

TORBAY COUNCIL

ANNUAL INTERNAL AUDIT REPORT 2011/12

1 INTRODUCTION

1.1 The following report and appendices set out the background to audit service provision, reviews work undertaken in 2011/12, and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

1.3 The Accounts and Audit (Amendment) (England) Regulations 2011 sets out 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.

2 BACKGROUND

2.1 *Service Provision*

2.1.1 The Internal Audit (IA) Service for Torbay Council is delivered by the Devon Audit Partnership. 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.

2.2 *Regulatory Role*

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

- **Section 6 of the Accounts and Audit Regulations (England) Regulations 2011** which states that ".....a relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control"
- ".....a larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit"
- **Section 151 of the Local Government Act 1972**, which requires every local authority to make arrangements for the proper administration of its financial affairs.

2.2.2 There are also professional guidelines which govern the scope, standards and conduct of Internal Audit, including CIPFA's Code of Practice for Internal Audit in Local Government and the Institute of Internal Auditors' Standards and Guidelines.

2.2.3 In addition, Internal Audit is governed by 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.

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

3 OBJECTIVES AND SCOPE

3.1 This report compares the work carried out with the work that was planned; 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.

3.3. The Chief Internal Auditor is required to provide the Council with an assurance on the system of internal control of the Council. The opinions provided for each commissioning area and units within those commissioning areas have contributed to this overall assurance. It should be noted, however, that this assurance can never be absolute. The most that the internal audit service can do is to provide reasonable assurance, based on risk-based reviews and sample testing, that there are no major weaknesses in the system of control. In assessing the level of assurance to be given the following have been taken into account:

- all audits completed during 2011/12, including those audits carried forward from 2010/11;
- 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.

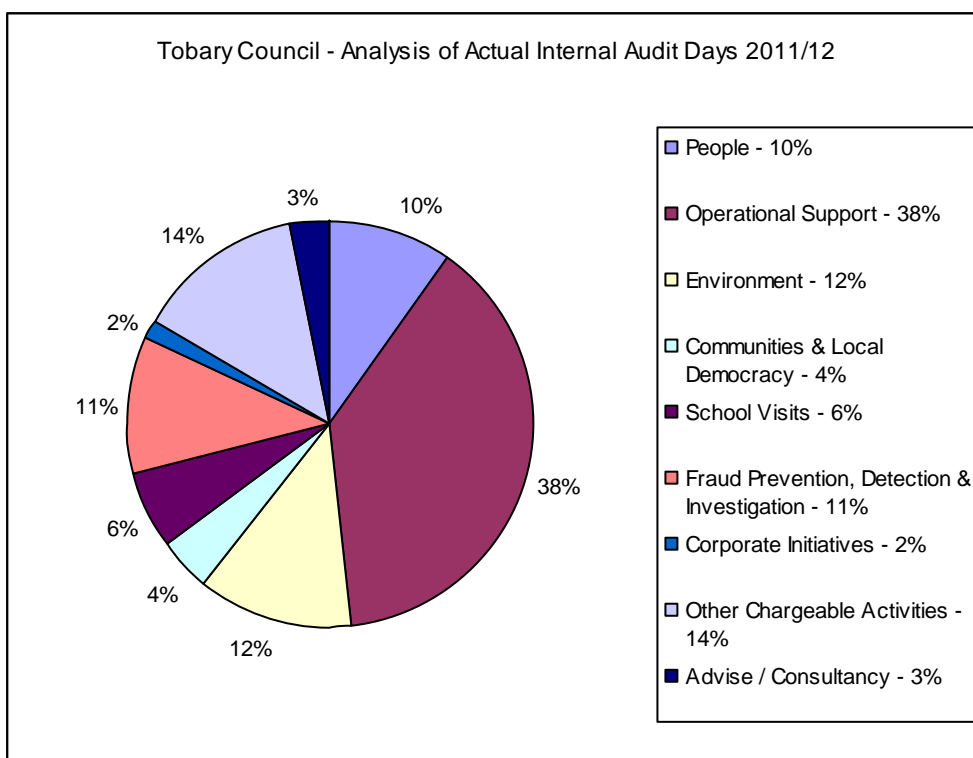
4 INTERNAL AUDIT COVERAGE 2011/12

4.1 *Delivery Against Plan*

4.1.1 The pie chart below and Appendix 1 shows total actual number of direct audit days in the year ended 31 March 2012, compared with the total number of days planned. The headings used reflect the structure that was operational for most of 2011-12; the structural changes that have recently taken place will be fully reflected in our 2012-13 work and report. There has been some variation between planned and actual days within individual audit assignments as we have adjusted the plan to meet operational needs. Some audits that were originally planned

were not completed as the timing was inappropriate for the area under review; a number of projects have therefore been planned for review in 2012/13.

4.1.2 Appendix 1 shows the actual days of audit delivery in 2012/13 against the audit plan. It will be noticed that there was a small shortfall in the total number of audit days provided during the year; we provided 1396 days against a plan of 1533 days. When we prepare our plans we make an educated assessment of the number of days that an audit is likely to take. When the fieldwork is actually completed there is inevitably a variance from the planned days. In addition we provide an allowance for work on areas such as fraud and corruption; in some years the requirement will exceed the planned budget and in others the need for our resource will be less than planned. It should also be noted that some audits required a richer mix of staff resource due to the complexity / sensitivity of the area under review. In such instances we expect that a more senior officer will be able to complete the review in less time than a junior and also the need for managerial review of working papers will be less.



4.1.3 Appendix 2 to this report provides a summary of the audits undertaken during 2011/12, along with our assurance opinion. Where a “high” or “good” standard of audit opinion has been provided we can confirm that, overall, sound controls are in place to mitigate exposure to risks identified; where an opinion of “improvement required” has been provided then issues were identified during the audit process that required attention. We have provided a summary of some of the key issues reported that are being addressed by management. It should be pointed out that we are content that management are appropriately addressing these issues.

