



devon **audit** partnership

Internal Audit Report

Follow Up Report on
Areas Requiring
Improvement

Torbay Council

December 2020

OFFICIAL



Auditing for achievement

Devon Audit Partnership

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

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at robert.hutchins@devonaudit.gov.uk.

Confidentiality and Disclosure Clause

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

This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

Introduction

The 2019/20 Annual Internal Audit outturn report was published on the 28th May 2020. Appendix 1 of that report provided a summary of the audits undertaken during 2019/20, along with our assurance opinion. Where a “high” or “good” standard of audit opinion was provided we confirmed that, overall, sound controls were in place to mitigate exposure to risks identified; where an opinion of “improvements required” was provided then issues were identified during the audit process that required attention. We provided a summary of some of the key issues reported that were being addressed by management and pointed out that we were content that management were appropriately addressing these issues.

Members have previously found it beneficial to receive a report on progress on the “improvements required” areas highlighted in Appendix 1 to the 2019/20 annual report.

As part of adding value, Devon Audit Partnership has completed follow up reviews to provide updated assurance to members. The results from this process are contained in this report at Appendix A.

This report reflects the Council structure prior to the November 2020 change.

Assurance Statement

Our assurance opinion remains as reported in our Annual Audit Report 2019/20. However, it should be recognised that there is potential for this assurance opinion to be adversely affected should the lack of progress made against certain individual audit management action plans continue.

However, we do recognise that the Covid-19 pandemic response has been a priority for the Council, with impacts across all service areas. As such progress may not be as would be expected in a “normal year”, and our report and findings should be read in that context.

Progress Impact Assessment

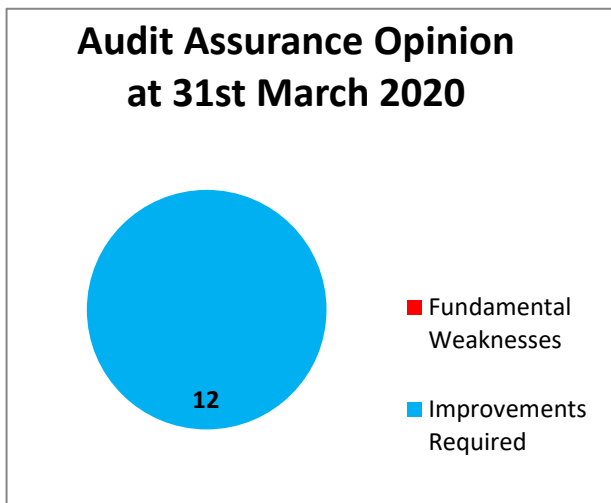
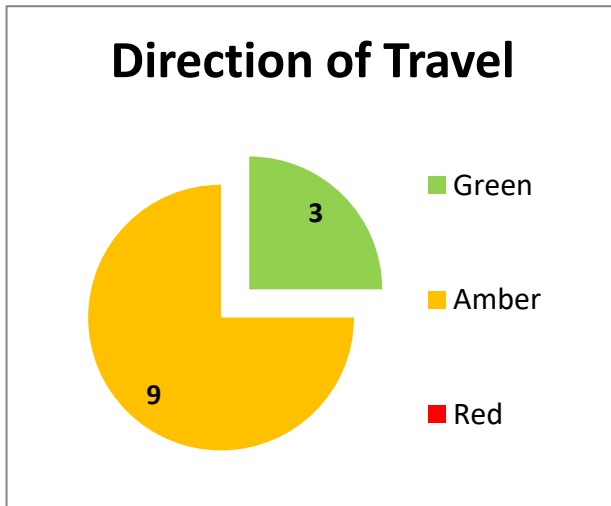
The progress made in some areas means the previously identified risks are being minimised or mitigated where appropriate. However, the lack of progress made in the majority of action plans means a number of the risks previously identified and highlighted to management continue to remain.

