It is pleasing to note that the majority of performance indicators show that the department is performing well, with the main area of concern being levels and recovery of overpayments. We understand that measures have been put in place to improve performance in this area, however there could be transferable good practice in place at other authorities that the Council is not currently identifying.</p> <p>Specific testing of overpayment recovery did not identify any significant issues, however we have concerns in relation to the current write-off process, consequently, assurance cannot be provided that all write-offs have been properly authorised during this financial year.</p> <p>The Quality Assurance process is generally robust, although recommendations have been made to ensure the process is properly adhered to in all cases; and payments themselves are well controlled.</p> <p>Although there is a lack of proactive fraud investigation work undertaken, a review of reactive fraud investigations found that work undertaken is proportionate, effective, and in line with Council procedures. Cases have been appropriately prioritised, and there is clear evidence on file of both the investigation and the outcome.</p>

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Payroll 11/12 & 12/13	Improvements Required	Improvements Required	↑	<p>A number of recommendations remain outstanding however some of these are not due to be actioned until the later part of 2013 or are linked to the implementation of the new system in 13/14. There are a significant number of recommendations where responses from Management suggest they have been actioned however we have been unable to obtain evidence to verify this at this time.</p> <p>The overall assurance opinion remains as 'Improvements Required' however as indicated by the arrow progress is being made in a number of areas.</p>
Debtors 11/12	Improvements Required	Good Standard	↑	<p>A subsequent audit was undertaken in 12/13 which resulted in an assurance opinion moving to 'Good Standard'. The 12/13 Executive Summary is detailed below:-</p> <p>Since the establishment of the dedicated Debtors Administration role, there has been ongoing improvement in the operation of the Debtors function. Progress has either been made against previous recommendations, or management have accepted the risks of not taking action to address control weaknesses and non compliance issues identified, due to the presence of mitigating controls and for customer service / business practicality reasons. The system is well managed centrally and users are effectively supported by comprehensive procedural and training provision. Certain elements of the debtor process cannot be controlled centrally or are not controlled through system settings / restrictions and therefore reliance is placed on users to comply with procedural expectations. Limited central resources prevent</p>

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				<p>the enforcement of compliance; hence the annual audit highlights incidents of non-compliance.</p> <p>The need for increased reporting and monitoring at senior management / member level in the current economic climate continues to be reported and is highlighted in the findings.</p>
Creditors 11/12	Improvements required	Improvements required		<p>A subsequent audit was undertaken in 12/13 which resulted in the assurance opinion remaining as 'Improvements Required'. The direction of travel represents the progress in addressing the control weaknesses.</p> <p>The 12/13 Executive Summary is detailed below:-</p> <p>The processing procedures and practices are robust and a high degree of accuracy continues to be achieved leading to data quality, correct payments and the achievement of performance targets. It is pleasing to acknowledge that again the audit has not identified any processing errors or any new control issues. Although outside the direct control of the Payments Team, the issues relating to the weaknesses in the cheque printing control environment and the lack of segregation of duty in the access rights for CHAPS have impacted on the assurance opinion that can be provided in relation to the generation of output. Weaknesses exist in the control environment in relation to the operation of payment authorisation controls. Whilst the associated risks have previously been accepted by management, it is acknowledged that progress has been made in the project to automate manual processing that combines effective authorisation controls.</p>

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CTAX & NNDR 11/12	Improvements required	Improvements required		<p>A subsequent audit was undertaken in 12/13 which resulted in the assurance opinion remaining as 'Improvements Required'. The direction of travel represents the progress made in addressing the control weaknesses.</p> <p>The 12/13 Executive Summary is detailed below:-</p> <p>The team have continued to maintain accuracy and control over property valuations with amendments to billing adequately supported. The established effective systems in place have been maintained and the requirements of the External Auditors key controls, as detailed in Section 6, have continued to be met. Progress has been made in addressing a number of control weaknesses previously identified with the improvements in the control environment demonstrating a direction of travel towards an overall 'Good Standard' assurance opinion.</p> <p>Recommendations have been made to embed and maintain the new processes that were implemented in 2012/13, to complete the on-going development of procedural and training documentation, and to make further enhancements to existing processes and controls.</p> <p>Generic working practices impact the adequacy of segregation of duty and system access controls, the risks associated with these control weaknesses have been accepted by management due to the mitigating controls and benefits achieved through generic working.</p>