4.2 Operational Support

4.2.1 In our opinion, and based upon our audit work completed so far in this year and in previous years, we consider that adequate controls are in place to control operations in this area. Where weaknesses have been identified management have agreed these findings and have either agreed the recommendations or accepted the associated risks.

4.2.2 In summary, we are able to report that Material Systems controls have been maintained and that improvements have been made to address previously identified weaknesses. Progress has been made in addressing areas identified as needing improvement in last year's IT Audit Plan, and whilst a number of weaknesses still exist, ICT are aware of these issues and are taking action to address them.

4.2.3 In addition to these key areas, audits were undertaken of specific functions / elements and also a 'watching brief' was maintained or direct advice provided for a number of ongoing projects.

National Fraud Initiative (NFI)

4.2.4 Data matching investigation work associated with the 2010/11 National Fraud Initiative (NFI) exercise has continued throughout 2011/12. Additionally, the Council Tax and Electoral Roll data has been submitted for matching purposes and the matching reports for these now received back for subsequent enquiries. The exercise, which is run every two years by the Audit Commission, requires all councils to provide data for cross-matching with information supplied by other organisations, such as the Department for Works and Pensions and the NHS, to identify potential cases of fraud and error.

4.2.5 The Council has now received a total of 6,624 data matches as a result of the above exercise. Of these matches, the Audit Commission categorised 1,164 as the highest priority. Since that time, Devon Audit Partnership has engaged with the departments affected and agreed action plans to deal with the matches received. All of the high priority matches have now been investigated, and of these 73 errors and on fraud were identified. This resulted in savings of £29,507.99 being calculated.

4.2.6 It should be noted that in most instances the savings identified have resulted from "errors" being identified. This is usually in the information provided by individuals that has been used to determine payments. If we consider that the provision of this incorrect data was made in a fraudulent way, then the issue will be classified and treated as a fraud.

4.3 Communities and Local Democracy

4.3.1 In our opinion, and based upon our audit work completed so far in this year and in previous years, we consider that adequate controls are in place to control operations in this area. Where weaknesses have been identified management have agreed these findings and have either agreed the recommendations or accepted the associated risks.

4.3.2 We have continued to maintain an oversight of certain critical transformation programmes of the Council and undertaken the more operational audits planned for 2011/12. In addition to these key planned areas, direct advice was provided when required.

4.3.3 We are pleased to report that there have been no significant irregularities brought to our attention for the 2011/12 year.

4.4 Children, Schools & Families

4.4.1 In our opinion, and based upon our audit work completed during the year and in previous years, we consider that adequate controls are in place to control operations within Children, Schools & Families. Where reports have been finalised management have agreed with findings and recommendations made.

4.4.2 Unless cancelled at the request of the customer, all the audits in the 2011/12 plan were either complete or in progress at the year end; those audits in progress will be completed in early 2012/13.

4.4.3 Two audits undertaken included an element of cross authority collaboration:-

- The audit review of Section 17 expenditure included contacting Plymouth City Council and Devon County Council to compare spends upon Section 17 across the three authorities.
- Whilst the audit of Youth Offending compared five distinct areas of interest to senior management at both Torbay Council and Devon County Council; a joint review was therefore undertaken at both authorities and a single report produced.

4.4.4 During the 2011/2012 financial year referrals were received in connection with a theft of money from an establishment and a query regarding address history in connection with previously submitted CRB application by an individual; both incidents have been fully investigated and reports issued.

4.4.5 A whistleblowing referral was received in connection with records held in connection with the 'Operation Mansfield' investigation; two other referrals were received regarding the Torbay Adoption Panel meeting of 1st August 2011 and the processes, actions and decisions relating; these incidents have been fully investigated and reports issued.

4.5 Place & Environment

4.5.1 In our opinion, and based upon our audit work completed during the year and in previous years, we consider that adequate controls are in place to control operations within this area. Where reports have been finalised management have agreed with findings and recommendations made.

4.5.2 Review of the monitoring arrangements in place for the TOR2 JVC contract in its second year of operations was completed. We are able to report significant improvements in performance monitoring, accuracy of payments and the integration of data sharing. However, at the time of our audit, there were concerns regarding the effective strategic oversight of TOR2 maintained by the Council.

4.5.3 We continued to support the South West Devon Waste Partnership Waste PFI project as it worked towards obtaining planning approval, which was granted just before Christmas. We provided advice on governance and risk issues, in particular the Partnership's approach to Section 106 negotiations that would minimise the risk of impact on a timely planning decision, whilst at the same time ensuring that the Partnership are not seen to be acting inappropriately.

4.5.4 Four significant irregularities referrals were received in the 2011/12 financial. Brief details relating to the scenarios investigated are shown at Appendix 2.

4.6 Schools

4.6.1 Our opinion - based on the work to date is that the systems and controls in schools are of a "Good to High Standard" and generally mitigate the risks identified.

4.6.2 The two key matters arising from the audits are the:

- demonstrable financing of school improvement plans and;
- absence of controls in school security.

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

4.6.4 We completed 23 school audits in 2011-12. During the year, the former School Financial Management Standard (FMSiS) was replaced with the School Financial Value Standard (SFVS). We were required to assess schools against the standard in operation at the time of the audit; our results are summarised at Appendix 3. The requirements for schools in meeting either standard are significant; however we are able to report that the majority of schools have met the standard.

4.6.5 Instances of fraud and irregularity have been limited, however each and every case is investigated by Internal Audit and disciplinary action will be taken if required.

