

Internal Audit

# Half Year Audit Report 2018-19

Torbay Council  
Audit Committee

December 2018



Robert Hutchins  
Head of Audit Partnership



Auditing for achievement

## Introduction

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

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

The Internal Audit plan for 2018/19 was presented and approved by the Audit Committee in March 2018. The following report and appendices set out the background to audit service provision; a review of work undertaken to date in 2018/19 and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

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

### Expectations of the Audit Committee from this annual report

Audit Committee members are requested to consider:

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

In review of the above the Audit Committee are required to consider the assurance provided alongside that of the Executive, Corporate Risk Management and external assurance including that of the External Auditor as part of the Governance Framework (see appendix 1) and satisfy themselves from this assurance for signing the Annual Governance Statement.

**Robert Hutchins**  
**Head of Devon Audit Partnership**

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## Opinion Statement

Overall, based on work performed to date during 2018/19 and our experience from previous years, the Head of Internal Audit's Opinion is one of "Limited Assurance" on the adequacy and effectiveness of much of the Authority's internal control framework. The exception to this is the Corporate Directorate where we were able to provide 'Significant Assurance'. In the case of certain Directorates our assurance is limited by the level of audit coverage, for example the audit coverage for Adults is mainly provided externally. Our audit planning process is based on a risk approach and as such our report will inevitably focus upon higher risk areas.

*This opinion statement will provide Members with an indication of the direction of travel for their consideration for the Annual Governance Statement see appendix 1. Assurance over arrangement for adult social care is mainly provided by colleagues at Audit South West, the Internal Audit provider for Health Services, who provides a separate letter of assurance.*

The Authority's internal audit plan for the current year includes specific assurance, risk, governance and value added reviews which, together with prior years audit work, provide a framework and background within which we are able to assess the Authority's control environment.

These reviews have informed the Head of Internal Audit's Opinion on the details of Internal Audit's opinion on each audit review carried out in 2018/19 to date. If significant weaknesses have been identified in specific areas, these will need to be considered by the Authority in preparing its Annual Governance Statement later in the year when preparing the Statement of Accounts for 2018/19.

In carrying out systems and other reviews, 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. Implementation of action plans rests with management and these are reviewed during subsequent audits or as part of a specific follow-up.

### This statement of opinion is underpinned by:

#### Internal Control Framework

The control environment comprises the Council's policies, procedures and operational systems and processes in place to:

- Establish and monitor the achievement of the Council's objectives;
- Facilitate policy and decision making;
- Ensure the economical, effective and efficient use of resources;
- Ensure compliance with established policies, procedures, laws and regulations;
- Safeguard the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.

During the year, core financial and administrative systems were reviewed by Internal Audit either through specific reviews (e.g. debtors, creditors, payroll & Main Accounting) or generally in the reviews undertaken in respect of directorate systems. The Council's overall internal control framework operated effectively during the year. Where internal audit work has highlighted instances of non or part compliance, none are understood to have had a material impact on the Authority's affairs.

#### Risk Management

Risk Management process at Strategic level remains in place, however despite performance monitoring against these strategic risks, there remain concerns in relation to the lack of integration and monitoring against operational risks. In addition, the project to incorporate inclusion of ICT Continuity and Disaster Recovery, Corporate Business Continuity and Emergency Planning is making progress. Work to integrate all of this at operational level continues.

#### Governance Arrangements

Governance arrangements have been reviewed in the areas of Transformation, System Implementation Projects, and the strategic management of the Tor Bay Harbour Authority. The Information Security Group continues to provide governance in relation to management of information. Linked to Governance arrangements, we have examined compliance with GDPR, and Children's Services Medium Term Financial Plan (MTFP).

#### Performance Management

Transformation Portfolio is monitored by the Board. Going forward performance of ICT will be established through an arrangement with DELT services Ltd. Children's Services MTFP monitoring is to be defined. Audit Committee monitors the Council's Performance and Risk, and irregularity and whistleblowing complaints. Elements of performance management have been subject to review within Printing Services; Covert Surveillance; Port Marine Safety Code and Use of Agency.

Full Assurance	Risk management arrangements are properly established, effective and fully embedded, aligned to the risk appetite of the organisation. The systems and control framework mitigate exposure to risks identified & are being consistently applied in the areas reviewed.	Limited Assurance	Inadequate risk management arrangements and weaknesses in design, and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in a number of areas reviewed.
Significant Assurance	Risk management and the system of internal control are generally sound and designed to meet the organisation's objectives. However, some weaknesses in design and / or inconsistent application of controls do not mitigate all risks identified, putting the achievement of particular objectives at risk.	No <sub>2</sub> Assurance	Risks are not mitigated and weaknesses in control, and /or consistent non-compliance with controls could result / has resulted in failure to achieve the organisation's objectives in the areas reviewed, to the extent that the resources of the Council may be at risk, and the ability to deliver the services may be adversely affected.

## Value Added

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

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

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

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

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

### Adult Services & Housing

- inclusion again of the 'Care Act – Better Care Fund / Section 256 monies' audit in the planned work to provide management with the required assurance;
- liaison support in relation to the working relationship between the Council and Audit South West;
- provision of IT audit resource to Audit South West to support this element of their plan.

### Children's Services

- reviewing compliance against expected procedures when hiring agency staff;
- examining the concern raised regarding the education spend level against comparator data;
- assistance in maintaining the impetus in management action plans to address previously identified risks through an annual and robust follow up exercise;
- assistance in maintaining appropriate engagement with the internal function through regular management liaison meetings;
- development of the current year's and future year's audit plans to incorporate flexibility to meet changing and developing business demands and to cover existing and new or emerging risks.

## Public Health

- undertaking an additional piece of independent consultancy work on the Torbay Community Development Trust at the request of the client;
- the development of future year's audit plans to cover new and emerging risk.

## Corporate

- ongoing support to the transformation portfolio, including horizon scanning and benchmarking against other Local Authorities in relation to Contract Processes; Community Engagement to support service delivery; and Concessionary Fare schemes. Supporting delivery of projects, such as the ICT Service delivery project; Children's Service ICT; S106 and CIL; TOR2; Spatial Planning.
- additional support in relation to the external audit requirement for benefit subsidy;
- support to the ongoing GDPR project, including development of the Council's Information Asset Register (IAR);
- ongoing support to projects, including HR Self Service, Asset and FM; Housing system; Customer feedback monitoring; Purchase cards and FIMS;
- continued advice, guidance and challenge to the Information Security Group;
- advice and support to the development of risk management and its wider integration with business continuity and Transformation.

## Place

- additional request for review of Tor Bay Harbour Authority Port Marine Safety Code Compliance;
- additional request for review of Neighbourhood Forums and the Brixham Ferry;
- advice in relation to the then proposed collaborative arrangement for Spatial Planning (now ceased).

## Schools

Continued assurance through the routine internal audit visits that systems and controls are in place to ensure compliance with Department for Education and Council requirements are being met.

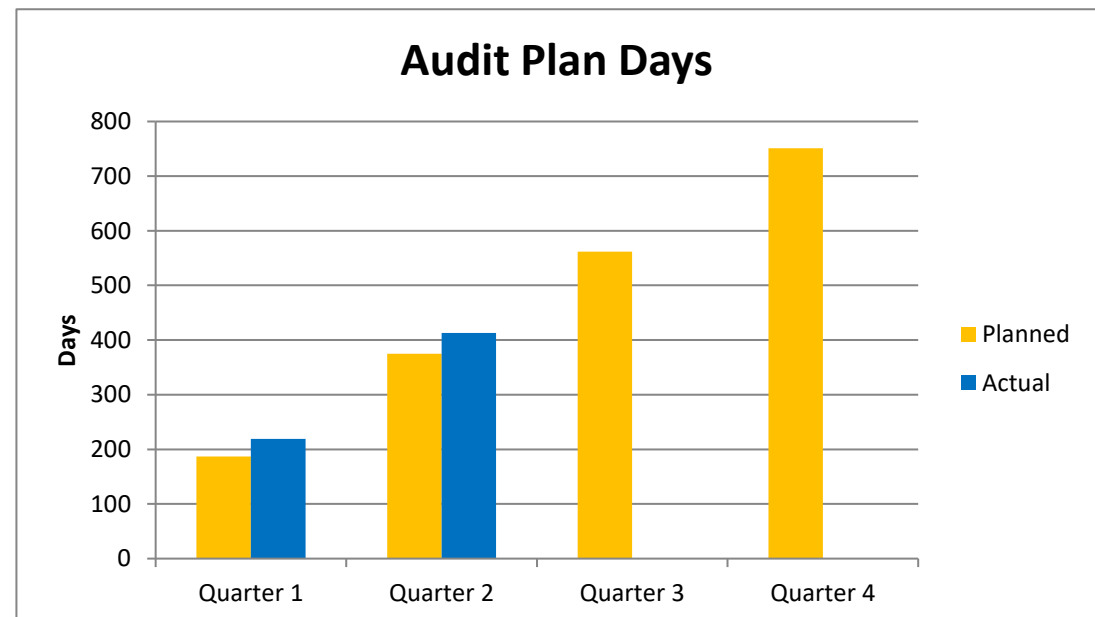
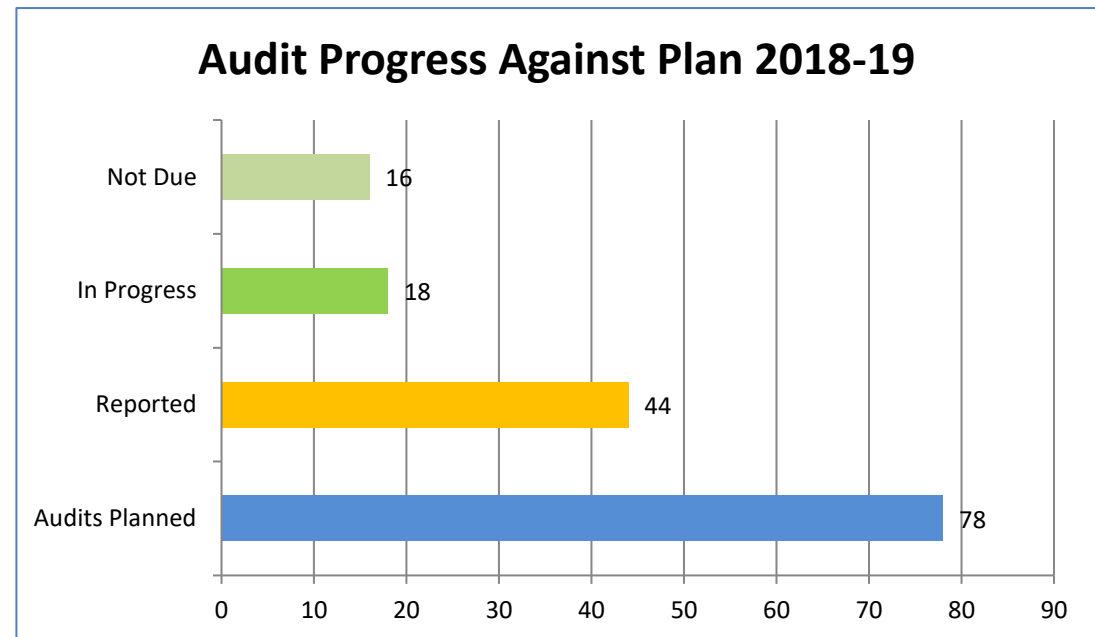
## Progress Against Plan

