



devon **audit** partnership

# Internal Audit Report

Follow Up Report on  
Areas Requiring  
Improvement

**Torbay Council**

*December 2018*

**OFFICIAL**



**Auditing for achievement**

## **Devon Audit Partnership**

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The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay and Devon councils. We aim to be recognised as a high quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.

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](mailto:robert.hutchins@devonaudit.gov.uk).

## **Confidentiality and Disclosure Clause**

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This report is protectively marked in accordance with the National Protective Marking Scheme. Its contents are confidential and, whilst it is accepted that issues raised may well need to be discussed with other officers within the organisation, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.

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.

## **Introduction**

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At the May 2018 Audit committee, members were provided with the Annual Internal Audit report for the Council. Appendix 4 of that report provided a summary of the audits undertaken during 2017/18, along with our assurance opinion. Where a “high” or “good” standard of audit opinion was provided we confirmed that, overall, sound controls were in place to mitigate exposure to risks identified; where an opinion of “improvements 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.

Members discussed and accepted the report; however, members have previously found it beneficial to receive a report on progress on the “improvement required” areas highlighted in Appendix 4 to the report.

As part of adding value, 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 A.

## **Assurance Statement**

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Our assurance opinion remains as reported in our Annual Audit Report 2017/18. However, it should be recognised that there is potential for this assurance opinion to be adversely affected should the lack of progress made against certain individual audit management action plans continue.

## **Progress Impact Assessment**

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The progress made in some areas means the previously identified risks are being minimised or mitigated where appropriate. However, the lack of progress made in the majority of action plans means a number of the risks previously identified and highlighted to management continue to remain.

Progress has been limited in certain areas such as TOR2 Commissioning and Torbay Safeguarding Children’s Board due to ongoing transitional arrangements.

As part of the Transformation Programme ICT is currently subject to a change in service delivery to the DELT model. The service area is engaged in ensuring that the Council is ‘DELT’ ready, which has impacted some progression against ICT audits.

In addition, where agreed actions are set for future dates, and have therefore not formed part of this follow up exercise, the identified risks will remain until such time as the actions are complete.

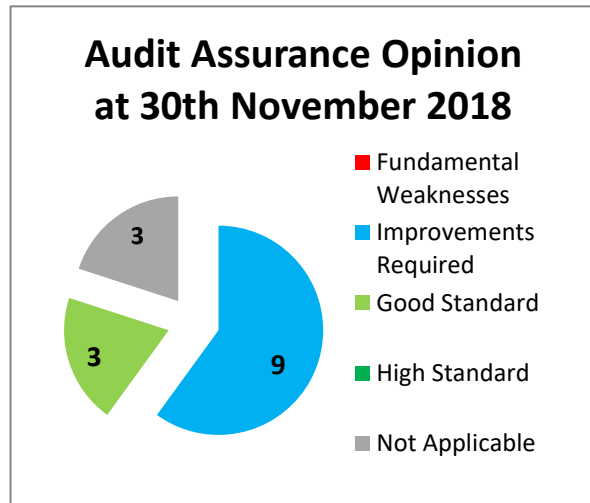
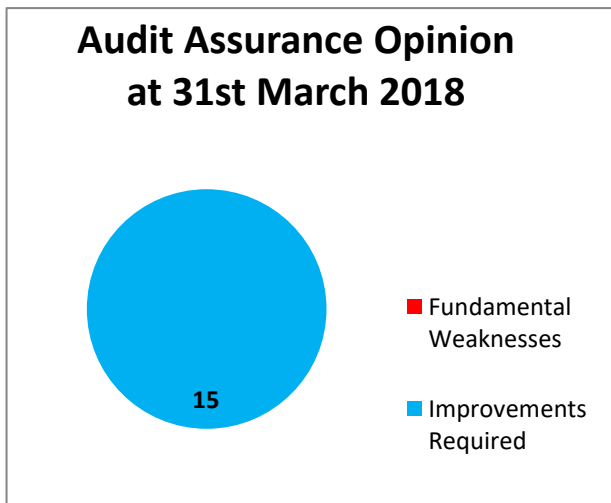
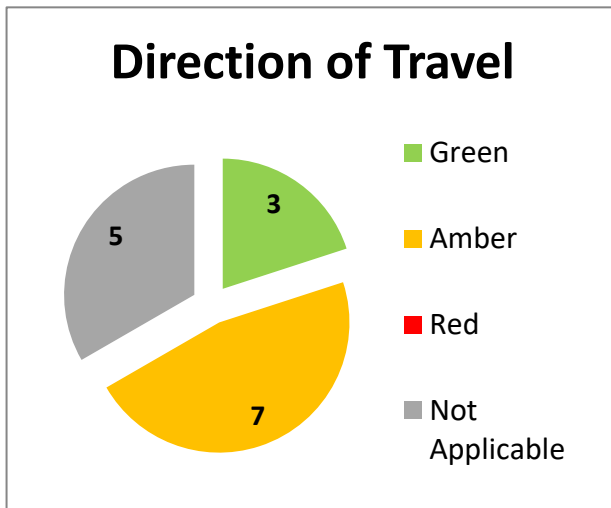
This follow up activity was an opportunity to facilitate, review and expedite progress for individual audits, to inform Management of the current position and to integrate the outcomes into the organisation’s strategic management arrangements.