5. INTERNAL AUDIT PERFORMANCE

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

Local Performance Indicator (LPI)	2011/12	2011/12
	Target	Actual
Percentage of Audit plan Completed (Inc Schools)	90%	92%
Actual Audit Days as percentage of planned (Inc Schools)	90%	91%
Percentage of fundamental / material systems reviewed annually	100%	100%
Percentage of chargeable time	70%	68%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	98%
Draft Reports produced within target number of days (currently 15 days)	90%	91%
Final reports produced within target number of days (currently 10 days)	90%	98%
Average level of sickness absence	2%	5.2%
Percentage of staff turnover	5%	8.5% (3 people)
Out-turn within budget	Yes	Yes

5.2 Overall, performance against the indicators has been very good, even against the backdrop of high, but unavoidable, instances of staff absence. It is particularly pleasing to see that customer satisfaction remains very high, which is much to the credit of the audit staff involved.

5.3 In addition, we have undergone a restructure exercise with the aim of reducing our costs by 10% in 2012/13 and a further 10% in 2013/14. As a result we have reduced our management team by three and restructured our operations to ensure that we can continue to deliver the high standard of work expected by our customers.

6 INTERNAL AUDIT OPINION

8.1 In carrying out systems and other reviews, Internal Audit assesses whether key, and other, controls are operating satisfactorily within the area under review, and an opinion on the adequacy of controls is provided to management as part of the audit report.

8.2 All final audit reports also include an action plan which identifies responsible officers, and target dates, to address control issues identified during a review. Implementation of action plans are reviewed during subsequent audits or as part of a specific follow-up process.

8.3 Commissioners have been provided with details of Internal Audit's opinion on each audit review carried out in 2011/12 to assist them with compilation of their individual annual governance assurance statements. If significant weaknesses have been identified in specific areas, these have been considered by the Authority in preparing its Annual Governance Statement which will be included with its published Statement of Accounts for 2011/12.

8.4 Overall, and based on work performed during 2011/12, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control environment.

Martin Gould

Head of Devon Audit Partnership

Internal Audit Plan 2011/12 Progress Against Plan

(Please note – plan adjusted during the year to take account of changes in requirements for the Council).

Comparison of Planned Assignments & Days to Actual Use of Resources

Area	Planned			Audit		
	Assignments	Planned Days	%	fieldwork completed	Actual Days	%
People	12	180	12%	11	140	10%
Operational Support	46	540	35%	46	533	38%
Place & Environment	12	190	12%	11	169	12%
Communities & Local Democracy	7	115	8%	3	58	4%
School Visits	23	85	6%	23	89	6%
Fraud Prevention & Investigation	19	140	9%	19	153	11%
Contract Audit (note – contract audit work completed as part of work for Place & environment).		30	2%		0	0%
Corporate initiatives	1	40	3%	1	21	2%
Grant Claims	0	0	0%	0	0	0%
Other Chargeable activities	0	168	11%	0	191	14%
Advice/Consultancy	5	45	3%	5	42	3%
Carry forward	0	0	0%	0	0	0%
TOTAL	125	1533	100%	119	1396	100%
Contingency		85				

Table of Audit Reviews Undertaken 2010/11 and Assurance Opinion.

Audit Area	Year	Status	Assurance opinion	Executive summary
Adults and Operations				
Main Accounting System	2010/11	Final	Good Standard	
Payroll	2010/11	Final	Improvements Required	Although the individual and overall assurance opinions remain as 'Improvements Required', this is due to the breadth of the audit scope and it should be noted that Internal Audit found that the progress continues to be made in addressing audit recommendations and improving the payroll control environment.
				No new control issues were identified during the audit and recommendations have been made to assist in progressing points previously raised that remain outstanding or require embedding / enhancing to make fully effective.
Debtors	2010/11	Final	Improvements Required	Since the establishment of the dedicated Debtors Administration role, there has been ongoing improvement in the operation of the Debtors function and progress made against previous recommendations. The system is well managed centrally and users are effectively supported by comprehensive procedural and training provision. The lack of adequate segregation of duty continues with the associated risks accepted by management as acceptable given operational / business need.
				Recommendations have been made to assist with improving the effectiveness of liaison between Debtors Admin, the Corporate Debt Team and Legal Services in order to prevent debts becoming aged and irrecoverable due to inactivity. The need for increased reporting and monitoring at senior management / member level in the current economic climate has also been highlighted in the findings.
Asset Register	2010/11	Final	Good Standard	

CTAX & NDR	2010/11	Final	Improvements Required	<p>Despite considerable change within Customer Contact, the Revenues Team has maintained accuracy and control over property valuations with amendments to billing adequately supported. The effective systems in place for recording payments have been maintained and the requirements of the External Auditor's key controls have been met.</p> <p>Although liability is accurately recorded, it is recommended there is a comprehensive review of ongoing entitlement to reductions in liability to enhance ongoing accuracy. Completion of a full procedures manual is required and the full roll out of the training and needs assessment tool. This is important due to the structural changes within the department and to assist with maintaining service continuity and standards.</p>
FIMS System Admin	2010/11	Final	Good Standard	
POP (electronic ordering)	2010/11	Final	Good Standard	
Benefits	2010/11	Final	Improvements Required	<p>The Council restructure in 2010/11 impacted the management structure in Benefits and related functions and these structure changes and staff reductions are continuing; the pace of change has inevitably had an impact on standards and performance and this is reflected in the findings of this audit. It is therefore pleasing to note that proactive steps are now being taken to address the issues and to also acknowledge the positive attitude to the audit process.</p> <p>The audit confirmed that benefit claims are verified in line with guidance and evidence is appropriately retained to support the assessment of the claim. Although the testing of claims input during the audit was found to be generally accurate, it was noted that the level of local authority error is increasing and that the Performance Indicator EB079a (accuracy of processing) is below target.</p>
IBS Open System Admin	2010/11	Final	Improvements Required	<p>Progress continues to be made in improving the system management arrangements for Open Revenues. The system has been kept current and fit for purpose and the team show a willingness to address the remaining weaknesses identified, however the issues relating to the inadequate segregation of duty impact the overall assurance opinion that can be provided.</p>