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Human Resources 11/12	Improvements required	Improvements required	↑	<p>A significant number of recommendations remain outstanding or are in progress; however some of these are not due to be actioned until the later part of 2013 or are linked to the implementation of the new system in 13/14.</p> <p>There are also a number of recommendations where initial responses from management indicate that they have been actioned; however we have been unable to obtain evidence to confirm this at this time. Hence the overall assurance opinion remains unchanged at this time, but the direction of travel reflects that action is being taken based on the progress indicated by the responsible Manager.</p>
Performance incl, Payments by Results 11/12	Improvements Required	Improvements Required	↑	<p>The findings and recommendations were received positively by central management which is reflected in the direction of travel shown.</p> <p>Management have advised that central government is still developing its approach. This will also have a significant influence in the approach required and adopted by the council.</p> <p>Implementation is devolved to the responsible areas and central management have been unable to ascertain progress in relation to the recommendations made within the audit committee timescales, and therefore we cannot provide an updated audit assurance opinion.</p>

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Business Change (incl Transformation Agenda, PIP & PPPP) 2012/13	Improvements Required	Good Standard	↑	<p>The previous Transformation programme including PIP has now been superseded by the Business Change programme that has focused initially on the on-going Office Rationalisation Project (CCRP / ORP).</p> <p>The CCRP / ORP report concluded that although controls in place at the outset of the project were deemed as 'Improvements Required', the subsequent handover of control and oversight to the Business Change team has raised this assurance opinion to 'Good Standard'. Disposal of assets linked to the ORP is due to be reviewed later in the year, as part of the 2013/14 audit plan.</p>
Environment Project Involvement 2012/13	Improvements Required	Improvements Required	→	<p>An audit of the Torbay Coast and Countryside Trust has been carried out, that has identified that Board representation has been strengthened through the appointment of a new Chairman, and other initiatives are in place that will strengthen the viability and robustness of commercial on-going commercial enterprises.</p> <p>The draft report was only presented to the Coast and Countryside Board in August 2013 and therefore the assurance opinion remains unchanged at this time.</p> <p>Initial indications are that the Trust have responded positively to the recommendations and an action plan has been formulated.</p>

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Torbay Harbours Authority (System Admin) 12/13	Improvements Required	Improvements Required	↑	<p>As a result of the findings contained within the 12/13 audit report a decision has been made to replace the current system as there were a number of areas where the system was failing to meet mandatory requirements.</p> <p>A procurement exercise has been undertaken and the latest submissions will be evaluated in early September and the aim is to start implementing the new system late September 2013.</p> <p>The implementation has been split into 2 phases: Phase 1 to replicate the existing system, to implement the core system and be able to produce the Annual Invoices for mid Jan – Feb 2014 Phase 2 to introduce customer self service functionality – September 2014</p>
Economic Development Company – Cockington Court 12/13	Improvements Required	Good Standard	↑	<p>A number of initiatives have now been put in place, including the development of an updated business plan, and other initiatives that have given rise to a revised Final Internal Audit Report Audit Assurance Opinion of 'Good Standard'.</p>
Directorate: Public Health				
Emergency Planning 11/12	Improvements Required	Improvements Required	↑	<p>The report was divided into two sections, Emergency Planning and Business Continuity. The Emergency planning processes were assessed as being 'good standard', however the Business Continuity processes were 'fundamental weaknesses', hence an overall opinion given of 'Improvements Required'.</p> <p>Progress has been made hence the direction of travel given. In relation to Emergency planning, there have been operational</p>

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				<p>actions such as progress on the Emergency Response checklist; cost estimates provided for the new emergency centre; workshops for members; and benchmarking survey results obtained for analysis. However critical elements such as a formal testing of the Emergency Plans have yet to be undertaken. In regard to Business Continuity, again, progress has been made through review and reporting of the status of the formulation of the critical BCP's; a checklist has been produced to enable consistent review of the plan contents; and monitoring of plans through SPAR has also been implemented. However despite the plans progressing there are still a large number that have yet to be fully defined. Once they have been defined they must be approved and formally tested to ensure they are robust and fully embedded.</p>