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

The extent to which our work has been affected by changes to audit plans has not been notable during the first six months of the year. Some of our work supports projects and hence completion will be in accordance with project timescales. The significant level of irregularities has been greater than anticipated and the need for investigation work has had an adverse impact on the overall completion of the plan.

The bar charts right show the status of audit progress against plan and audit the days delivered against target planned. The charts demonstrate that progress is largely in line with expectations and that the number of audit days delivered is approximately as that planned.



## Summary audit results

### Place

Our opinion is one of 'Limited Assurance' for this service area. This is because the assurance opinion provided for the majority of individual audit reviews in 2017/18 and 2018/19 to date, excluding grant certification, has been one of 'Improvements Required', and two were 'Fundamental Weaknesses'. However, it is pleasing to note that the results of our annual follow up exercise found two areas demonstrating a positive direction of travel. We note that the positions of Interim Director of Place and Assistant Director of Planning and Transport have now been appointed.

Opportunities exist for improvements in the control and governance framework for Concessionary Fares and Sports Pitch Leases, and we have identified some significant safety risks which Tor Bay Harbour Authority must address in order for it to comply with the Port Marine Safety Code.

We note that, although two 'Fundamental Weaknesses' opinions were given in relation to:

- the management and monitoring of the contract with Brixham Express Ltd for the provision of a fast ferry service from Brixham to Torquay;
- the use of funding to facilitate neighbourhood planning objectives for the three local neighbourhood forums;

these were primarily due to there being insufficient documentary evidence retained to enable related assurances to be provided, rather than there being evidence of actual mis-management or improper use of funds. Management responses have been positive in terms of retaining such documentation going forwards.

### Public Health

We are unable to provide an overall opinion due to the limited work undertaken within this directorate area.

Our audit work in relation to the Torbay Community Development Trust (TCDT) report has been discussed by the Senior Leadership Team and the Mayors Executive Group. TCDT faces financial challenges and whilst an action plan is in place there is a risk of slippage that could impact the year-end financial position. Survey results indicate that the reach of TCDT is limited, little evidence of actively seeking and developing new entities to support, and Council staff expressed some dissatisfaction with TCDT's role as gateway to the sector.

### Corporate

In our opinion, and based upon our audit work completed so far during the 2018/19 year, 'trusted partner' and direct advice provided for on-going projects, we are able to report that, in the main, internal controls continue to operate effectively enabling us to once again give an opinion of 'Significant Assurance' for this service area; and where recommendations for improvements have been made, action plans have been agreed with management.

Based on audits completed and on indications from previous and on-going work, we are able to report that material systems controls have either been maintained, or improvements are being made to address previously identified weaknesses. Whilst a number of weaknesses exist, management are aware of these issues, and have either accepted the related risk, or are taking action to address them.

The requirement for 40+Testing by the External Auditors in relation to Benefits Subsidy for 2017/18 indicates that quality control processes require strengthening as detailed in our findings.

The Transformation Portfolio is critical to the organisation; it is pleasing to note that the Team resource has increased, and the scope of the portfolio has been re-evaluated. Although not specific to Transformation, we feel there is opportunity for the Council to review its position in terms of a broader Portfolio Management perspective across the Council.

The Council has now appointed a Data Protection Officer and developed an Information Asset Register to support GDPR compliance.

Improvements should be made in the control and governance framework within Corporate Debt which deals with recovery of Council Tax (CTAX), Non-Domestic Rates (NDR) and Benefit Overpayments; in relation to CTAX and NDR discount/exemption reviews; in Printing Services; in relation to the use of covert surveillance of networking sites, and cross-Council use of legal advice.

## Children's Services

Based upon audit work completed in 2018/19 and that undertaken in previous years we are still only able to provide 'Limited Assurance' for this service area. Whilst the number of audit reviews undertaken within Children's Services continues to increase compared to earlier years, the assurance opinion provided for most individual audit reviews in 2017/18 and 2018/19 to date, excluding grant certification, has been one of 'Improvements Required'. However, our annual follow up exercise has identified areas that have seen improvement in some elements of the overall control environment.

The current financial situation within Children's Services is well known, with a significant overspend likely to occur this financial year. This is caused mainly by an increase in demand for such services, the provision of which is statutory; and has resulted in significant reliance being placed on the use of agency workers, both to cover a current shortfall in permanent officers in post, and to support the Service in managing the increased demand. Accordingly, we have recommended that the Medium-Term Financial Strategy (MTFS) be reviewed and specific measures monitored, and that the cost of agency staff is considered within budget setting and that the long-term retention of agency staff is approved.

Audit reviews that are due to be completed later in the year will enable us to report on how other areas of Children's Services are managing in the light of these predicted overspends.

## Adult Services & Housing

We are unable to provide an overall opinion due to our limited work undertaken within this directorate area. We can, however, comment that in terms of our audit work completed during 2018/19, action plans have been agreed with management.

The Adult Services & Housing Directorate incorporates both the Joint Commissioning Team functions and those functions provided and audited by the NHS Trust Provider. Assurance over arrangements for adult social care is mainly provided by colleagues at Audit South West, the internal audit provider for Health services. Audit South West provides a separate letter of assurance to the Director of Adult Services & Housing and the Council's S151 Officer. Devon Audit Partnership provides support and internal audit input on key areas as agreed with the Director of Adult Services & Housing.

## Schools

The overall opinion for the routine school audit visits has been maintained as 'Good Standard'. In general, the systems and controls in schools mitigate the risks identified in many areas.

The key matters arising from the audits are that:

- Completion or recommended skills matrices to support the evidence for the Schools Financial Value Standard;
- The standard and content of minutes for a school's Governing Body.

Recommendations have been made to reduce risks and in other areas, recommendations made serve to strengthen what are reasonably reliable procedures.

The Schools Financial Value Standard is now an established tool for maintained schools as a self-assessment of their local financial management and schools are required to annually submit their self-assessment to their local authority by 31<sup>st</sup> March.

## Irregularities Prevention and Detection

Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. Devon Audit Partnership (DAP) have a liaison role with the corporate fraud officer; the key outcomes of this role are the identification and investigation of external frauds.

The Cabinet Office now run the national data matching exercise (National Fraud Initiative – NFI) every two years. The majority of data matching for this involves the investigation of potential external fraud committed against the Authority, i.e. individuals or bodies external to the Council. This area of NFI is now shared with the corporate fraud officer, with DAP undertaking the internal matching investigations i.e. Payroll and Creditors.

DAP has continued to undertake an annual monitoring of staff internet use and to date found no significant concerns. This provides assurance that action has been effective and such use remains within policy. The Council's Whistleblowing Inbox is also monitored daily. Periodic fraud bulletins are also produced and published on DAP's website.

**Irregularities** – During the first six months of 18/19, Internal Audit have carried out, or assisted in twelve new irregularity investigations, the majority of which occurred in the Place Directorate. Analysis of the types of investigation and the number undertaken and as compared with the total investigations for previous years shows the following:

Issue	18/19 Number Half Year	17/18 Number Whole Year	16/17 Number Whole Year
Poor Procedures	4	8	5
Employee / Member Conduct	6	4	6
Financial Irregularities	2	1	0
Misappropriation of Income	0	1	3
IT Misuse	0	0	1
Tenders and Contracts	0	0	1
<b>Total</b>	<b>12 *</b>	<b>14</b>	<b>16</b>

*\* It should be noted that as at January 2019 (i.e. three quarters of the year) that the number of irregularities has risen to 13 in total, and that for comparison purposes the number of irregularities as at January 2018 was 12 in total.*

### Summary details as follows:-

The irregularities have included investigating allegations received because of whistle blows and concerns raised including in relation to alleged inappropriate officer and member behaviour, review of internet and email of officers following concerns raised and to support Human Resources disciplinary processes and investigating the misuse of a mobile phone.