Creditors	2010/11	Final	Improvements Required	The processing procedures and practices are robust and a high degree of accuracy continues to be achieved leading to data quality and correct payments being made; this is despite reductions in resource necessitating informed and risk assessed decisions regarding permanent changes in practices. It is therefore pleasing to acknowledge that these changes have not resulted in the audit identifying any processing errors or any new control issues.
				Improvements have been recommended in the control environment in relation to sufficiency of quality control processes to provide full assurance regarding compliance with authorisation expectations. Although outside the direct control of payments issues with respect to the cheque printing control environment and related to lack of segregation of duty in the access rights for CHAPS have impacted the assurance opinion than can be provided in relation to the generation of output.
Debtors Substantive Testing	2011/12	Final	Good Standard	
Executive Head Payroll Verification Process	2011/12	Final	Good Standard	
CTAX & NDR	2011/12	Final	Improvements Required	Despite ongoing organisational structure changes within Revenues and Benefits, the team has continued to maintain accuracy and control over property valuations with amendments to billing adequately supported. The established effective systems in place have been maintained and the requirements of the External Auditor's key controls have continued to be met. In addition progress has been made in addressing a number of the control weaknesses previously identified and also positive steps have been taken to further improve the quality of CTAX and NDR property data on the system. Although liability has been accurately recorded, recommendations have been made to improve consistency and review ongoing entitlement to reductions in liability to improve ongoing accuracy, although it is acknowledged that progress has been made in reviewing empty CTAX property.
Bank Reconciliation	2011/12	Draft	Good Standard	
General Ledger	2011/12	Draft	Good Standard	

Treasury Management	2011/12	Draft	Good Standard	
IBS Open Systems Admin	2011/12	Draft	Improvements Required	Progress continues to be made in improving the system management arrangements for Open Revenues. The system has been kept current and fit for purpose and the team show a willingness to address the remaining weaknesses identified, however the issues relating to the inadequate segregation of duty impact the overall assurance opinion that can be provided.
Benefits	2011/12	Draft	Improvements Required	The Council restructure in 2010/11 impacted the management structure in Benefits and related functions and these structure changes and staff reductions are continuing; the pace of change has inevitably had an impact on standards and performance and this is reflected in the findings of this audit. It is therefore pleasing to note that proactive steps are now being taken to address the issues and to also acknowledge the positive attitude to the audit process.
FIMS System Admin	2011/12	In Progress		Internal Audit has previously been able to give a Good Standard assurance opinion for this audit area and initial findings for this audit suggest that this will be the same for 11/12. The audit work is nearly complete and it is anticipated that the report will be issued and agreed in early 2012/13..
FIMS Upgrade Project	2011/12	In Progress		Following implementation of the upgraded version of FIMS, this audit is a review of processes adopted during the implementation and migration of data to provide an assurance opinion on their adequacy and effectiveness to ensure the continued integrity of this key financial system. The audit work is nearly complete and it is anticipated that the report will be issued and agreed in early 2012/13.
Income Collection	2011/12	In Progress		Internal Audit has previously been able to give a Good Standard assurance opinion for this audit area and initial findings for this audit suggest that this will be the same for 11/12. The audit work is nearly complete and it is anticipated that the report will be issued and agreed in early 2012/13.
Payroll	2011/12	In Progress		Internal Audit has previously been given an Improvements Required assurance opinion for this audit area. The audit is still in progress and as such it is not appropriate to give an indication of likely assurance opinion for 11/12, however it is anticipated that the report will be issued and agreed in early 2012/13.

POP	2011/12	In Progress		Internal Audit has previously been given a Good Standard assurance opinion for this audit area. The audit has only just commenced and as such it is not appropriate to give an indication of likely assurance opinion for 11/12, however it is anticipated that the report will be issued and agreed in early 2012/13.
Debtors	2011/12	In progress		Internal Audit has previously been given an Improvements Required assurance opinion for this audit area. The audit is still in progress and as such it is not appropriate to give an indication of likely assurance opinion for 11/12, however it is anticipated that the report will be issued and agreed in early 2012/13.
Creditors	2011/12	In progress		Internal Audit has previously been given an Improvements Required assurance opinion for this audit area. The audit is still in progress and as such it is not appropriate to give an indication of likely assurance opinion for 11/12, however it is anticipated that the report will be issued and agreed in early 2012/13.
Asset Register	2011/12	In progress		Internal Audit has previously been given a Good Standard assurance opinion for this audit area. The audit is still in progress and as such it is not appropriate to give an indication of likely assurance opinion for 11/12, however it is anticipated that the report will be issued and agreed in early 2012/13.
Other				
JE Back pay	2011/12	Final	Not Applicable	This was not issued as a standard report and no overall assurance opinion was given. Detailed findings on the sample testing undertaken was provided to the Project Team enabling them to determine the appropriateness of payment of the various groups processed in the period.
File Infrastructure Project	2011/12	Final	Not Applicable	Support to the Council in rolling out its new file infrastructure and to act as the pilot team in terms of data transfer and resulting issues in order to inform the future roll out and ongoing project work.
Claims Handling	2011/12	Final	Good Standard	The Claims Handling Team deal with all claims made against the Council including personal injury claims and liability claims for damage to property. The effectiveness and competency of the claims handling by the team has been commended by the Council's insurers (Zurich Municipal) in their annual audit report and has been confirmed during this internal audit.