Progress has been limited in most areas. We have found that this is primarily due to either capacity, ongoing implementation of the process changes to address the actions, or the impact of higher priority activities such as strategic projects and response to the Covid-19 pandemic. Further, although Management responses indicate that progress has been made, the lack of supporting evidence means that we are unable to confirm that associated risks are being addressed in all cases.

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

Progress

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



Although the audits previously followed up in 2019/20 are not subject to further formal audit follow up, for continuity and the avoidance of doubt we have analysed the previous year's output to provide an indication of areas that may require further Management input. Please refer to table over page.

To note, an audit of Health and Safety was due to be undertaken as part of the 2020/21 plan, however due to required plan changes requested by S151 Officer, this audit has now been deferred 2021/22 audit plan, and the findings from the 2019-20 report will be followed up within that audit.

Total audits still at Improvements Required from 2019/20 annual follow up report		
Areas subject to follow up activity within 20/21 planned audit work		Areas (potentially) requiring Management review of progress against previous audit recommendations
Material Systems (annual audits)	20/21 audits	
2 (Debtors and Corporate Debt; Council Tax and NNDR)	1 (Special Guardianship Orders)	<ul style="list-style-type: none"> • Legal Services – cross council use of legal advice • Covert surveillance of Social networking sites • Printing Services and Post • Contracted Services – careers south west (CSW) • Section 17 Payments • Children’s Services Medium Term Financial Plan/ Improvement Plan • Concessionary Fares • S106 * • Sports Pitch Leases • Contract Monitoring – Public Toilet provision • Parking Services • Neighbourhood forums • Brixham Ferry <p><i>*Note: S106 was due for Audit within the 2020/21 audit plan, however this has now been deferred to early 2021/22 as a result of changes to the audit plan due to Covid-19.</i></p>

Internal Audit Coverage and Results

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

Although departments were given a two-month window to respond to our request for information in support of their management response, this was in a number of cases either not provided or was incomplete. As such, we were unable to effectively undertake the follow up exercise, and therefore unable to re-assess our assurance opinions. We do however recognise that service areas have been under significant pressure in relation to the Council’s response to the Covid-19 pandemic, and appreciate that this may have impacted their ability to address the recommendations previously made and also respond at this time for our follow up exercise.

It should be noted that in a number of instances we understand that action is being taken to address the issues identified, but this is ongoing and therefore we have been unable to provide a new overall assurance opinion. It is acknowledged that the need to make changes to some processes can take time to achieve, and as a consequence not all recommendations have been completed, but this is as expected. Some agreed actions have not been implemented for a variety of reasons including the need to prioritise resource in other directions.

Appendix A of this report sets out the audits at the end of 2019/20 which were identified as ‘improvements required’ or ‘fundamental weaknesses’. The appendix shows the current (updated) assurance opinion following our follow up work, and a ‘direction of travel’. We have also provided some more detailed commentary on progress being made. Appendix B provides a definition of the assurance opinion categories.

Annual Governance Statement

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

These should be considered along with the conclusions from the Annual Audit Report 2019/20 published in May 2020.

Process

For each service area where an overall audit opinion of “improvements required” or “fundamental weaknesses” was provided at the end of 2019/20 we completed a follow up review. The follow up review was undertaken to provide assurance to management and those charged with governance, that the agreed actions identified at our initial audit visit had been implemented, or suitable progress is being made to address the areas of concern.

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

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

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

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

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

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


Summary of Audit Follow and Findings 2019-20



Risk Assessment Key


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



Direction of Travel - Key


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


Corporate Services and Financial Services					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2020	Updated Audit Assurance Opinion as at 30 November 2020	Commentary and residual risk	
Housing Services	Risk / ANA - Medium	Improvements Required	Improvements Required	We understand that progress has been limited due to the impact of Covid-19, which saw a 140% increase in temporary accommodation demand due to Government policy changes. Progress was also impacted by emergency responses which has been significant on the Housing Options team, resulting in the team focusing on managing demand, prevention activity and business resilience. We have been advised that additional resource has been recruited into the team to address capacity issues. Implementation of the top up scheme has been delayed until April 2021 due to the impact of the ongoing pandemic. We understand that guidance in relation to the bond scheme will be finalised in December 2020. File markers within Locata will be reported upon and reviewed commencing December 2020. The review of the Housing Options website has commenced and again, delayed due to the pandemic, however we understand that will be recommenced in February 2021.	


