



Public Agenda Item: **Yes**

Title: **Audit Follow Up Report**

Wards Affected: **All Wards**

To: **Audit Committee**

On:

**19 September 2012**

Key Decision: **No**

Change to Budget: **No**

Change to  
Policy  
Framework:

**No**

Contact Officer: **Martin Gould or Robert Hutchins**

☎ Telephone: **01803 207320**

✉ E.mail: [martin.gould@devonaudit.gov.uk](mailto:martin.gould@devonaudit.gov.uk),  
[robert.hutchins@devonaudit.gov.uk](mailto:robert.hutchins@devonaudit.gov.uk)

---

## **1 INTRODUCTION**

1.1 At the June Audit committee Members were provided with the Annual Internal Audit report for the Council. Appendix 2 of this report provided a summary of the audits undertaken during 2011/12, along with the audit assurance opinion.

1.2. Members discussed the report and requested a detailed report to a future meeting updating the Committee on the improvement required issues in Appendix 2 to the report.

1.3. The attached report (Annex 1) sets out the progress made by management in implementing agreed actions to address the areas of weakness identified

## **2 RECOMMENDATION:**

2.1. That the Committee notes the good progress being made by management to address weaknesses identified through the internal audit process

**Martin Gould**  
**Head of the Devon Audit Partnership**

**FOLLOW UP REPORT ON AREAS REQUIRING IMPROVEMENT**

**1. INTRODUCTION**

1.1 At the June Audit committee members were provided with the Annual Internal Audit report for the Council. Appendix 2 of this report provided a summary of the audits undertaken during 2011/12, along with our assurance opinion. Where a “high” or “good” standard of audit opinion was provided we confirmed that, overall, sound controls were in place to mitigate exposure to risks identified; where an opinion of “improvement required” was provided then issues were identified during the audit process that required attention. We provided a summary of some of the key issues reported that were being addressed by management and pointed out that we were content that management were appropriately addressing these issues.

1.2 Members discussed and accepted the report; however, members at the other partner organisations of the Devon Audit Partnership also requested a detailed report to a future meeting updating the Committee on the “improvement required” areas highlighted in yellow in Appendix 2 to the report.

1.3 In order to ensure that the Devon Audit Partnership offer a consistent and supportive service across all partners, follow up reviews have therefore been undertaken to provide further assurance to this Committee that actions to address previous audit concerns have been implemented or are in progress. The results from this process are contained in this report at Appendix 1.

**2. PROCESS**

2.1 For each service area where an audit opinion of “improvements required” was provided at the end of 2011/12 we completed a follow up review. The follow up review was undertaken to provide assurance to management and those charged with governance, that the agreed actions identified at our initial audit visit had been implemented, or suitable progress is being made to address the areas of concern.

2.2 Our approach was to initially write to the appropriate service manager to obtain an update on progress being made against agreed audit recommendations. The level of assurance we requested was dependant upon the priority of the agreed recommendation.

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

2.4 For "medium" priority recommendations we required written confirmation that the action has been enacted upon, or an update on the progress being made, plus some evidence to support this. For example, if the recommendation was for a monthly imprest reconciliation to be produced and signed as correct, then a copy of the most recent reconciliation was required.

2.5 For "high" priority recommendations we required written confirmation that the action had been enacted upon, or an update on the progress being made, plus some evidence to support this (as above) plus, and depending upon the nature of the recommendation, we considered a physical visit to confirm that the recommendation was operating as expected and that the identified risk had been reduced to an acceptable level.

2.6 Following the completion of our review we considered the progress made against all of the agreed recommendations. This then enabled us to reconsider our assurance opinion against each of the risk areas identified, and has enabled us to reconsider our overall assurance opinion enabling an updated opinion to be provided where appropriate.

2.7 It should be noted that this updated opinion is based upon the assumption that systems and controls as previously identified at the original audit remain in operation and are being complied with in practice. The purpose of our follow up exercise has not been to retest the operation of these previously assessed controls, but to consider how management have responded to the agreed action plans following our previous work.

### **3 FINDINGS**

3.1 Overall we can report that progress has been made against the agreed recommendations following our initial audit and this is shown in the direction of travel.

3.2 It should be noted that in a number of instances action is being taken to address the issues identified, but this is ongoing and therefore we have been unable to form a new overall assurance opinion. It is acknowledged that the need to make changes to some processes can take time to achieve, and as a consequence not all recommendations have been completed, but this is as expected.