## Progress

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Some progress has been made against the agreed action plans as shown in the 'Direction of Travel' chart. The subsequent charts record the resulting change in audit assurance opinion based upon the follow up work undertaken.

It should be noted that a small number of the audits were not followed up due to the timing being inappropriate, linked to the timing of the agreement to the action plan for the original reports, hence in these instances the original assurance opinion remains.



Although the audits previously followed up in 2017/18 are not subject to further formal audit follow up, for continuity and the avoidance of doubt we have analysed the previous year's output to provide an indication of areas that may require further Management input. Please refer to table over page.

**Total audits still at Improvements Required from 2017/18 annual follow up report**

Areas subject to follow up activity within 18/19 planned audit work		Audit areas potentially requiring Management review of progress against previous audit recommendations
Material Systems (annual audits)	1819 audits	
4	11	<ul style="list-style-type: none"> <li>• Discretionary Social Fund (Crisis Support)</li> <li>• Emergency Planning and Business Continuity</li> <li>• ICT Change Management</li> <li>• ICT Partnership working (TOR2)</li> <li>• ICT Cyber Essentials</li> <li>• Children's - Care Leavers Transition Plans</li> </ul>

**Internal Audit Coverage and Results**

Overall, we can report that progress has been made in some areas, but for the majority of reviews the rate of progress is not as good as expected and this is shown in the direction of travel chart above and in Appendix A of this report. A significant number of opinions remain unchanged at this time and this, although not in all cases, reflects the lack of action.

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.

Some agreed actions have not been implemented for a variety of reasons including strategic and operational changes in the service area and the need to prioritise resource in other directions. We shall work with management in determining revised implementation dates to ensure that actions are taken as promptly as is possible to address the risks identified.

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.

Appendix A of this report sets out the audits at the end of 2017/18 which were identified as 'improvements required' or 'fundamental weaknesses'. 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. Appendix B provides a definition of the assurance opinion categories.

## **Annual Governance Statement**

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

These should be considered along with the conclusions from the Annual Audit Report 2017/18 presented to the Committee in May 2018.

### **Process**

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For each service area where an overall audit opinion of “improvements required” or “fundamental weaknesses” was provided at the end of 2017/18 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.

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 dependent upon the priority of the agreed recommendation.

For recommendations of "low" priority we required written confirmation that the action had been enacted upon, or an update on the progress being made.

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.

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.

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.

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.


## Summary of Audit Follow and Findings 2017-18

### Risk Assessment Key

LARR – Local Authority Risk Register Score Impact x Likelihood = Total & Level  
 ANA - Audit Needs Assessment risk level as agreed with Client Senior Management  
 Client Request – additional audit at request of Client Senior Management; no risk assessment information available

### Direction of Travel - Key



**Green** – action plan implemented or being implemented within agreed timescales;  
**Amber** – implementation of action plan not complete in all areas or overdue for key risks;  
**Red** – implementation of action plan not complete and we are aware progress on key risks is not being made.  
 \* report recently issued, opportunity for progress has been limited