### Freedom of Information and Subject Access Requests:-

We were asked to assist with one request under Freedom of Information and Data Protection requirements.



## Professional Standards and Customer Service

### Conformance with Public Sector Internal Audit Standards (PSIAS)

**Conformance** - Devon Audit Partnership conforms to the requirements of the PSIAS for its internal audit activity. The purpose, authority and responsibility of the internal audit activity is defined in our internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. Our internal audit charter was approved by senior management and the Audit Committee in March 2018. 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 2016 “DAP is considered to be operating in conformance with the standards”. External Assessment provides independent assurance against the Institute of Internal Auditors (IIA) Quality Assessment & Public Sector Internal Audit Standards (PSIAS). The Head of Devon Audit Partnership also maintains a quality assessment process which includes review by audit managers of all audit work. The quality assessment process and improvement is supported by a development programme.

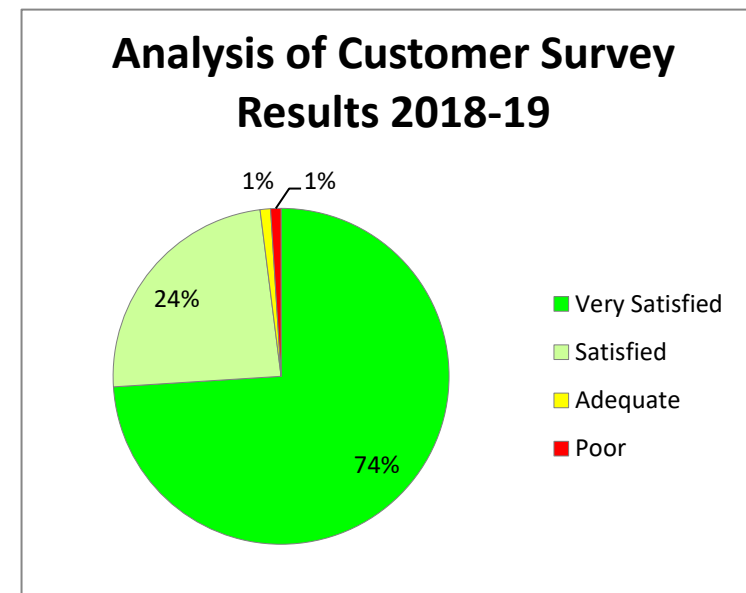
**Improvement Programme** – DAP maintains a rolling development plan of improvements to the service and customers. All recommendations of the external assessment of PSIAS and quality assurance were included in this development plan and have been completed. This will be further embedded with revision of our internal quality process through peer review. Our development plan is regularly updated and a status report was reported to the Management Board in October 2018.

### Performance Indicators

Overall, performance against the indicators has been very good with improvements made on the previous year (see Appendix 5). To note that certain areas of the audit plan relate to project work and will not be complete until the end of the year. Although performance in relation to issuing reports is improving overall, we are aware that some of our draft reports were not issued to the customer within the agreed timeframes (15 working days). We continue to review where performance in this area can be improved.

### Customer Service Excellence

DAP was successful in re-accreditation by G4S Assessment Services of the CSE during the year. 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 98% 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 1 - Annual Governance Framework Assurance

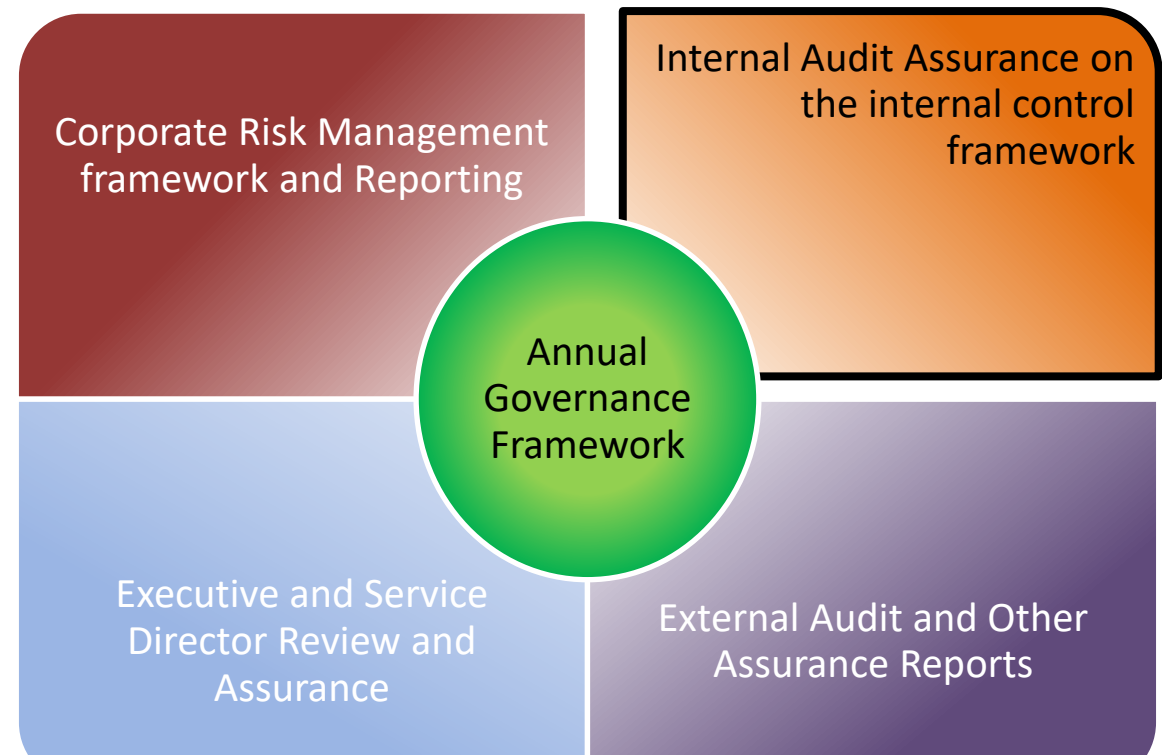
***The conclusions of this report provide the internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.***

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 Committee;
- highlight significant events or developments in the year;
- acknowledge the responsibility on management to ensure good governance;
- indicate the level of assurance that systems and processes can provide;
- provide a narrative on the process that has been followed to ensure that the governance arrangements remain effective. This will include comment upon;
  - The Authority;
  - Audit Committee;
  - Risk Management;
  - Internal Audit;
  - Other reviews / assurance.
- Provide confirmation that the Authority complies with CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. If not, a statement is required stating how other arrangements provide the same level of assurance



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

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

## Appendix 2 - 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 to date and we anticipate meeting the majority of the original audit plan for Children's Services, Public Health and Adult Services this year.

In previous years, other service priorities have impacted audit delivery in Children's Services and Public Health, and this continues to impact our Assurance Opinion for these areas.

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

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

all audits completed during 2018/19, including those audits carried forward from 2017/18;

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

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

the quality of internal audit's performance;

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

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

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

## Appendix 3 - Audit Authority

### Service Provision

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

### Regulatory Role

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

- **Section 5 of the Accounts and Audit Regulations (England) Regulations 2015** which states that ".....a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance....."
- **Section 151 of the Local Government Act 1972**, which requires every local authority to make arrangements for the proper administration of its financial affairs.

### Professional Guidelines

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

DAP, through external assessment, demonstrates that it meets the Public Sector Internal Audit Standards (PSIAS).

Our Internal Audit Manual provides the method of work and Internal Audit works to and with the policies, procedures, rules and regulations established by the Authority. These include standing orders, schemes of delegation, financial regulations, conditions of service, anti-fraud and corruption strategies, fraud prevention procedures and codes of conduct, amongst others.



## Appendix 4 – Summary of audit reports and findings for 2018/19

### Risk Assessment Key

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


### Direction of Travel Assurance Key

Green – action plan agreed with client for delivery over an appropriate timescale;  
 Amber – agreement of action plan delayed or we are aware progress is hindered;  
 Red – action plan not agreed or we are aware progress on key risks is not being made.  
 \* report recently issued, assurance progress is of managers feedback at debrief meeting.