3.3 In some instances we were unable to obtain a full response from the service area due to temporary absence of staff; we will ensure that once staff have returned that we complete the follow up process, and confirm that the service area is on track to implement agreed recommendations. Any areas where issues or concerns are noted will be flagged to senior management for further consideration and resolution.

3.4 Other agreed actions have not been implemented for a variety of reasons including other work priorities resulting from changes in the service area. We shall work with management in determining revised implementation dates to ensure that actions are taken as promptly as is possible to address

the risk identified.

3.5 During our initial audit work we have made reference to areas where risk exists; however in some cases it is either not economically appropriate to address this risk, or technical solutions are not yet available. In such cases management agree to accept this risk, and use other monitoring arrangements to ensure that the risk is kept to a minimum. In such cases we are unable to provide an improved audit opinion, although we fully recognise that the risk is identified, managed and management will resolve the issue as and when opportunities arise.

3.6 Appendix 1 of this report sets out the audits at the end of 2011/12 which were identified as “improvements required”. The appendix shows the current (updated) assurance opinion following our follow up work, and a “direction of travel”. We have also provided some more detailed commentary on progress being made.

## **4 CONCLUSION**

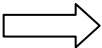


4.1 Overall we conclude that progress is being made against the agreed audit recommendations. Improved assurance opinions have been provided in some areas, and the direction of travel is showing as improving in the majority of areas (see Appendix 1); this should provide assurance to those charged with governance.


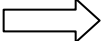

4.2 We would like to acknowledge and offer our thanks to all those who have assisted with this process. We understand that the work was undertaken at a traditionally difficult time for management (due to the summer holiday season) and their help in providing the information for this review is appreciated.

Martin Gould  
Head of Devon Audit Partnership  
September 2012

**Table to show updated Audit Assurance Opinion after completion of follow up work to end August 2012**

Audit Area	Audit Assurance Opinion as at 31 May 2012	Updated Audit Assurance Opinion as at 31 August 2012	Direction of Travel	Commentary
<b>Adults and Operations - material systems</b>				
Payroll 2010-11	Improvements required	Improvements required	↑	<p>Although there is continuing progress in addressing the recommendations, this has been hindered by other work priorities, and some have not been implemented due to the possibility of 'self-service' being introduced during 2012-13 and the first quarter of 2013-14.</p> <p>Testing undertaken during 2011-12 identified some instances of non compliance with current controls, and there were a number of areas where current processes and controls require review. The assurance opinion given for 2011-12 remained as Improvements Required. The direction of travel noted here reflects the continued progress noted in the 2011/12 audit activity.</p>
Debtors 2010-11	Improvements required	Improvements required	↑	<p>Since the establishment of the dedicated Debtors Administration role, there has been ongoing improvement in the operation of the Debtors function. Testing undertaken in 2011/12 determined that progress has either been made against previous recommendations, or management have accepted the risks of not taking action to address control weaknesses and non compliance issues identified, due to the presence of mitigating controls and for customer service / business practicality reasons. The assurance opinion for 2011/12 remained as Improvements required, however the direction of travel noted here reflects the progress that has been made.</p>

Audit Area	Audit Assurance Opinion as at 31 May 2012	Updated Audit Assurance Opinion as at 31 August 2012	Direction of Travel	Commentary
Creditors 2010-11	Improvements required	Improvements required		The processing procedures and practices are generally robust and a high degree of accuracy continues to be achieved. Testing in 2011/12 found that although some recommendations have been implemented, significant weaknesses remain in the control environment in relation to the operation of authorisation controls. The assurance opinion given for 2011-12 remained as Improvements Required. The direction of travel noted here reflects that there has been no change in the operation of authorisation controls due to the delay in implementing the electronic on-line form system, which is now planned for 2012-13 and should address the authorisation control weaknesses.
Council Tax & NNDR 2011-12	Improvements required	Improvements required		Although the overall assurance opinion remains as 'Improvements required', there has been significant progress in implementing many of the recommendations, particularly on those relating to the risk of 'inaccurate billing'. This progress is reflected in the direction of travel. For a number of those outstanding, management have accepted the associated risks, so no further action is expected; and for some others, an updated target of September 2012 has been set.
IBS Open Systems Admin 2011-12	Improvements required	Improvements required		The majority of recommendations have yet to be actioned, however the audit report was only finalised relatively recently, and the majority of target dates for implementation are not yet due. The direction of travel reflects the continued progress in improvement identified in our annual audits.