Corporate Services and Place Directorates					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2018	Updated Audit Assurance Opinion as at 30 November 2018	Commentary and residual risk	
<b>Material Systems</b>					
Material systems audits and as such any recommendations made and associated agreed actions are followed up as part of the annual audit process.					
Debtors and Corporate Debt	Risk / ANA - High	Improvements Required	N/A	The audit for 2018-19 will be undertaken in Q4 and will be reported upon in our annual outturn report.	N/A
Council Tax and Non-Domestic Rates	Risk / ANA - Medium	Improvements Required	N/A	The audit for 2018-19 is currently ongoing and will be reported in our annual outturn report.	N/A
<b>Other</b>					
TOR2 Commissioning	Risk / ANA - Critical	Improvements Required	Improvements Required	Progress was limited due to issues with engagement between all parties, but we have been advised that this has improved. Where progress has been made, these remain ongoing and are not yet embedded into operational practices. There is now a Transformation Project in place to take forward TOR2 post contract end and will provide opportunity for improvement going forward.	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2018	Updated Audit Assurance Opinion as at 30 November 2018	Commentary and residual risk	

**TOR2 Commissioning - SLT Response/Action Plan – Kevin Mowat**



*Engagement with TOR2 and Kier has improved at all levels, from operational service clients, the setting up of a Joint Management Team which has been in place for a number of months, through to observer attendance at the TOR2 Board. The Transformation Project is ongoing, and the Council now has a much better understanding of the operation of the TOR2 business following the Due Diligence work undertaken in 2018 as part of a potential share acquisition exercise. Key decisions regarding ongoing service delivery both during the contract and post contract, will be made by the Council on 31st January 2019.*

Safer Communities	Risk / ANA – Medium	Improvements Required	Good Standard	It is pleasing to note that there has been significant progress against the recommendations made, with a large proportion completed and the remainder ongoing. The progress in relation to prevention of radicalism has seen an improvement in the level of assurance; and the governance arrangements, whilst also demonstrating improvement still require further work in crucial areas such compliance with all of the GDPR requirements.	
Procurement and Contracting Arrangements	Risk / ANA - High	Improvements Required	Improvements Required	The assurance opinion has remained as Improvements Required; consistent procurement compliance is reliant on service areas appropriately engaging and communicating with the Procurement Team, however this is inconsistent, hence the risk remains, albeit the framework and the level of training and communication provides a good level of mitigation. It was pleasing to note that progress has been made in several areas, notably addressing some of the non-compliance issues related to specific contracts; obtaining contracts established by other parties to allow ongoing management; completion of a contract review, and a new contract register in place and populated; and a spend analysis being progressed for review and monitoring.	

**SLT Response/Action Plan – Anne-Marie Bond**


*This audit report is in respect of activity across the entirety of the Council, and is not in respect of the actions of the Procurement Team. Proposals for a wider corporate Commissioning, Procurement and Contracts team are well under way which will assist in delivering a Council wide approach.*



Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2018	Updated Audit Assurance Opinion as at 30 November 2018	Commentary and residual risk	
Commissioning by the Council of the TDA (trading name of the Torbay Economic Development Company Ltd) – SLA	Risk / ANA - High	Improvements Required	Improvements Required	Audit deferred to 19/20 as requested by the Service Area, to allow for the new SLA (service level agreement) to become fully operational and embedded.	N/A
Human Resources (HR) - Exit Packages	Risk / ANA - Medium	Improvements Required	Improvements Required	It is pleasing to note that the protocol has been developed and is in place to provide a framework for management of settlement agreements and operational requirements related to manual calculations and authorisation of payment vouchers. The supporting pay policy is currently being reviewed and updated to ensure it aligns with the protocol. Further development of the protocol is planned in relation to GDPR requirements. Although the protocol and policy framework has moved forward it is too early to establish whether this is formally embedded into HR and Payroll practices and as such the assurance opinion remains at Improvements Required.	
Coroner Service <i>(joint audit between Torbay Council and Plymouth City Council)</i>	Risk / ANA - Low	Improvements Required	Improvements Required	Limited progress has been made and therefore our assurance remains at Improvements Required; there are limitations on the Council's ability to take further action. The potential for a new system to record expenditure incurred and paid in order that expenditure can be monitored on a case by case basis, along with enhanced reporting functionality is currently being investigated, but in the interim, current practice continues. In terms of a Service Level Agreement, we understand that one has been drafted but has yet to be formalised and agreed.	