## CORPORATE SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
<b>Transformation</b>			
Transformation Programme - project 'trusted advisor' role (ANA – Critical) Risk / ANA - Critical	Added Value Status: Ongoing	<p>We continue to provide support in both Audit assurance and operational delivery roles in line with project timescales.</p> <p>As our Audit role provides us with a unique organisational position, we continue to provide reports resulting from our audit work where there's a direct link to Transformation Programmes and projects; Contract and Procurement, Concessionary Fares, Section 106 and CIL, Council Tax and NNDR, TOR2 and Children's MTFP. These provide our opinion on specific areas along with any recommendations where we feel controls could be strengthened, for example recurring issues where recommendations have not been actioned, related to Council Tax and NNDR discount reviews; corporate debt recovery issues, and weaknesses in controls around S106 monies;</p> <p>In relation to specific Transformation Programmes and Projects, we have provided the following:</p> <ul style="list-style-type: none"> <li>Children's Services ICT –initial support and advice including review of project documentation We had concerns around the business case/PID document initially drawn up and provided our feedback, however understand that this is currently subject to review. We will continue to provide support as this project progresses;</li> <li>Commercialism Programme – attendance at and participation in Commercialism Board in an active Project QA role;</li> <li>Contract Review – Commenced benchmarking against other Local Authorities on certain aspects of Contract processes;</li> <li>Transport and concessionary fares – provision of benchmarking information against a range of other Local Authorities in relation to concessionary schemes in operation and associated savings achieved where provided to us. Following a recent request, we are also in the process of undertaking further benchmarking in relation to School Transport;</li> <li>Spatial Planning – evaluation of the proposed collaborative arrangement with PCC as detailed in the Place half year report;</li> </ul>	N/A



## CORPORATE SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		<ul style="list-style-type: none"> <li>Community Engagement – benchmarking of community groups operated within other Local Authorities supporting delivery of Council services;</li> <li>TOR2 – initial advice and support to ICT and Finance in relation to the potential early withdrawal from the TOR2 contract. Going forward we have been asked to provide support in relation to resolving issues leading into the 2020 transition.</li> <li>Investment Committee – we continue to review Governance and supporting process arrangements.</li> </ul> <p>Our provision of relevant Local Government Publications to the Transformation team continues, which provides a view of projects and associated activities at other Local Authorities.</p> <p>It is pleasing to note that the Transformation Team has broadened since last year, however we would recommend that the Council reviews its position in terms of a broader Portfolio Management perspective. This would provide the organisation with greater clarity on all projects and identify interdependencies, priorities and a method for identifying peaks in resource requirement. This will be critical going forward given the forthcoming DELT arrangement for delivery of ICT.</p>	
Digitalisation, ICT Service delivery model Risk / ANA - Critical	Added Value Status: Ongoing	We have undertaken this within the Transformation Programme. To date we have provided direct support to the review process and options appraisal reporting for alternative ICT Service delivery models. Following this we are engaged in the 'DELT' project and continue to provide support in relation to the Council being 'DELT Ready'. This will encompass Digitalisation elements building upon our associated 'Channel Shift' audit.	N/A
<b>Material Systems 2018-19</b>			
Income Collection Risk / ANA - Medium	High Standard Status: Final	<p>Testing this year confirmed that processes continue to be operating as designed resulting in accurate receipting, recording and reconciliation of income received.</p> <p>Income data is accurately posted and reconciled to the General Ledger, although as in previous years, there remains further opportunity to streamline practices for potential efficiencies.</p> <p>Controls have been put in place to mitigate the lack of segregation of duty between the system administrator and general operational / transactional roles.</p> <p>The majority of all previously agreed recommendations have been addressed with only one still in progress. This year we have made just one new recommendation in relation to suspense account reconciliations.</p>	

## CORPORATE SERVICES




Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Asset Register Risk / ANA -Medium	High Standard Status: Final	Since last year's audit, we are pleased to report that the majority of the recommendations made have been implemented, and the audit opinion remains 'high standard'.	
FIMS System Administration Risk / ANA - Critical	Good Standard Status: Final	With the exception of the lack of segregation of duty, we have no concerns in relation to the operation of controls within the system administration of the FIMS System.  There continues to be consistent adherence to the processes that form the established and robust control environment in place which ensures the integrity of the system and data.	
IBS* System Administration Risk / ANA – High *International Business Systems	Good Standard Status: Final	Processes continue to be operating adequately, however events this year have highlighted the risk to maintaining continuity and as such we reiterate the importance of finalising and testing the business continuity plan and consideration of the capacity to cover processes in the event of long term absence.  The acknowledged lack of segregation of duty remains, as do a number of other issues including the ongoing lack of audit trail retention in relation to parameter changes, and potential efficiency gains in relation to reconciliation practices.	
Benefit Subsidy Claim – additional 40+ testing. Risk / ANA: N/A	Added Value Status: Complete	A number of issues, relating to the 2017-18 subsidy year, were identified. These mainly relate to weekly earned income being incorrect due to errors made when either undertaking manual calculations or inputting amounts; however, a small number of cases were also identified where supporting documentation for the rental amounts used for non-HRA rent rebate entitlement calculations could not be located.	N/A
Treasury Management Risk / ANA - Low	Good Standard Status: Draft	A properly approved Treasury Management Strategy is in place; however, this is likely to require updating for the new year due to the new CIPFA Code that has been recently published. We note that the Council's Treasury Management Practices (TMPs) have already been updated in this regard.  As in previous years, high operational standards continue to be maintained, with only minor issues being identified, and it is pleasing to note that a number of issues from previous years are no longer outstanding.  Recommendations have been made, mainly to further strengthen existing controls, including: ensuring the recently drafted Business Continuity Plan is approved and tested; that training records are kept up to date, and that the reasoning behind any borrowing undertaken by the Council is formally recorded.	

**CORPORATE SERVICES**




Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
Benefits Risk / ANA - Medium	Good Standard Status: Draft	<p>The walkthrough undertaken this year did not identify any new issues in terms of system design, and the controls in place are generally deemed to be sufficiently robust to prevent inappropriate or inaccurate amendments being made to the benefits system, and inaccurate payments being made.</p> <p>Progress is now being made in terms of improving the QC process and there are additional checks in place in relation to self-employed earnings claims. A small number of recommendations relating to both the QC process, and SE earnings remain outstanding.</p> <p>An additional issue was identified this year in that the required processes and checks relating to a payment in excess of £2k had not been undertaken, resulting in errors not being identified and a significant overpayment being made. Management will need to consider how, going forward, they can ensure that these important controls are operated.</p> <p>Our added value additional limited sample testing on earned income calculations in the 2018-19 year did not identify any errors.</p>	
The following audits are currently in progress: <ul style="list-style-type: none"> <li>• Payroll (ANA – Critical)</li> <li>• Council Tax and National Non-Domestic Rates (ANA – Medium)</li> </ul>		The following audits are not due to commence until the second half of the year: <ul style="list-style-type: none"> <li>• General Ledger and Bank Reconciliation (ANA – Medium)</li> <li>• Creditors and POP (ANA – High)</li> <li>• Debtors and Corporate Debt (ANA – High)</li> </ul>	
<b>Material Systems 2017-18 - not reported in the annual outturn report but included here in summary for completeness</b>			
<ul style="list-style-type: none"> <li>• General Ledger and Bank Reconciliation (ANA – Medium)</li> <li>• Creditors and Purchase Order Processing (ANA – High)</li> <li>• Payroll (ANA – Critical)</li> </ul>	Good Standard Status: Final	<p>Whilst the control environment for the general ledger and bank reconciliation is generally sound, there remain several long standing outstanding recommendations in relation to the general ledger and it would be good to see them implemented soon.</p> <p>The control environment relating to ordering and payment of creditors is generally robust; however, our main concern is in relation to the authorisation process for manual payment. This could be resolved through automation. We urge the Council to introduce this control.</p> <p>Although the design of the Payroll systems and related processes are generally robust and previous years recommendations are being addressed, we identified that payroll amendments not processed through MyView are not now checked for appropriate authorisation; we understand this to be approximately 15% of all transactions. We encourage management to consider other ways of ensuring that these amendments are properly authorised until all amendments can be processed through MyView.</p>	





**CORPORATE SERVICES**

Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
<ul style="list-style-type: none"> <li>Council Tax &amp; Non-Domestic Rates (ANA – Medium)</li> <li>Sundry Debtors and Corporate Debt (ANA – High)</li> </ul>	Improvements Required  Status: Final	<p>The Council Tax &amp; Non-Domestic Rates system design is sufficient to ensure accuracy of property valuations and related billing, however long-standing issues in relation to regular review of exemptions and discounts, bill reduction and refund / credit processing, quality control and performance indicators have been reported again. The intended changes to processes to drive efficiency and increase take up of direct debits are yet to be implemented due to the need to prioritise other transformational targets.</p> <p>For Sundry Debt, additional progress has been made against previous recommendations made and we note for others that management continue to accept the associated risks. These aside, we have no significant concerns in terms of either amendments being made to FIMS, or subsequent recovery of related amounts.</p> <p>We have concerns in relation to Corporate Debt, due to several issues which continue to be identified year on year, including in relation to non-adherence to the recovery timetable, and recovery suppression and adherence to special arrangements not being effectively monitored. Had we undertaken a separate Corporate Debt audit, rather than combining this with Sundry Debtors, the opinion is likely to have been one of 'Fundamental Weaknesses'.</p> <p>Our previous review of debt recovery across the whole Council found this to be relatively disjointed, as there are other areas that are managed at a local level. Although some progress has been made in this area, much of the work remains ongoing. Given the issues found within Corporate Debt, we have reiterated our recommendation that management consider amalgamating the two recovery teams, and expanding their remit to cover all debt recovery across the Council.</p>	
<p><b>SLT Response/Action Plan – Leads: Bob Clark / Martin Phillips</b>  <i>Work is underway to address the issues raised, and we anticipate an improved direction of travel for the next audits of these areas in Quarter 4.</i></p>			
<b>IT Audit</b>			
Website Content Management Risk / ANA – Medium	Improvements Required  Status: Final	Assurance was reported in last year's annual report; please refer to that report for details. In addition, please refer to our annual Follow up of Areas requiring Improvement Report, presented at the same time as this report showing a positive direction of travel and an uplift in our assurance opinion.	
ICT Material Systems Processes Risk / ANA – Critical	Improvements Required  Status: Final	Assurance was reported in last year's annual report; please refer to that report for details	