Audit Area	Audit Assurance Opinion as at 31 May 2012	Updated Audit Assurance Opinion as at 31 August 2012	Direction of Travel	Commentary
Benefits 2011-12	Improvements required	Good Standard		Management have made good progress on the recommendations made in the limited time since the report was issued. There are still a number of recommendations outstanding, however these are relatively minor in relation to the overall risk environment, enabling an improved opinion to be given.
<b>Adults and Operations - IT audit</b>				
ITRA 2010-11 (IT Risk Assessment)	Improvements required	Improvements required		Work on the ITRA is completed annually by Internal Audit for the Audit Commission. The Audit Commission has recommended that a policy is required on end user computing, to address the controls required on key financial spreadsheets. Internal Audit has undertaken preliminary research work on behalf of the Council, and the area has as a result been included in the Council's agreed 2012-13 IT Audit Plan.
Change control 2011-12	Improvements required	Improvements required		Management have responded positively to the audit process and are in the process of taking appropriate action to address the issues identified, as shown by the direction of travel. Certain recommendations are still in the process of being implemented, and as a result our assurance opinion remains at present unchanged.
IT IS Strategy 2011-12	Improvements required	N/A	N/A	The related audit report is still in draft, with recommendations and management responses currently being discussed. More work is being carried out at the request of the CIO, and it has therefore not been possible to follow up the recommendations made.

Audit Area	Audit Assurance Opinion as at 31 May 2012	Updated Audit Assurance Opinion as at 31 August 2012	Direction of Travel	Commentary
PCI Compliance Project 2011-12	Improvements required	Improvements required	↑	Management have responded positively to the audit process and are in the process of taking appropriate action to address the issues identified, as shown by the direction of travel. At this point, PCI compliance has not yet been achieved, and as a result our overall assurance opinion remains at present unchanged.
<b>Communities and Local Democracy</b>				
Community Protection 2011-12	Improvements required	Improvements required	↑	Although there has been substantial progress made in terms of implementing recommendations, there are still a number which remain outstanding. We note that, for many of these, there is an expected implementation date of late in 2012-13 and once actioned will result in an improved audit assurance opinion. Hence our assurance opinion remains unchanged at this time, but the direction of travel reflects the progress already achieved.
<b>Children, Schools &amp; Families</b>				
Education Management System (EMS) 2011-12	Improvements required	N/A	N/A	The related audit report is still in draft, with recommendations and management responses currently being discussed. It has therefore not been possible to follow up the recommendations made at this time.
Youth Offending Team (YOT)	Improvements required	Good Standard	↑	Management have responded positively to the audit process and have taken appropriate action to address the issues identified. We can confirm that an upgraded assurance opinion of “good standard” has now been provided in this service area.



Audit Area	Audit Assurance Opinion as at 31 May 2012	Updated Audit Assurance Opinion as at 31 August 2012	Direction of Travel	Commentary
Section 17 2011-12	Improvements required	N/A	N/A	The related audit report is still in draft, with recommendations and management responses currently being discussed. It has therefore not been possible to follow up the recommendations made at this time.
Youth Services 2011-12	Improvements required	N/A	N/A	The related audit report is still in draft, with recommendations and management responses currently being discussed. It has therefore not been possible to follow up the recommendations made at this time.
<b>Place and Environment</b>				
Natural Environment 2011-12	Improvements required	Improvements required	↑	A significant number of recommendations remain outstanding, however some of these are not due to be actioned until the latter part of 2012. There are also a number of recommendations where initial responses from management indicate that they have been actioned; however we have been unable to obtain evidence to confirm this at this time. Hence the overall assurance opinion remains unchanged at this time, but the direction of travel reflects that action is being taken based on the project data reported in SPAR.
Tor Bay Harbour Authority 2011-12	Improvements required	Improvements required	↑	Although there has been some progress made as reflected in the direction of travel, a significant number of recommendations have yet to be implemented and therefore our overall assurance opinion remains unchanged. The agreed due dates for the majority of the outstanding actions have now passed and new target dates have been agreed as part of the follow up process.

Audit Area	Audit Assurance Opinion as at 31 May 2012	Updated Audit Assurance Opinion as at 31 August 2012	Direction of Travel	Commentary
TOR2 Contract Monitoring 2011-12	Improvements required	N/A	N/A	We have been unable to meet with management within the Audit Committee timescales. We have therefore not been able to ascertain the progress in relation to the recommendations made, and cannot provide an updated audit assurance opinion or direction of travel at this time. Management have however agreed to review and provide feedback on progress prior to the Audit Committee meeting date (end of September), the outcome of which should be available to the Committee, if required.