**SLT Response/Action Plan – Anne-Marie Bond**


*The SLA service specification has now been finalised although there are recharge negotiations currently which is preventing the SLA being completed. In respect of the system, this is not within the gift of Torbay Council. The Coronial area is now administered by PCC, and they have absolute jurisdiction in respect of how they deliver the service. That said, we are aware that they are proposing to move to Civica in Spring 2019.*


Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2018	Updated Audit Assurance Opinion as at 30 November 2018	Commentary and residual risk	
Food Safety, Safety and Licensing	Risk / ANA - High	Improvements Required	Improvements Required	<p>Some progress has been made against agreed recommendations, in particular the cost recovery method applied to fees and charges, and improvements to the Licensing invoice process.</p> <p>It is pleasing to note that the Food Standards Agency (FSA) have now signed off against their February 2017 audit, confirming that all actions had been addressed, and we also note the recent successful prosecution against a food premises that has been published in the local press. However, it remains that there are potential resource issues within the Food Safety service area, which are compounded by the nature of the service, being both planned and reactive. The reactive nature of the service makes it problematic to effectively 'plan' resource, an example being 100 new premises registrations in the first quarter of this year. An additional regulatory support officer post has been approved and it is understood that this will be in place by 1st April 2019. However, until the new post is in place and the LEAMS submission for this financial year is submitted, the actual Food inspection figures can only be estimated, and we understand that at this stage C and D rated premises may be a little down on previous years.</p>	

**SLT Response/Action Plan – Tara Harris**

*Additional resource has been allocated to improve inspection levels. A BPR exercise has also just been completed in the Food team to provide efficiencies to increase inspections, which will be implemented in April 19. A re-evaluation of how food safety interventions are undertaken has also taken place, focusing on D premises. This has been assessed favourably by the FSA and other LA's are now using this as best practice, therefore increasing the level of recorded performance in the more efficient way. Inspection levels are at 100% A-C premises and 80% for D. Although the additional resource is important to the performance of the team, other interventions have been and are being put in place to improve and maintain performance.*

*Also, as noted above by Internal Audit, the regulatory body the FSA conducted an audit in Feb 2017 and the Food Standards team have since satisfied the criteria of the auditors action plan.*

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
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<b>IT Audit</b>					
Website Content Management	Risk / ANA - Medium	Improvements Required	Good Standard	<p>It is pleasing to note that progress has been made on the Content Management System (CMS) versions. The ICT Service delivery will be transferring to DELT in 2019-20, therefore the Digitalisation strategy and CMS support resourcing will require consideration within this project.</p> <p>Progress has also made in relation to maintaining web content and a test of the BCP. Service area reviews remain ongoing and it is intended that reports will be sent via SLT.</p> <p>Full web application testing annually to maximise security and reduce associated risks to the Council's network still requires progressing, but again, may link to the DELT service provision.</p> <p>Some progress in relation to cost recovery charging has been made, with resource review to establish delivery of existing and new works is still to be undertaken. Service expansion and marketing strategy still to be considered but may be impacted by the pending DELT delivery. Assurance to remain at IR due to DELT.</p>	
<b>SLT Response/Action Plan – Bob Clark</b> <i>This is a fair and accurate assessment</i>					
ICT Material Systems Processes	Risk / ANA - Critical	Improvements Required	N/A	The audit for 2018-19 will be undertaken in Q4 and will be reported upon in our annual outturn report.	N/A



Children's Services					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2018	Updated Audit Assurance Opinion as at 30 November 2018	Commentary and residual risk	
Torbay Safeguarding Children Board (TSCB)	Risk / ANA - Critical	Improvements Required	Improvements Required	<p>Board Governance arrangements are in place although these should be strengthened. However, we recognise the transition away from the Board structure to local safeguarding partners. Statutory requirements are generally being met, although we still have concern in relation to the lack of Data Baring Services (DBS) checks. Although HR have advised this is not a requirement, given the nature of the Board's remit, our concern is that risks regarding access to vulnerable children's and young people's data remain. Child Death Overview Panels are now attended by a TSCB board member to specifically represent and report back to the TSCB. We understand that Information Sharing arrangements and supporting protocols are being pursued with the Council's Data Protection Officer (DPO). Take up of training should increase due to a new system being in place. Partner's agreement to contributions and the calculation of their contributions is currently being reviewed due to Working Together to Safeguard Children 2018. Currently Torbay Children's Services contributes 65% of the £132k and the intention is for this to become equally apportioned.</p>	

**SLT Response/Action Plan – Alison Botham / Anne Osborne**

*Review by the Chair and Business lead of Torbay Safeguarding Children's' Board information sharing arrangements and access to confidential information relating to partner information shared with Board.*