Corporate Services and Financial Services					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2020	Updated Audit Assurance Opinion as at 30 November 2020	Commentary and residual risk	
ICT Investment in the Service	Risk / ANA – High	Improvements Required	Good Standard	<p>It is pleasing to note that a majority of recommendations have been either completed or are ongoing. The IT Strategy has been linked to the newly agreed Corporate plan and will be subject to regular review and update as necessary; risk management is in place at strategic and operational level and linked to ITIL (Information Technology Infrastructure Library) which is considered industry standard best practice; action tracking is in place and monitored through the Council's Information Governance Steering Group; and logging in relation to network security monitoring is in place.</p> <p>There remains scope for the Council to explore compliance with ITIL, however at the current time this is considered cost prohibitive. In our opinion risks still remain in relation to resourcing, albeit that there has been progress since the last audit; proactive monitoring of network security logs, although as noted above logging is now in place; and the supplier contract review. However, we understand that this had been delayed due to the Covid-19 pandemic but is now in progress with deadlines tied to CRM (Customer Relationship Management) go live planned for October 2021.</p>	
Contract Monitoring - Library Service	Risk / ANA – Medium	Improvements Required	Improvements Required	<p>We understand that although action was commenced by the previous Library Commissioner, various factors, including the requirement to make significant budget savings, has meant that there has been little progress since. We understand a new Library Commissioner has been appointed with effect from September 2020 who will now take forward the recommendations.</p>	



Children's Services					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2020	Updated Audit Assurance Opinion as at 30 November 2020	Commentary and residual risk	
Contracted Services / Commissioned Services	Risk / ANA: High	Improvements Required	Improvements Required	<p>As much of the work is ongoing, we are unable at this stage to change our level of audit assurance, although we acknowledge the significant level of work already undertaken.</p> <p>Since our audit we understand that there is a newly formed Procurement, Contract and Commissioning structure and supporting strategy, that includes a Contract Management Team to address performance monitoring and reporting, and intention to recruit a dedicated Education Procurement specialist. A number of processes that have been established within PARIS will be transferred to the new Children's Services System, Liquid Logic, including the process for spend approval, decision transparency regarding contract award. Analysis of spend and contract arrangements within Children's services has commenced and remains an ongoing process. A number of practices have been put place including ongoing recording and review of compliance with associated escalation processes. To address a number of non-compliances, the recommendation was made to ensure staff completion of the associated i-learn training modules. However, we understand that following legislative changes, the i-learn module is currently subject to review and update and as such the training enforcement has been delayed.</p> <p>The now ongoing monitoring, the sufficiency strategy, and completion of i-learn training all support a change in culture in relation to the attitude to spend within Children's Services. All of which is intended to improve compliance with Procurement and Contract Standing orders.</p>	


Children's Services					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2020	Updated Audit Assurance Opinion as at 30 November 2020	Commentary and residual risk	
Disability Services	Risk / ANA: Medium	Improvements Required	Improvements Required	<p>Since our audit a new Children's Services Performance Monitoring Framework has been established which includes dip sampling of records and performance workshops which we understand is being driven by the recent appointment of a permanent service manager within regulated service, and is aimed at assisting in driving and improving practice. Although it is pleasing to note that this is now in place, the findings of the performance monitoring by Children's Services support that issues identified in our original audit in relation to completeness of records and compliance with procedures remain. We acknowledge that procedures in relation to various aspects of children with disabilities have now been updated, published and available via Tri.x, although some remain outstanding.</p> <p>We understand that other process changes and data validation, completeness and cleansing will be part of the ongoing Liquid Logic implementation project to ensure accurate and complete data is transferred, with aspects of performance monitoring and management linked to the Children's Services Improvement plan.</p>	
Early Help (EH) Strategy	Risk / ANA: Medium	Improvements Required	Improvements Required	<p>We have been advised that PeopleToo have completed their modelling of the EH strategy and the implementation is in progress. We understand that a new Early Help Board has been established, incorporating subgroups delivering against the Early Help Agenda. We understand that our other recommendations in relation to areas such as performance monitoring, level 2 response process; drift monitoring / escalation process; local assessment of need; QA framework for monitoring and development; and clarity around the Council's involvement in assisting the promotion and development of more specific local early help services within the EH strategy, are all being addressed through the ongoing work of PeopleToo.</p>	