Information Security Policy	2011/12	In Progress		Part of the Information Security Group providing advice, support, assistance and consultancy to the group and actual policy development. This work is ongoing in line with the activities of the Group. Internal Audit has been able to actively support the Group in contributing to policy writing and also considerations regarding social media development.
Human Resources	2011/12	In Progress		The audit work is nearly complete and it is anticipated that the report will be issued and agreed in early 2012/13.
Procurement	2011/12	In Progress		Review of adequacy of policies and procedures along with the follow up of 2009/10 Audit report nearly complete. Added value work to identify departments not engaging with Procurement appropriately or complying with current regulations and legislation when letting contracts over £50K due to start.
Northgate Self Service Project	2011/12	In Progress		Ongoing Quality Assurance support role to the project providing advice, support and consultancy to the project team.
Capital Programme	2011/12	In Progress		The audit work is nearly complete and it is anticipated that the report will be issued and agreed in early 2012/13.
Internet & Email Software	2011/12	In progress		Continued to provide support in monitoring the rule base and producing activity reports for customers as requested.
Information Governance	2011/12	Cancelled		This audit was cancelled at the request of the customer and re-scheduled for inclusion in the 2012/13 Audit Plan.
Data Quality (N3)	2011/12	Cancelled		This audit was cancelled at the request of the customer and re-scheduled for inclusion in the 2012/13 Audit Plan.
IT Audit				
E Commerce	2010/11	Draft	Good Standard	

ITRA	2010/11	Final	Improvements Required	Work has been carried out jointly with the Audit Commission in connection with the IT Risk Assessment for 2010/11 culminating in a visit by the Audit Commission to evaluate the present status of controls within the IT department. The outcome of this visit was to confirm that the internal audit recommendations made as part of this year's audit plan should be implemented. As recommended, a separate SPAR based IT Risk Register has now been established by IT.
Email Archiving Project	2011/12	Final	Good Standard	
Change Control	2011/12	Final	Improvements Required	As noted in our previous audit report, it is acknowledged that a unified single system for change control within the IT department covering all aspects of change control including hardware, application and operating system software, desktop and network environments is a high priority for the department.
WebSense & SurfControl	2011/12	Final	Good Standard	
IT IS Strategy	2011/12	Draft	Improvements Required	Formulation of the Council's new IT Strategy is at present in progress, and a number of significant themes have already been identified, including the use of thin client technology to reduce hardware costs and increase security, as well as the possible use of elements of the Government's new Cloud Store where appropriate, and the extended use of social media in the business environment (so called 'channel shift'). There is a need to evidence clearly the link between the IT Strategy and the business strategy of the Council, as well as to ensure that the IT Strategy adequately reflects the prioritised needs of the user community at an individual level.
PCI Compliance Project	2011/12	Final	Improvements Required	Further work has continued during the year, and a decision has been made in principle to host the processing of card transactions externally, although no contract has yet been formalised or signed. As a result, further work still remains to be carried out to ensure that the Council is PA-DSS and PCI-DSS compliant. Other areas that remain to be resolved include the ability to suppress those elements of recorded voice messages that contain credit card data.
Organisational Controls	2011/12	In Progress		The audit work is nearly complete and it is anticipated that the report will be issued and agreed in early 2012/13.

ITRA	2011/12	In Progress		This work is undertaken on behalf of the Council's external auditors and was scheduled to tie in with their visit in March 2012 but which has yet to take place. Some preliminary meetings and provision of information has occurred in line with requests from the external auditors.
Irregularity				
Irregularity Tor 1102 – Internet & Email abuse	2011/12	Final	N/A	Internet and e-mail reports were provided to the Customer First Manager highlighting two members of staff where further management investigation may be required to prove 'conflict with business priorities'.
Audit Area	Year	Status	Assurance opinion	Executive summary
Communities and Local Democracy				
Community Protection	2011/12	Final	Improvements Required	Overall the service has made significant improvement & has effectively embraced multi-agency working for the benefit of the locality & service users.
				Regular peer review of the service to identify improvement areas, determine its effectiveness and progress has been achieved with positive outcomes. Not all recommendations arising from these reviews had been actioned at the time of the audit and steps have been suggested to ensure that recommendations arising from service reviews are actioned in a timely manner.
People, Place, Productivity & Partnerships (Transformation)	2011/12	In progress		Periodic ongoing oversight being maintained throughout 2011/12. The transformation programme is now being run down, but there are a number of on-going legacy projects including the Office Rationalisation Programme (ORP), and the Productivity Improvement Programme (PIP). Current issues include strategic ownership of change.
Commissioning	2011/12	In progress		Ongoing oversight of commissioned areas being maintained throughout 2011/12. EDC, TOR2 and ERTC Commissioning projects are summarised within the Place and Environment Report.
Housing Needs & Homelessness	2011/12	In progress		The audit work is nearly complete and it is anticipated that the report will be issued and agreed in early 2012/13.
Performance including Payments by Results	2011/12	In progress		The audit work is ongoing and it is anticipated that the report will be issued and agreed in early 2012/13.