*Business lead to review directions for all information to be appropriately anonymised when presented to board.*

*Training programme is being reviewed for 19/20.*

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2018	Updated Audit Assurance Opinion as at 30 November 2018	Commentary and residual risk	
Looked After Children - Referrals	Risk / ANA - Medium	Improvements Required	Improvements Required	Although steps have been taken to formalise a framework of required practice, particularly in relation to care plan information, placement assessment, monitoring and Independent Reviewing Officer reviews, the ongoing transitions within the service, changes in local practice, changes in areas of responsibility, and turnover of staff make it difficult for a defined methodology to be adopted and consistently operated. We are therefore unable to establish that practices are effectively embedded into daily operations.	
<p><b>SLT Response/Action Plan – Alison Botham / Anne Osborne</b>  <i>In 2019, with support from funding from DoFE, there will be a roll out of re-training for signs of safety including “train the trainers”. At the same time additional capacity for 6 months to embed the model of practice operationally to improve assessments and planning. There will also be a review of Safeguarding and Reviewing Service and the use of Signs of Safety.</i></p>					
Schools' Forum / use of DSG	Risk / ANA - Medium	Improvements Required	Good Standard	<p>It was pleasing to note that review, progression and monitoring of the actions had been formally managed and recorded through the Forum. Progress has been made in a number of areas, notably consultation on the High Needs recovery plan which is being progressed.</p> <p>Also noted was the improvement to the quality of minute taking; update of the terms of reference; the use of voting to minimise risk of subsequent challenge to decisions; and the financial reviews at each forum meeting. A process to notify the Chair of unexpected events has been established but as yet a need to invoke this process has not yet arisen.</p> <p>Although financial monitoring is in place, we are not yet aware of any 3 year financial plan, however the risk is minimised with the financial monitoring currently in place.</p>	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2018	Updated Audit Assurance Opinion as at 30 November 2018	Commentary and residual risk	
PARIS - Case Recording / Data Quality / Business Use	Risk / ANA – Critical	Improvements Required	Improvements Required	No formal follow-up has been undertaken. The assurance opinion has remained as Improvements Required as the PARIS system was being reviewed within Transformation and a decision now made to replace it with a new system aligned with Plymouth City Council. We understand that the intention is for the project implementation period to be in the region of 12 to 18 months.	N/A

## Definitions of Audit Assurance Opinion Levels

Assurance	Definition
High Standard.	The system and controls in place adequately mitigate exposure to the risks identified. The system is being adhered to and substantial reliance can be placed upon the procedures in place. We have made only minor recommendations aimed at further enhancing already sound procedures.
Good Standard.	The systems and controls generally mitigate the risk identified but a few weaknesses have been identified and / or mitigating controls may not be fully applied. There are no significant matters arising from the audit and the recommendations made serve to strengthen what are mainly reliable procedures.
Improvements required.	In our opinion there are a number of instances where controls and procedures do not adequately mitigate the risks identified. Existing procedures need to be improved in order to ensure that they are fully reliable. Recommendations have been made to ensure that organisational objectives are not put at risk.
Fundamental Weaknesses Identified.	The risks identified are not being controlled and there is an increased likelihood that risks could occur. The matters arising from the audit are sufficiently significant to place doubt on the reliability of the procedures reviewed, to an extent that the objectives and / or resources of the Council may be at risk, and the ability to deliver the service may be adversely affected. Implementation of the recommendations made is a priority.

## Definition of Recommendation Priority

Priority	Definitions
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.
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 recommendations made to improve internal control arrangements and manage identified risks.
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.

## Confidentiality under the National Protective Marking Scheme

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Marking	Definitions
Not Protectively Marked or Unclassified	Documents, information, data or artefacts that have been prepared for the general public or are for the public web pages or can be given to any member of the public without any exemptions or exceptions to release applying, have the classification NOT PROTECTIVELY MARKED. Some organisations will also use the word UNCLASSIFIED for publicly available information.
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.
Secret	Very sensitive information that justifies heightened protective measures to defend against determined and highly capable threat actors. For example, where compromise could seriously damage military capabilities, international relations or the investigation of serious organised crime.
Top Secret	The most sensitive information requiring the highest levels of protection from the most serious threats. For example, where compromise could cause widespread loss of life or else threaten the security or economic wellbeing of the country or friendly nations.