## CORPORATE SERVICES



Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Major ICT systems projects ('trusted advisor role') Risk / ANA - High	Added Value Status: Ongoing	We continue to be engaged in a number of ICT projects where we provide a project assurance role, including attendance at project meetings as required, and provision of advice and guidance within the role in line with project timescales. The projects we are engaged in are:  Children's Services – ICT (details within Transformation); Customer Feedback Monitoring System Implementation; Housing System (Homelessness); Purchase Cards;	N/A
GDPR (General Data Protection Regulations) Project Risk / ANA - High	Added Value Status: Ongoing	We continue to provide support to the GDPR project. We are active members of the GDPR project team.	N/A
GDPR – Information Asset Register Risk / ANA – Client Request	Added Value Status: Ongoing	We have been engaged by the Council in supporting the development and completion of the Council's Information Asset Register.	N/A
The following audits are not due to commence until the second half of the year: <ul style="list-style-type: none"> <li>ICT Continuity and Disaster Recovery (ANA – High)</li> </ul>		The following audits have been deferred or cancelled at the request of the client: <ul style="list-style-type: none"> <li>Client side function (IT) following outcome for service (ANA – High)</li> </ul>	
<b>Other</b>			
Human Resources (HR) - Exit Packages Risk / ANA - Medium	Improvements Required Status: Final	Assurance was reported in last year's annual report; please refer to that report for details.  In addition, please refer to our annual Follow up of Areas requiring Improvement Report, presented at the same time as this report.	
Coroner Service Risk / ANA - Low	Improvements Required Status: Final	Assurance was reported in last year's annual report; please refer to that report for details.  In addition, please refer to our annual Follow up of Areas requiring Improvement Report, presented at the same time as this report.	
FIMS Upgrade Risk / ANA - Medium	Added Value Status: Final	Assurance was reported in last year's annual report; please refer to that report for details	N/A
Legal Services – cross council use of legal advice Risk / ANA - Medium	Improvements Required Status: Final	Expenditure on external legal services during the last financial year totalled nearly £800k. There is a reasonable understanding of what is driving these costs, with the explanations being given supported by our analytical review. Generally, there is a lack of capacity in house regarding specialist expertise; however, there are genuine reasons as to why expanding this in house capacity may not be the sole way forwards, and management will need to consider a number of different solutions in order to reduce costs.	

**CORPORATE SERVICES**

Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
		In terms of adherence to Financial Regulations relating to procurement, we are not able to provide assurance in this area, hence the overall opinion given; and we have recommended that the Council's relationship with a number of significant suppliers is reviewed.	
<b>SLT Response/Action Plan – Lead: Anne-Marie Bond</b> <i>A significant proportion of external expenditure last financial year was in respect of the acquisitions of investment properties, for which urgent and specialist advice was needed.</i> <i>A Procurement review is underway in respect of all such expenditure with a view to arrangements being put in place.</i>			
Covert Surveillance of Social Networking Sites Risk / ANA – Client Request	Improvements Required Status: Final	<p>Although there are clear policies and guidance in place in terms of the use of social networking sites (SNS's) for investigations, there is a lack of awareness and understanding at a departmental and operational officer level that the use of the internet and SNS's may potentially fall within the definition of covert directed surveillance, and of the expected process where this is the case.</p> <p>The complex legislative provisions relating to this area and the risk that officers may act unlawfully re-enforces the need to constantly review the extent to which formal training of awareness of the provisions is required within Torbay Council to cover members, current staff, new recruits, contractors, temporary workers, and the value of a defined user guide for officers to follow.</p> <p>The lack of a framework for the requirements of central reporting and recording prevents corporate oversight of compliance within the Council. In addition, where services are delivered externally, the Council has no compliance assurance from these agents.</p>	
<b>SLT Response/Action Plan – Lead: Anne-Marie Bond</b> <i>Government guidance has now been updated as this is a continually evolving area. This is to be used to update Council policies, and will be rolled out within training sessions. However the increasingly accepted view is that information on SNS's is not classed as covert directed surveillance. Therefore we are reviewing and testing with other authorities whether it is proportionate to have a central reporting and recording system. However given the diminishing risk associated with this, whilst the work is being undertaken, it is lower down the priority list.</i>			
Printing Services and Post Room Risk / ANA - Medium	Improvements Required Status: Final	<p>There is little in the way of procedural guidance in place for the Printing Service, and with the exception of general budget monitoring, no performance monitoring undertaken.</p> <p>Access controls relating to the Tharstern system are not particularly robust; however given the low risk nature of the system, this is not concerning.</p> <p>With regard to control of stock, there are few controls to ensure that stock movements throughout the year are accurately recorded, and the year-end stock take is not used to identify discrepancies. In terms of security, there is swipe access to the Print and Post Room, however there are a number of high value / high risk stock items and we have recommended that these items are held more securely.</p>	



## CORPORATE SERVICES



Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		<p>The mechanism for calculating the price of each job currently does not ensure full cost recovery and the methodology in this area needs revisiting.</p> <p>Independent quality monitoring is undertaken to ensure that completed jobs are of a high standard. Related debtor invoices are then created, however there is no guidance as to when this should be done, and our review found that they are not always being raised promptly.</p> <p>With regard to the Post Service, we have no significant concerns, and only a small number of related recommendations have been made.</p>	
<p><b>SLT Response/Action Plan – Lead: Bob Clark</b>  <i>We are undertaking a detailed Print/post service review which will totally change the way print services are delivered back to the Council. This is a Transformation project which will be worked up over the coming months with a view to start implementation June/July 2019.</i></p>			
<p>Torbay Online Asset Database (TOAD) Replacement and FM System Implementation</p> <p>Risk / ANA - Medium</p>	<p>Added Value</p> <p>Status: Ongoing</p>	<p>We are engaged with the Project Leads in both the service area and ICT. We are currently evaluating the implementation and note that there is no formal project management structure. We will be reviewing the system in early 2019 when relevant modules have been implemented but will continue to provide ongoing advice and support as required.</p>	N/A
<p>Information Security Group</p> <p>Risks / ANA - N/A</p>	<p>Added Value</p> <p>Status: Ongoing</p>	<p>We maintain membership of, and attendance at, the Council's Information Security Group. Our role continues to provide advice, guidance and challenge in terms of active participation within the group. Of concern is the level and nature of data breaches and subject access requests (SAR). The resource requirement to investigate and respond to these is significant and currently impacts upon the other operational duties of the team.</p>	N/A
<p>HR / Payroll System (MyView) - new modules implementation project</p> <p>Risk / ANA - High</p>	<p>Added Value</p> <p>Status: Ongoing</p>	<p>We continue to provide support to the project as requested by the client and have provision to attend any project meetings as required.</p>	N/A
<p>Risk Management, Emergency Planning and Business Continuity Project</p> <p>Risks / ANA – Medium</p>	<p>Added Value</p> <p>Status: Ongoing</p>	<p>We supported the then project team in developing the risk management strategy, and business continuity framework. The project team itself is no longer meeting, however we are progressing these elements with specific officers to now integrate these practices into the organisation.</p>	N/A
<p>The following audits are not due to commence until the second half of the year:</p> <ul style="list-style-type: none"> <li>• Housing Services – follow up (ANA – Medium)</li> <li>• Health &amp; Safety (ANA – Medium)</li> <li>• Contract Monitoring - Public Toilets, and Library Service (ANA – Medium)</li> </ul>			



PLACE			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Food Safety, Safety and Licensing Risk / ANA - High	Improvements Required Status: Final	Assurance was reported in last year's annual report; please refer to that report for details. In addition, please refer to our annual Follow up of Areas requiring Improvement Report, presented at the same time as this report showing a positive direction of travel as is also reflected here.	
Spatial Planning - Development and Planning Risk / ANA - High	Added Value Status: Final	Assurance was reported in last year's annual report; please refer to that report for details As at June 2018, and since completion of our work and provision of this advice note, we have been advised that the Council has decided to cease progression of the proposed collaborative arrangement with PCC.	N/A
Concessionary Fares - follow up Risk / ANA – Medium	Improvements Required Status: Final	Since the previous audit, the resource to undertake the function of negotiating and setting reimbursements with operators has been enhanced through an external consultant provision. We understand that this arrangement has been reviewed to address procurement regulations, and a new provider has now been contracted from the Councils Supplier Framework. We have recommended that this provision should take into account the net benefits of using such a provision. It has resulted in a reduction in payments made to certain operators; although arrangements with others are yet to be resolved. However, the changes made did result in the cancellation and / or reduction in routes. We noted the considerable changes in estimated and actual costs for budget purposes during course of the year and found that this was as a result of the cessation of an operator, the loss of routes and forecast calculation errors; this requires correction of the accrual made in the general ledger. However, other actions including those relating to the checking of information from operators and concessionary passes for disabled applicants remain outstanding. We understand that there had been issues with the new On-Line Applications Software, which have delayed the benefits to resourcing this process.	

**SLT Response/Action Plan – Lead: Kevin Mowat/Andrew England**

The audit observations are noted and further advice from procurement is being obtained. The lack of a significant budget for bus subsidies presents a real challenge and services are reliant on cooperation with bus companies, and indeed their financial sustainability for the routes operated. Having very late agreements with operators regarding their concessionary fare settlements has caused problems and as such the project timetable for concessionary fares will be reviewed as far as is practical for future years. On the 7<sup>th</sup> January 2019 there will be the ability for those permanent residents of Torbay who are eligible on grounds of being of state pensionable age or disability, to apply for their concessionary bus passes on line using the council website (link below), residents will also be able to manage and keep their details up to date. [www.torbay.gov.uk/buspass](http://www.torbay.gov.uk/buspass) Older persons bus pass renewals will continue to be carried out automatically, with a new bus pass being dispatched approximately 6 weeks in advance (providing the current pass has been used within the past 12 months). The Disabled Person's bus pass are manually renewed and, as some medical conditions change over time, applicants will need to provide current evidence of their continuing eligibility.