Emergency Planning	2011/12	In progress		The audit work is ongoing and it is anticipated that the report will be issued and agreed in early 2012/13.
Voluntary Sector & Community Development	2011/12	Not Started		Audit not started due to other work priorities and therefore has been scheduled for inclusion in the 2012/13 Audit Plan.
Housing Standards	2011/12	Cancelled		This audit was cancelled at the request of the customer and re-scheduled for inclusion in the 2012/13 Audit Plan.
Disabled Facilities & Renovation Grants	2011/12	Cancelled		This audit was cancelled at the request of the customer and re-scheduled for inclusion in the 2012/13 Audit Plan.
Audit Area	Year	Status	Assurance opinion	Executive summary
Children, Schools & Families				
Permanency Planning Team	2010/11	Draft	Good Standard	
Education Management System (EMS)	2011/12	Final	Improvements Required	The Education Management System comprises of approximately fourteen modules. For the purpose of the audit it was not possible to carry out testing in every area, therefore, the audit review was limited to certain key modules.
				Written protocols and guidance for the EMS as a whole and the individual modules have not been established. Therefore it could not be determined as to whether the correct procedures and processes are being followed.
Youth Offending Team (YOT)	2011/12	Final	Improvements Required	With the exception of the Appropriate Adult provision which is provided centrally the other areas reviewed i.e. Court Duty, Volunteers Coordination and Reparation were all found to be delivered in different ways and with their own individual issues affecting them.
				The provision of Appropriate Adults by DAAVS was found to be delivered generally to the satisfaction of YOTs and Police. The main weakness is in the lack of cover at night and the insufficient cover available from the Emergency Duty Service. Concern regarding this and more generally may arise if the age provision is raised to seventeen without appropriate additional volunteer resources in place by that time.

Section 17 Payments	2011/12	Draft	Improvements Required	Section 17 payments are managed by Children's Service finance team. Finance team staff are responsible for administering Section 17 payments within the Children In Need Service, Permanency Planning Service, and Children's Disability Team. The main issues identified during the audit review were: <ul style="list-style-type: none"> - Out of date policies; • No clear authorisation limits; • Lack of evidence of challenge to payments; • Lack of established guidance to social workers and finance staff
TFM / Boarding Out (Audit Commission)	2011/12	Draft	High Standard	
Youth Services	2011/12	Final	Improvements Required	With changes in staffing and locations the audit review centred upon the adequacy of inventories; whether the necessary annual inventory checks had been carried out and whether new assets purchased were documented and identified within the controlling records. The audit identified a significant lack of proper inventory controls was prevalent and recommendations made in the previous audit report had not been fully actioned. Recommendations for the improvement of controls were made.
Education other than at Schools (EOTAS)	2011/12	Draft	Good Standard	
Supporting People (Audit Commission)	2011/12	Final	High Standard	
Use of Agency Staff	2011/12	Work in Progress		
School Transport	2011/12	Work in Progress		
Locality Working / Early Years	2011/12	Work in Progress		
Housing Needs & Homelessness	2011/12	Work in progress		
Irregularity Tor 1101 – Theft from 'The Nest'	2011/12	Final	Not Applicable	We were asked to undertake an investigation into the theft of £110 from the safe of The Nest Nursery Centre, Brixham. The police were initially advised although The Nest Manager and Audit subsequently agreed that further police involvement would not be effective. The perpetrator could not be discovered or the cash recovered, however, Audit made recommendations for improvements in controls over the security of cash at the Centre. Action has been taken to implement improvements.

Irregularity				
Irregularity Tor 1103 - Youth Worker CRB check	2011/12	Final	Not Applicable	As a result of the NFI data matching exercise DAP undertook an investigation into the address history records of a Council Youth Worker. This included the incorrect completion of previous CRB forms with regard to the Youth Worker's address history over the last five years. DAP liaised with the Council's HR dept to investigate concerns that the incorrect address history may have invalidated the CRB checking process. HR undertook a subsequent CRB check having discussed the issue with the Youth Worker and this was processed satisfactorily.
Irregularity Tor 1105 - 'Operation Mansfield' records	2011/12	Final	Not Applicable	An investigation was undertaken into a whistle-blowing referral received relating to the practice of the recording of records upon the Operation Mansfield Paris database. The investigation has been concluded and a response provided to the whistleblower in accordance with the Whistle-blowing Policy.
Irregularity	2011/12	Ongoing	Not Applicable	Whistle-blowing referrals received surrounding the decisions, processes and procedures surrounding the Torbay Adoption Panel meeting of 1 st August 2011 and what occurred subsequently.
Audit Area	Year	Status	Assurance opinion	Executive summary
Place & Environment				
TOR2 JVCo	2010/11	Final	Improvements Required	Contracts covering the three service areas have been drawn up to comprehensively and robustly cover all expected areas, and ensure that both the Council and TOR2's interests have reference to a legally enforceable framework.
				However, a sophisticated system and processes linking the Council's Call Centre to TOR2 intended to manage service user queries was not operational from the commencement of the contract which would have better handled a major change to service provision such as the waste collection changes. At the time of the audit this was still being tested to overcome IT issues.

Carbon Management (interim review)	2011/12	Final	Not applicable	Responsibility for fulfilment of the requirements for the CRC scheme within Torbay Council lies with the Corporate Energy Manager. The authority is well placed to achieve completion of its CRC scheme Footprint report, Annual report and evidence pack in advance of the 29th July 2011 deadline for submission. A significant amount of work has taken place to achieve progress against the Early Action Metric goals determined by the scheme. This includes achieving the Carbon Trust Standard in April 2010 and the installation of the required half hourly meters in all significant premises included under the CRC scheme.
Carbon Management	2011/12	Final	Not applicable	It is the auditor's opinion that Torbay Council has fulfilled its obligations with regard to submission of data and compilation of supporting evidence for the CRC Energy Efficiency Scheme.
Natural Environment	2011/12	Final	Improvements Required	Natural Environment with its current functions is newly formed, the arrangements with the Joint Venture Company are still being embedded and in addition the various functions have not been subject to a recent internal audit. These factors have inevitably resulted in a significant number of findings from this audit, however Natural Environment intend to use the report to develop and improve the control environment within their new department from the outset.
				Contracts are in place for the maintenance of green space, recreation areas, grounds and play / skate parks that incorporate inspection requirements to ensure that they are maintained to a good and safe condition. Condition and contract monitoring inspections by Natural Environment are also established. Additionally, ROSPA inspects play equipment to ensure that it remains safe for users. Weaknesses exist in the contract monitoring arrangements and inspection regime undertaken by the Park Wardens. H&S expectations are not being fully met which could put both the public and staff at risk of injury.
Environmental Policy	2011/12	Final	Good Standard	
Corporate Security & CCTV	2011/12	Final	Good Standard	
Tor Bay Harbour Authority	2011/12	Final	Improvements Required	The Harbour Authority are active in effectively determining and setting harbour charges to maximise income whilst demonstrating their commitment to the harbour users through active consultation. Vacancies are managed however it was found that there are inconsistencies in practices between the three offices and opportunities for improvement in existing vacancy management arrangements and in the recharging of services to customers.