Children's Services					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2020	Updated Audit Assurance Opinion as at 30 November 2020	Commentary and residual risk	
Legal Care Proceedings (Review of operation of new process)	Risk / ANA: Medium	Improvements Required	Improvements Required	<p>Our original findings did support the then conclusion of Ofsted, being that pre-proceedings process timing was not yet timely enough for some children. We have confirmed that the Legal Gateway Panel terms of reference and care proceeding procedures have been updated and published. We note that Legal Services were invited to engage with the Liquid Logic project but were unable to due to availability at the time.</p> <p>We understand that the previously identified delays in the frequency of supervision meetings is being managed across the service through PARIS performance reporting, driven by the then newly appointed SAF's (Single Assessment Framework) Service Manager. The Innovations Team cases were reallocated in December 2019; however, we cannot confirm whether the inconsistencies in caseload allocation have been addressed. We are unable to confirm improvement in care proceeding practice and the timely provision of information to Legal Services at this time without undertaking another audit to evaluate the current position.</p> <p>The Service noted some areas of opportunities and concluded that they were either content with the existing practices or determined that they could not be taken forward at that time.</p>	

Children's Services					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2020	Updated Audit Assurance Opinion as at 30 November 2020	Commentary and residual risk	
Permanency Planning	Risk / ANA: High	Improvements Required	Improvements Required	<p>Although no evidence has been provided, we understand that the Permanency Plan is now embedded and feeds into the Sufficiency Strategy and financial model. In addition, we have been advised that work on a transition and through care policy is underway with multi agency collaboration including areas such as finance, commissioning foster carers, housing, and adult services.</p> <p>In terms of capacity within Children's Services to deliver Permanency Planning policy requirements, we have been advised that this is supported by various initiatives, including by fostering campaigns and the development of an edge of care provision, which involves working with multiple partners, and with progress overseen by the sufficiency board. We further understand that development or training and career pathways for all staff within children's services is being strengthened by the recruitment and retention policy and introduction of a newly formed learning academy.</p> <p>We have been advised that the issues Internal Audit previously identified in relation to compliance with policy requirements are in part being addressed through the newly developed performance monitoring and management framework. However, unlike other areas within Children's Services we have not as yet been provided with supporting evidence and therefore unable to comment on the effectiveness of the new arrangements or uplift the assurance opinion.</p>	

Children's Services					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2020	Updated Audit Assurance Opinion as at 30 November 2020	Commentary and residual risk	
Transition of Children with Disabilities to Adult Services	Risk / ANA - Medium	Improvements Required	Improvements Required	<p>Since the audit, it is pleasing to note that performance management arrangements have been established, supported by the appointment of a service manager within regulated service. These include dip sampling of case files and ongoing performance reviews. Although, review of outcomes of this activity identified that issues previously reported by Audit in relation to completeness, accuracy and timeliness of aspects of the process remain.</p> <p>We understand that the procedures related to Transition of Children with Disabilities to Adults have been updated, published and are available on Tri.x.</p> <p>We understand that there is ongoing work being undertaken in respect of developing a through care policy to address the issues we identified in relation to pathway plans, and that this policy change also links into the sufficiency strategy and the improvement plan.</p> <p>As with all areas across Children's Services, the data accuracy and completeness is intended to be addressed through the Liquid Logic implementation project.</p>	