PLACE			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Section 106 - follow up, including Infrastructure Levy Risk / ANA - Medium	Improvements Required Status: Final	<p>Since the original audit undertaken in 2014-15, we are pleased to report that recommendations relating to the calculation of s106 contributions have all been implemented.</p> <p>In regard to the collection and spend of s106 contributions, there has been little progress; this is due to the planned joint working partnership with Plymouth no longer going ahead.</p> <p>We understand that a new system for both s106 and the Community Infrastructure Levy (CIL) has recently been given the go ahead, which is expected to address most of the significant risks which remain outstanding at this time, with its implementation and establishment of procedures being part of a specific Transformation project.</p> <p>We were unable to examine CIL now due to processes not being established, and levies not being required to be raised. We will, however, be providing support and challenge to the related Transformation project.</p>	
<p><b>SLT Response/Action Plan – Lead: Kevin Mowat/Andrew England</b>  <i>Re-establishment of the Section 106 Management Group will occur led by Andrew England with a view to ensuring spend, monitoring spend and delivery of associated projects; Review existing Section 106 requirements and monitoring fees; and identification of new projects to ensure ownership and deliverability. The Section 106 Management Group to run as a programme board.</i>  <i>Recruitment of an in house CIL / S106 officer as a dedicated resource to ensure robust calculation of CIL payments and securing S106 payments. Handover of CIL / S106 role from Plymouth CC to Council officer and implement the new dedicated software.</i></p>			
Sports Pitch Leases - follow up Risk / ANA - Medium	Improvements Required Status: Final	<p>The Corporate Asset Management Plan 2015-19 including the appendix 4 ‘Granting of Sports Leases’ provides a strategic statement and direction for the management of sports pitch leases to sports clubs. However, in relation to establishing new agreements the take up and progress has been slow, and as at the time of the audit no new agreements were in place, and as such we are unable to provide assurance regarding the effective implementation of the policy.</p> <p>Additionally, we understand that the Council is unable to change existing agreements some of which will continue for many years and as such the benefits of the policy are unlikely to be realised in the short term. We have made further recommendations that would support peripheral realisation of benefits in relation to valuations, condition surveys, rent reviews, sub-let arrangements and payment plans, and in relation to hire charges covering costs.</p> <p>We found that appropriate processes, including a thorough application process, authorisation and appeal, are now in place for granting financial assistance, and these formed part of the consultation with clubs and have since been published. As there have been no new applications for assistance, we are unable to provide assurance that this process is operating effectively. Again, we understand that the Council is unable to change existing financial assistance arrangements as these are tied to existing leases.</p>	

PLACE			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
<b>SLT Response/Action Plan – Lead: Kevin Mowat</b> <i>Progress has been made with a number of sports clubs to deliver new leases in line with Appendix 4 of the Corporate Asset Management Plan. Examples include clubs at Cricketfield Road, Windmill Hill, Torre Valley North and Armada Park. Unfortunately, none of these leases have been completed yet and some may not continue. The nature of these clubs are that they often have limited resources and are therefore run by hard working volunteers who are nervous about landlord and tenant matters. This means that professional advisors are not always appointed, and progress is slow. It is also the case that many of the sports pitches are used by multiple clubs and this then requires a coalition of understanding and/or active collaboration to form an umbrella body to act as the tenant with the Council as the landlord. These arrangements are often fragile and can also involve local community groups, which adds further uncertainty and delay. In any event the existing policy does provide sports clubs with an opportunity to secure long leases and thereby access external grant funding. However, the opportunity for the Council to make significant savings and/or improved rental income is somewhat limited and may have been previously overstated. The benefits of the policy can be realised by all clubs, with existing leases, if they wish to proceed under the new arrangements but more often than not they are comfortable with the status quo.</i>			
Brixham Ferry Risk / ANA – Client Request	Fundamental Weaknesses Status: Final	Due to a lack of documentary evidence available, we are unable to provide assurance that the all year round ferry project and the related contract with Brixham Express Ltd for the provision of a fast ferry service from Brixham to Torquay were managed and monitored effectively. Management have agreed to address this issue for future projects.	
<b>SLT Response/Action Plan – Lead: Kevin Mowat/Andrew England</b> <i>This is now a lessons learnt case. A brief review has been undertaken identifying issues including continuity of staff handling the project and staff resources/capacity. Critically there needs to be a greater understanding of contract management which might be a corporate training matter to reduce the risk for future projects. Future projects need to be reported to a suitable strategic level board tasked with monitoring key projects. For example the new Growth/Capital Projects Board.</i>			
Neighbourhood Forums Risk / ANA – Client Request (considered low risk by Management)	Fundamental Weaknesses Status: Final	The three neighbourhood forums and their associated areas have been set up in line with relevant legislation and related plans have been properly prepared. These have not yet been approved by an independent examiner, though we understand that the examinations have now commenced. Legislation requires a referendum to adopt the plans and bring them into force. Government funding has been received by Torbay Council via a number of different grants; however, we have been unable to confirm which are for use by the Council and which should be passed over to the forums. We have also not been able to establish how this has been spent, as the majority of it has simply been passed over to the forums “on trust”, with, in our opinion, insufficient supporting evidence being requested or retained. Funding has also been received by Brixham Town Council; however as they have their own separate internal audit function, we have not been granted access to their records. Consequently, we are unable to provide assurance that funding has been used to facilitate neighbourhood planning objectives for any of the three forums.	
<b>SLT Response/Action Plan – Lead: Kevin Mowat/Andrew England</b> <i>Subject to successful referendums there will soon be complete Neighbourhood Plan coverage (May 2019) and as such there are no imminent projects of this nature. On completion of the referendum a review of the expenditure will be completed as part of the project closure. This should provide clarity as far as possible as to how the Neighbourhood Plan grant was allotted. An element of staff training is required to reduce the risk for future projects. Staff need to understand that the Council, as ‘gatekeeper’, is responsible for ensuring that grant funding, issued by the authority is appropriately spent and a full audit trail is required.</i>			

PLACE			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Tor Bay Harbour Authority – Strategic Management Risk / ANA – Medium	Good Standard Status: Final	<p>We found the Tor Bay Harbour Authority Governance framework maintained through the Tor Bay Harbour Committee to be well established, clearly defined and effectively operated and monitored. This is supported by industry guidance, protocols, legislation and local policies and procedure, including those required by the Local Authority. There are some opportunities for improvement for which we have made appropriate recommendations either here or within the separate Port Marine Safety Code Report. We would draw your attention to areas such as Emergency Planning, ongoing training provision in key areas, and completeness and coverage of risk assessments.</p> <p>We found Harbour Strategic Management including long-term plans to be reasonably robust, albeit that improvements in costing out funding requirements would benefit from greater clarity. Of concern is the long-term viability of the current operating model and development of the Tor Bay Harbour Authority due to the ongoing draw on income and reserves by the Local Authority.</p> <p>To note that to avoid duplication of work we have placed reliance on audit coverage in certain aspects within the Port Marine Safety Code (PMSC), but only where these are deemed to impact the level of assurance in relation to this Harbour Strategic Management Audit.</p> <p>Although related but not impacting the Audit Opinion, of key concern to note is that following our Audit of the PMSC this year, our opinion was one of non-compliance. Our conclusion arose based on little progress having been made against the previous year's recommendations, and the identification of some significant safety risks which Tor Bay Harbour Authority must address in order for us to re-evaluate our compliance opinion.</p>	 *
Port Marine Safety Code Risk / ANA – Client Request	N/A Status: Final	<p>We have examined a restricted sample of records relating to the Tor Bay Harbour Authority and its compliance with the requirements of the Port Marine Safety Code and obtained such explanations and carried out such tests as we consider necessary.</p> <p>To the best of our knowledge and belief, and having carried out appropriate checks, in our opinion the Tor Bay Harbour Authority is not currently compliant with the Port Marine Safety Code. Little progress has been made against the previous year's recommendations and as such have been re-reported. We have also identified some significant safety risks which Tor Bay Harbour Authority must address for us to re-evaluate our compliance opinion.</p>	 *

**SLT Response/Action Plan – Lead: Kevin Mowat**


*An Improvement Plan has been produced with associated actions that have already commenced. Of the six High Priority issues, four have been completed and the remainder may require changes to the staffing structure. Duty Holder training is being organised for the Harbour Committee Councillors/Advisors at the end of January, unfortunately nobody was able to attend the previous training organised for November 2018. Of the ten Medium Priority issues, six have been completed with the remainder scheduled for completion in Q1 of 2019. Of the fourteen Low Priority issues, six have been completed and a schedule has been established for the remaining items. However, some have consciously been deferred until post-May elections as they pertain to the post-election governance regime.*



## PLACE

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Grants x 5 Risk / ANA: N/A	Certified  Status: Complete	Grants certified comprise; Bus Subsidy, Local Transport Capital Block Funding, Pothole Funding, National Productivity Investment Fund and Local Growth Fund.  A number of minor issues were identified and reported to the relevant funding body.	N/A
The following audits are currently in progress: <ul style="list-style-type: none"> <li>Local Transport Plan / Strategic Transport (ANA – Medium)</li> <li>Parking Services (ANA – High)</li> <li>Museum Services – Tor Abbey (follow up) (ANA – Medium)</li> </ul>		The following audits are not due to commence until the second half of the year: <ul style="list-style-type: none"> <li>Contract Monitoring - Public Toilets, and Library Service (ANA – Medium)</li> <li>Spatial Planning - Development and Planning (ANA – High)</li> </ul>	
The following audits have been deferred at the request of the client: <ul style="list-style-type: none"> <li>Commissioning and Performance Monitoring of the TDA (ANA – High)</li> </ul>			