English Riviera Tourism Company	2011/12	Final (to be issued)		An Internal Audit Plan for the work to be carried out during 2011/12 for the new company was been agreed, and audit reviews carried out. A review has now been carried out on Material systems. This review is able to report that there were no significant weaknesses in the systems and controls but highlighted that it was initially anticipated that the funding of pension liabilities in respect of former and present employees would be covered by the Council. However it has transpired that liabilities under IAS 19 are to be the responsibility of the ERTC. As a result, in common with all other businesses, there is an, as yet, unquantified additional liability that will need to be incorporated into the accounts setting out the actuarially calculated shortfall as at year end 31st March 2012.
				Additionally a special exercise on the Tourism Strategy has been carried out at the request of the Environment Commissioner. The findings of this review confirmed that the detailed statistics in the Strategy are in line with reliable industry sources.
Environment Project Involvement	2011/12	In Progress		On-going monitoring of projects including DAP's continued support on the South West Devon Waste Partnership Waste PFI project.
TOR2 Contract Monitoring	2011/12	Final	Improvements Required	Improvements to TOR2, both operationally and from a contract monitoring perspective, have been evident during the 2011/12 audit. This year has seen notable improvements to the recycling rates which is one of the key objectives of implementing the JV Co, and delivery of services against the majority of the contractual performance indicators where this was previously difficult to assess.
				The contract monitoring arrangements and processes for making accurate invoice payments have bedded in during 2011 with good evidence of challenge by Council officers to reported TOR2 performance claims.
				There may , however, within the Asset section of the contract be areas where the monitoring, reporting and challenge are not as robust due to the lack of a formal "Super Client". The importance of having good contract monitoring arrangements in place with the 'thin client' approach to managing a complex set of Contracts magnifies the need for adequate resources and effective systems / processes.
Economic Development Company	2011/12	In Progress		An audit plan was discussed and finalised for the new limited company which includes reviews of material systems, governance and IT and business systems. The first of these, Material Systems, is nearly complete and it is anticipated that the report will be issued and agreed in early 2012/13.
Library Services	2011/12	In Progress		The audit work is ongoing and it is anticipated that the report will be issued and agreed in early 2012/13.
Parking Services	2011/12	Cancelled		This audit was cancelled at the request of the customer and re-scheduled for inclusion in the 2012/13 Audit Plan.

Coast & Countryside Trust	2011/12	Not Started		This audit was not progressed due to other audit work priorities. The Devon Audit Partnership will work with the customer to ensure that this audit is accommodated in 2012/13 either within the Environment Project days or within the Contingency days within the Audit Plan for 2012/13.
Irregularity Tor 1104 – Salary overpayment	2011/12	Draft Report	N/a	We were asked to undertake an investigation into an alleged fraudulent overpayment of salary within Library Services. An overpayment in excess of £17,000 was confirmed. Fraudulent intent was not proven, but weaknesses in controls at various levels were identified, and recommendations for improvements are in the process of being agreed. The overpayment has now been paid back in full by the employee.
Irregularity Tor 1106 – Bribery / corruption	2011/12	Final Report		We were asked to undertake an investigation into an alleged case of bribery / corruption at Oldway Mansion involving a Hall Porter. The source of the allegation was interviewed under caution (in line with PACE requirements) but the suggestion of bribery not found to be substantiated. Subsequent management / HR investigation into other related matters will now be undertaken.
Irregularity Tor 1107 – Excessive overtime hours claimed	2011/12	Final Report		We were asked to investigate the case of an employee within the TDA / EDC working regular and significant overtime hours. Fraud was not found to be the issue but poor controls by management were identified and these were agreed to be addressed by senior EDC management.
Irregularity Tor 1110 – Theft of a PC from Paignton Library	2011/12	Final Report		We were asked to investigate the case of a computer theft from one of the interview rooms within Paignton Library. Security of physical hardware and possibly data were identified as poorly controlled in some areas. Other internal security arrangement issues were also noted. Meetings and e-mails took place between Libraries and Connexions staff, Information Governance, Security team, Facilities Management and Audit. Procedures have now been updated along with physical access controls to various rooms where issues had been identified. Staff using the library rooms have established working protocols to minimise subsequent risks to equipment etc. The PC has not been recovered.

School Audits results 2011/12.