Place					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2020	Updated Audit Assurance Opinion as at 30 November 2020	Commentary and residual risk	
Tor Bay Harbour Authority - Income	Risk / ANA – Medium	Improvements Required	Good Standard	<p>It is pleasing to note that progress has been made against a number of the recommendations, including in relation to performance targets for fish tolls; improvements to the recovery process; some elements of recharging; risk assessment for cash carrying; further policy development in relation to income types; and an ongoing review of leases / rent arrangements.</p> <p>There remain some areas where action is still required, including establishment of fees and charges for 2021/22 using the corporate framework to ensure cost recovery; gas, electricity and maintenance recharging.</p>	
Local Transport Implementation Plan / Strategic Transport (LTIP)	Risk / ANA - Medium	Improvements Required	Improvements Required	<p>We have been advised that due to ongoing resource issues and the impact of Covid-19 there has been little progress against the previously agreed actions which may be addressed through additional resource of planning officers; discussions have taken place, but no specific additional transport resource has been identified.</p> <p>It was agreed that there should be periodic reporting on the LTIP to senior management and Members responsible for its original approval. We understand that progress is very limited in relation to reporting to the Capital and Growth Board. In addition, the Transport and Parking Working Panel has been set up recently, first meeting in September and we understand is intended to provide further oversight on progress of schemes. We understand that verbal updates to Cabinet Lead continue. We also note that the LTIP relating to the 2021-26 period has been reviewed by SLT and is going to Cabinet in January 2021, following which we would hope to see evidence of the agreed actions being fully addressed and this is reflected in our direction of travel arrow.</p>	

Adult Services					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2020	Updated Audit Assurance Opinion as at 30 November 2020	Commentary and residual risk	
Care Act – Better Care Fund (BCF) / Section 256 monies, follow up	Risk / ANA – Critical	Improvements Required	Good Standard	<p>Although we have uplifted the Assurance Opinion, it should be noted that this is only based upon single examples provided within the follow up process and does not confirm that the changes are as yet fully embedded and consistently applied.</p> <p>It is pleasing to note that since our audit a Programme and Project Management framework and supporting governance structure has been established. This includes financial tracking via the tracker spreadsheet, project highlight reporting and comprehensive project workbooks, that include key areas such as the project plan, project summary, governance, task logs, risk register, communications plan, engagement and lessons log.</p> <p>The top-level governance structure details the hierarchy that sits below the Torbay Council ASC Improvement Board, and associated reporting, with detailed governance being defined within each project workbook.</p> <p>Although the above addresses the original recommendations made, we have only been provided with a small selection of examples for this follow up exercise, and until we can undertake another full audit we are unable to confirm that the use of this framework and supporting documentation is consistent for all projects.</p> <p>However we would note that we were not provided with a terms of reference for the top level Governance framework; and, although we were able to evidence an example of transparency in relation to Procurement evaluation and selection, the evidence did not allow us to confirm that the Procurement team themselves had been engaged in all procurements.</p>	

Definitions of Audit Assurance Opinion Levels

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

Definition of Recommendation Priority

Priority	Definitions
High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision. Important recommendations made to improve internal control arrangements and manage identified risks.
Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.

Confidentiality under the National Protective Marking Scheme

Marking	Definitions
Not Protectively Marked or Unclassified	Documents, information, data or artefacts that have been prepared for the general public or are for the public web pages or can be given to any member of the public without any exemptions or exceptions to release applying, have the classification NOT PROTECTIVELY MARKED. Some organisations will also use the word UNCLASSIFIED for publicly available information.
Official	The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.
Secret	Very sensitive information that justifies heightened protective measures to defend against determined and highly capable threat actors. For example, where compromise could seriously damage military capabilities, international relations or the investigation of serious organised crime.
Top Secret	The most sensitive information requiring the highest levels of protection from the most serious threats. For example, where compromise could cause widespread loss of life or else threaten the security or economic wellbeing of the country or friendly nations.