## ADULT SERVICES & HOUSING

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Care Act – Better Care Fund / Section 256 monies  Risk / ANA – Critical	N/A  Status: Final	<p>National conditions pertaining to the development and production of the 2017-19 BCF Plan for Torbay were found to have been appropriately met, including agreement to the Plan by the Health and Wellbeing Board and formal approval by NHS England; and the associated section 75 agreement, relating to use of pooled funds under the NHS Act 2006, is in place.</p> <p>We are however unable to provide assurance as to whether BCF monies have been spent appropriately in line with approved plans due to a lack of financial information relating either to overall expenditure against the £16.6m identified within the BCF Plan for 2017-18, or a breakdown of expenditure for each individual project approved within the Plan.</p> <p>We have been asked to undertake a follow-up review later in 2018/19 and provide an updated opinion, and have therefore recommended not only that the required information is obtained, but that it is monitored in-year, with a view to early identification of any over or under spend, relating to 2018/19 expenditure.</p> <p>We note that the Council and its partners have been recognised at a national level for good practice in relation to work in Health and Social Care, and the development of the Integrated Care Organisation (ICO).</p>	

## ADULT SERVICES & HOUSING

Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	

The following audits are not due to commence until the second half of the year:

- Housing (ANA – Critical)
- Care Act – Better Care Fund / Section 256 monies follow up (ANA – Critical)
- Commissioning and Performance Management (non-Integrated Care Organisation - follow up) (ANA – High)



**PUBLIC HEALTH**

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
<p>Torbay Community Development Trust (TCDT) - Independent Review</p> <p>Risk / ANA – additional client request</p>	<p>N/A</p> <p>Status: Final</p>	<p><u>Financial Sustainability</u>            TCDT is faced with significant financial challenges but there is good evidence that these are being addressed. There is currently a £15k “funding gap” in respect of overhead costs for 2018/19. TCDT staff are implementing several changes and considering a number of options that are expected to address this. If the changes made and proposed realise the expected savings, then we consider that this gap to be bridgeable. However, as with all actions, the changes made will take time to fully imbed and realise the expected savings.            It should be recognised that there may be some time slippage; such slippage could impact on the 2018/19-year end position. The Council should request an updated Business Plan from TCDT which clearly sets out future financial projections, and the assumptions that are underpinning it.            Cash balances appear healthy but are largely held in Restricted Funds and there is a challenge to make sure that they are maximised. The debtors figure of £207k (as at March 2017) is reasonable but TCDT management should look at reducing this for future years were possible. TCDT holds very little assets and this could be a hinderance in terms of “borrowing to develop”.</p> <p><u>Perceived Value</u>            Based on the survey results received the reach of TCDT is considered to be limited. There is interaction, but this is seen to be both positive and negative by the service users. There was little evidence that TCDT had actively sought new and developing entities to support. Awareness has been driven by existing users rather than TCDT, and Council Staff expressed some dissatisfaction with TCDT’s role as gateway to the sector.            TCDT’s value is less in question from engaged organisations. The prevailing view of respondents was that when TCDT engaged fully they were able to provide support. However, this engagement was inconsistent and several voluntary sector entities made comments regarding a lack of commitment and willingness to listen. There should be no doubt that TCDT has clearly benefited the local area. However, the overall value of this benefit in comparison to what could have been does not give a wholly positive view of TCDT. Based on respondent comments, there are several areas where TCDT must improve, both with its service users and via its interactions with Torbay Council.</p>	<p>N/A</p>



## PUBLIC HEALTH

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
The following audit is currently ongoing: <ul style="list-style-type: none"> <li>Health Protection and Infection Control (ANA – Medium, client request)</li> </ul>		The following audit is not due to commence until the second half of the year: <ul style="list-style-type: none"> <li>Commissioned Services – Contracts Management and Monitoring (Sexual Medicines Service) (ANA – High, client request)</li> </ul>	

## CHILDREN'S SERVICES

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Placement Activity Risk / ANA: Medium, Ofsted	Good Standard Status: Final	Assurance was reported in last year's annual report; please refer to that report for details.	
Contracted Services (Information, Advice, Guidance) Risk / ANA: Medium	Improvements Required Status: Final	<p>The contract with CSW Group Ltd is detailed, robust and covers the elements required by the DfE's statutory guidance. The contract also provides detailed contract management and monitoring elements to ensure that service delivery by CSW can be effectively monitored.</p> <p>The contract structure provides opportunity for contract review, however for this to be effective in terms of incorporating changing needs it is important that processes exist to feed information back from the service level teams to the contract representative.</p> <p>The contract management arrangements in place within Children's Services for this contract are, in our opinion, inadequate. There was no evidence to support attendance at contract review meetings nor appropriate minutes of the discussions and performance review. Management information reports provided by CSW did not address the majority of targets and reporting required by the contract. Where performance was reported, it was not evident that this was being measured against prescribed targets.</p> <p>The CCIS system and resultant management information reports did appear to provide for effective and accurate young people tracking data. Performance information on interventions for the vulnerable was not similarly tracked, although there was some evidence that service level teams maintained their own liaison and oversight for their vulnerable clients, however there was no evidence of this being routinely fed back for contract management purposes.</p> <p>The annual contract payments do not agree to contract documentation; some explanation for this was provided but was not backed up by evidence. Additionally, variation documentation to support a reduction in annual payments was not provided.</p>	

**CHILDREN'S SERVICES**

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
<p><b>SLT Response/Action Plan – Lead: Alison Botham / Anne Osborne</b>  <i>The Placements and Contracts Team is now in place and will be working to ensure value for money via both Peninsula arrangements and contractual reviews. The recording of/reporting of placement is now being reviewed and tracking of children will be in a focussed format with senior Business Support providing minutes.</i></p>			
Section 17 Payments Risk / ANA: Medium	Improvements Required Status: Final	<p>There is currently minimal local guidance in place for making section 17 (s17) payments. Related information within the Council's childcare procedures directs the applicant towards the Crisis Support Scheme; however in practice this is not applied to s17 requests.</p> <p>Where Crisis Support is not applicable, officers are simply advised to make a decision as to whether it would be appropriate to make a payment out of the Children's Services budget. There is no information as to what the criteria for a s17 payment would be, how requests should be determined and processed, etc.</p> <p>Although there are various sources of financial assistance potentially available to families in need, we found that related Council departments do not liaise effectively with one another. Families could, therefore, make applications to different departments and receive multiple financial awards for assistance.</p> <p>A review of payments found that some were not s17 'payments' per se, but related departmental expenditure that would fall under s17. Other issues identified include a lack of financial assessment, and insufficient information being recorded as to the reasoning behind the type and amount of payment awarded.</p> <p>These issues emphasise the need for clear guidance in this area.</p>	
<p><b>SLT Response/Action Plan – Lead: Alison Botham / Anne Osborne</b>  <i>Guidance is being created and will be in place by 31<sup>st</sup> January 2019.</i></p>			
Children's Services Medium Term Financial Strategy (MTFS) / Improvement Plan Risk / ANA: High	Improvements Required Status: Draft	<p>At an overall level, expenditure on Children's Services has not reduced in line with the expectations of the MTFS, it has in fact risen. Large increases in the Children Looked After (CLA) population during the latter half of 2017-18 and into 2018-19 have meant that additional placements have had to be found, and staffing, including higher cost agency workers, has not been able to be reduced.</p> <p>That said, this may be masking progress in terms of managing those who were already CLA at the beginning of 2017-18; however, it is difficult to ascertain actual progress on many of the specific measures set out within the MTFS Action Plan, as this is not being monitored. Performance data currently provided has been developed as a result of specific OFSTED monitoring requirements, and there are no links to the Action Plan.</p>	


**CHILDREN'S SERVICES**

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		<p>Although there is very detailed data available in terms of the CLA population, there is little in the way of summary or analysis enabling conclusions to be drawn or potential action to be identified.</p> <p>Due the recent increase in new CLA, it would be prudent to consider a review of the MTFS to determine whether it remains fit for purpose, whether the measures set out within the Action Plan can deliver the savings required, increase the number of residential placements available, and to establish effective monitoring.</p>	

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

*Review of MTFS has taken place.*




*Business plans regarding options to address placement pressures are being developed by Children Services and Transformation – 1<sup>st</sup> March 2019.*

Education Services ROI CIPFA Return  Risk / ANA: Client Request	Improvements Required  Status: Draft	<p>Although some queries relating to the accuracy of the current RO1 Form structure on FIMS have been raised with relevant officers, the audit did not identify significant inaccuracies within the Education Services expenditure recorded on the financial system, or the related budget, and these areas were considered to be subject to robust accounting mechanisms. We have therefore been able to confirm the accuracy of the Council data returned within its RA or RO forms. However, we found that the benchmarking data does not take into account the significantly high proportion of schools that are no longer Local Authority Maintained, and for which budget and actual spend data is not included in the total budget/ spend data provided to CIPFA, and is therefore additional public spend to the £351 per head reported.</p> <p>To note that Primary and Secondary Schools together account for 56% of Education Services Budget Return, and also represents a significant proportion of the '£ per head' difference (£197.51 per head for Torbay compared to £363.85 for the Comparator Group (not national average). This is funded by the Dedicated Schools Grant formula determined by the DfE and supports the lack of non-maintained schools as being the predominant reason for the difference.</p> <p>Whilst accepting the disparity in the benchmarking data comparative figures, we noted that the report to the Senior Leadership Team quoted the national average, however the CIPFA Benchmarking Group average could be considered a better comparator and is significantly lower than the national average.</p> <p>Our concern is the lack of understanding of the data provided by the CIPFA Local Authority Comparator Report and its associated use for decision making purposes. Accordingly, we have recommended that in future, when using externally sourced data to support Council reports, that significant financial variances should be reviewed with Finance and properly understood prior to it being used in reporting.</p>	
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**SLT Response/Action Plan – Lead: Rachael Williams/Martin Phillips**