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	AA	AB	AC	AC								
1	School Audit Results 2011-12																																					
2	Risk Assessment Summary of Audit Opinion based on FMSiS standard.																High Std = 3	Good Std = 2	Improvements Req. = 1	Feedforwardly Weak = 0	Not Tested or Not Applicable = Space																	
4	School	<i>DfE No.</i>	<i>Auditor</i>	<i>Date of last audit</i>	<i>Max FMSiS Score - 100% - Excellent</i>	<i>Leadership and Governance</i>	<i>People Management</i>	<i>Policy and Strategy</i>	<i>Partnership and Resources</i>	<i>Processes</i>	<i>Mandatory Policies</i>	<i>Requisitions, Orders and Payments</i>	<i>Attendance Registers and Annual Pupil Census</i>	<i>Personnel, Payroll and Financial Teacher Payments</i>	<i>Single Central CRB Record</i>	<i>Income Collection and Banking</i>	<i>Imprest (Party Cash)</i>	<i>Lettings</i>	<i>Security</i>	<i>Computer Security</i>	<i>Inventories</i>	<i>Voluntary Inofficial Fund</i>	<i>School Trips</i>	<i>Education Maintenance Allowance</i>	<i>Rubbish</i>	<i>Local Payments Scheme</i>	<i>Total</i>	<i>Areas</i>	<i>%</i>									
5	Ellacombe	2454	AS	19/05/11	Y	1	1	2	1	1	0	1	3	2	0	3	2	3	3	1	1					22	15	49										
6	Preston	2464	CT	13/06/11	Y						3	3	3		3			3	3	3	3					21	7	100										
7	St Marychurch	3616	CT	07/06/11	Y						3	3	3		3			2		2	2	3				21	8	88										
8	Watcombe	2460	CT	22/06/11	Y						3	3	3		3			3		3	3	2				23	8	96										
9	Curledge Street	2434	CT	20/06/11	Y	2	1	2	1	1																7	5	47										
10	St Margaret Clitherow	3601	CT	10/06/11	Y	1	3	2	3	3	1	3	3	2	1	3	3		2	3		2				35	15	78										
11	White Rock	2439	CT	05/07/11	Y	2	3	2	2	3	2	3	3	3	3	3	2		2		2	3	3			41	16	85										
12	Oldway	2438	RT	13/07/11	Y	2		2	3	3	3	2	3	2	2	3	3	3	2	3		3		3	3	45	17	88										
13	Sacred Heart	3613	RT	05/07/11	N	2		2	2	2	1	2	3	2	3	3	2		2		2	2				30	14	71										
14	Torquay Special School	7046	CM	20/07/11		2	2	3	3	3	2		3		3			2		2	2	3				28	11	85										
15																																						
16	2011/12 Results to date																																					
17	Total Score					12	10	15	15	16	18	20	27	11	21	15	12	3	21	0	21	8	22	0	3	3	Average Score 79											
18	No. of Schools					7	5	7	7	7	9	8	9	5	9	5	5	1	9	0	9	3	9	0	1	1												
19	% of Max achievable score					57	67	71	71	76	67	83	100	73	78	100	80	100	78	#DIV/0!	78	89	81	#DIV/0!	100	100												
20	Total less than good standard					2	2	0	2	2	3	1	0	0	2	0	0	0	0	0	0	1	0	1	0	0					0							
21	% less than good standard					29%	40%	0%	29%	29%	33%	13%	0%	0%	22%	0%	0%	0%	0%	#DIV/0!	11%	0%	11%	#DIV/0!	0%	0%												

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	T	V	X	Y	Z	AA	AB	AC	AD										
1	2011 - 12 (SFVS)																																				
2	Risk Assessment Summary of Audit Opinion based on School Financial Value Standard (SFVS)															High Std = 3	Good Std = 2	Improvement	Feed-back																		
4	School	INE No.	Auditor	Date of Last Audit	Met SFVS Ys = Yes	External Assmt. Ys = Yes	Self Assmt. Ys = Yes	The Governing Body & School	Setting the Budget	Value for Money	Protecting Public Money	Mandatory Policies	Regulations, Orders and Agreements	Attendance Registers and Annual Pupil Census	Personnel Payroll and Teacher Payments	Single Central ERPS Record	Income Collection and Banking	Imprest (Petty Cash)	Lettings	Security	Inventory	School Trips	Admission	Local Payments Scheme	Total	Areas	%										
5	Sherwell Valley	2469	CT	Feb-2012							3		3		3					3	3	3		3	21	7	100										
6	Barton Primary School, Nursery & Speech and Language Unit	2474	CT	Jan-2012							3				3					3	3	3			15	5	100										
7	Upton St James Church of England Primary School	3120	RT	Nov-2011							2	3	2	3	3	3	3	3	3	3	3	3			31	11	94										
8	Galmpton C of E Primary School	3600	CT	Feb-2012	YX	3	3	3	3																12	4	100										
9	All Saints, Babbacombe	3615	RT	Sep-2011							2	2	3				2			2	1	2			16	8	67										
10	Torre Church of England Primary School	3618	RT	Nov-2011							3	2	3		2					2	1	2	2		17	8	71										
11	Collaton St Mary Church of England (Aided) Primary School	3619	RT	Dec-2011							2	3		2		2	3	3							15	6	83										
12	Kings Ash Primary School	3752	RT	Mar-2012	IP	2	2	2	2	2	3	3	3	2	3	2	2	2	2	2	2	3			35	15	78										
13	Torquay CC	4116	CM	Nov-2011							2		3		3					3	3	3			17	6	94										
14	Westlands	4117	CM	Dec-2011	IP	2	2	2	2																8	4	67										
15	Paignton C & SC	4119	CM	Nov-2011	YX							1				3	3	2			3		3		15	6	83										
16	St Cuthbert Mayne Secondary School	4601	CM	Sep-2011	YX	2	2	3	3	3			3		3					2		3			24	9	89										
17	Mayfield Special School	7042	CT	Feb-2012	YX	3	3	3	3																12	4	100										
21	2011/12 Results																																				
22	Total Score					12	12	13	13	22	14	20	8	21	11	13	10	20	19	22	2	6	Average Score 87														
23	No. of Schools					5	5	5	5	9	6	7	3	8	4	5	4	8	8	8	1	2															
24	% of Max achievable score					80	80	87	87	81	78	95	89	88	92	87	83	83	79	92	67	100															
25	Total less than good standard					0	0	0	0	0	1	0	0	0	0	0	0	0	0	2	0	0						0									
26	% less than good standard					0%	0%	0%	0%	0%	17%	0%	0%	0%	0%	0%	0%	0%	0%	25%	0%	0%	0%														