*All future analysis of financial data such as benchmarking will be conducted jointly between finance and the relevant service area.*

**CHILDREN'S SERVICES**

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Use of Agency staff and control of Safeguarding employee costs Risk / ANA: High	Improvements Required Status: Draft	<p>The current financial situation within Children's Services is well known, with a significant overspend likely to occur this financial year. A review of the budget setting or monitoring process did not find any evidence of a lack of planning or discussion, however records of such discussions were not made, so it is difficult to provide assurance as to the robustness of the process.</p> <p>We note that, currently, the additional costs associated with the use of agency staff are not taken into account when setting the budget, and we have recommended that, given the extensive use of such workers, the likely costs are clearly identified at the start of the year.</p> <p>Given the known situation, remedial action to reduce both the demand for agency workers, and the cost of such workers where their use is unavoidable has either been taken or is well underway, and we have no concerns in this regard.</p> <p>Arrangements in place for ensuring that the appointment of an agency worker is properly authorised, are robust. However, testing found a number of issues in relation to how the process is being followed in practice which is currently resulting in the unapproved, continued use of such workers beyond the authorisation period</p>	
<b>SLT Response/Action Plan – Lead: Alison Botham / Anne Osborne</b> <i>In budget for 1<sup>st</sup> April 2019.</i>			
Grants x 2 Risk / ANA: N/A	Certified Status: Complete	Grants certified comprise; Troubled Families first and second claims.	N/A
The following audits are currently in progress:		The following audits are not due to commence until the second half of the year:	
<ul style="list-style-type: none"> <li>Special Guardianship Orders (ANA – High)</li> <li>Disability Services (ANA – Medium)</li> <li>Legal Care Proceedings (Review of operation of new process) (ANA – Medium)</li> </ul>		<ul style="list-style-type: none"> <li>Permanency Planning (ANA – High)</li> <li>Transition from Children's to Adults (ANA – Medium)</li> <li>Early Help Strategy (ANA – Medium)</li> </ul>	
The following audits have been deferred or cancelled at the request of the client:			
<ul style="list-style-type: none"> <li>Children in Need Services / Child Protection (ANA – High)</li> <li>Single Assessment (Casework) / MASH (ANA – High)</li> </ul>			
Schools Financial Value Standards (SFVS)	Good Standard	SFVS Dedicated Schools Grant Chief Finance Office assurance statement for 2017/18 submitted to the Department for Education.	
Maintained Schools audit programme	Good Standard	The overall opinion for the routine school audit visits has been maintained as 'good standard' (refer to summary data below). The provision of internal audit's performance data provides a greater focus on schools causing concern in the wider control environment.	

**CHILDREN'S SERVICES**

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
<b>Maintained Schools Summary Data</b>			<b>Assurance Opinion</b>
<b>The key matters arising from the audits are:</b> <ul style="list-style-type: none"> <li>• Completion of the recommended skills matrices for governors and staff (Schools Financial Value Standard)';</li> <li>• The standard and content of minutes for a school's Governing Body.</li> </ul>			Good Standard



## Appendix 5 – Performance Indicators

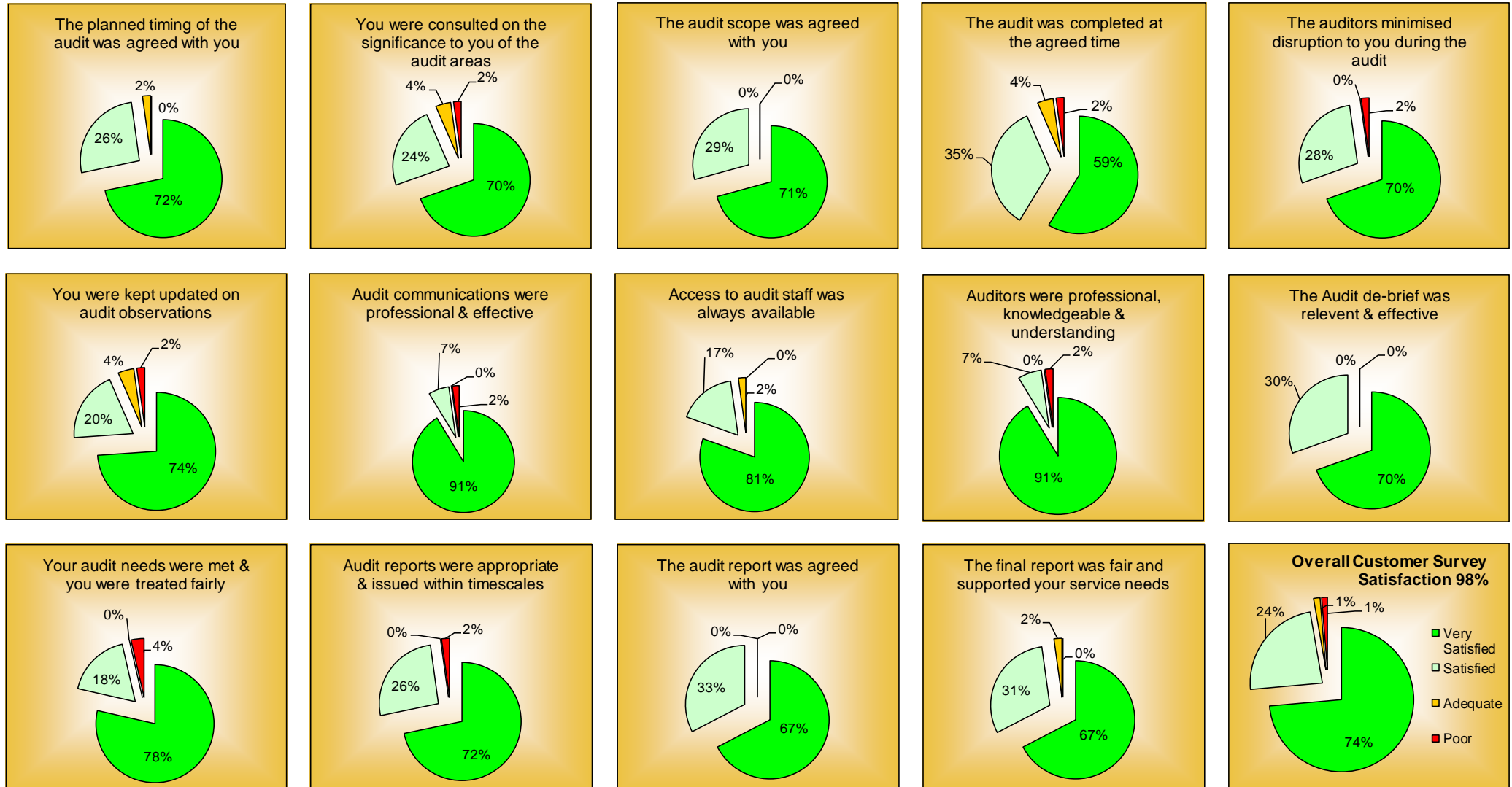
There are no national Performance Indicators in existence for Internal Audit, but the Partnership does monitor the following Local Performance Indicators LPI's:

<i>Local Performance Indicator (LPI)</i>	<i>2016/17</i>	<i>2016/17</i>	<i>2017/18</i>	<i>2017/18</i>	<i>2018/19</i>	<i>2018/19</i>
	<b>Target</b>	<b>Actual</b>	<b>Target</b>	<b>Actual</b>	<b>Full Year Target</b>	<b>Six Month Actual</b>
Percentage of Audit plan Commenced (Inc. Schools)	100%	99%	100%	100%	100%	63%
Percentage of Audit plan Completed (Inc. Schools)	93%	96%	93%	87%	93%	31%
Actual Audit Days as percentage of planned (Inc. Schools)	95%	113%	95%	96%	95%	54%
Percentage of fundamental / material systems reviewed annually	100%	100%	100%	100%	100%	On target
Percentage of chargeable time	65%	70%	65%	71%	65%	70%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	98%	90%	98%	90%	98%
Draft Reports produced within target number of days (currently 15 days)	90%	85%	90%	91%	90%	93%
Final reports produced within target number of days (currently 10 days)	90%	100%	90%	97%	90%	100%
Average level of sickness absence (DAP as a whole)	2%	3.2%	2%	4%	2%	1.4%
Percentage of staff turnover (DAP as a whole)	5%	21%	5%	11%	5%	3.3%
Out-turn within budget	Yes	Yes	Yes	Yes	Yes	Yes

Overall, performance against the indicators has been maintained; certain areas of the audit plan relate to project work and will not be complete until the end of the year in line with project timescales. It should also be noted that the significant level of irregularities has been greater than anticipated and the need for investigation work has had an adverse impact on the overall completion of the plan. Analysis demonstrates that the issuing of draft reports again exceeds performance targets.

## Appendix 6 - Customer Service Excellence

### Customer Survey Results April – September 2018



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<b>Devon Audit Partnership</b>	<b>Confidentiality and Disclosure Clause</b>
<p>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.</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 <a href="mailto:robert.hutchins@devonaudit.gov.uk">robert.hutchins@devonaudit.gov.uk</a> .</p>	<p>This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.</p> <p>This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.</p>