

Internal Audit

Annual Audit Report 2013/14

Torbay Council
Audit Committee

June 2014



Auditing for achievement

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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. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.

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

The Accounts and Audit (Amendment) (England) Regulations 2006 introduced the requirement that all Authorities need to carry out an annual review of the effectiveness of their internal audit system, and need to incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

The Internal Audit plan for 2013/14 was presented to and approved by the Audit Committee in March 2013. The following report and appendices set out the background to audit service provision; reviews work undertaken in 2013/14 and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

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

Expectations of the Audit Committee from this annual report

Audit Committee members are requested to consider:

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

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

Assurance Statement

Overall, and based on work performed during 2013/14 and that of our experience from previous years audit, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control framework.

However, our work within Children's Services has identified a number of issues of concern that are being considered and addressed by management, and these issues may require consideration by management for the Annual Governance Statement.

This assurance statement will support Members in their consideration for signing the Annual Governance Statement see appendix 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.

All final audit reports 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.

Directors have been provided with details of Internal Audit's opinion on each audit review carried out in 2013/14 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 accompanying its published Statement of Accounts for 2013/14.

Work has been affected by notable planned changes this year where a large proportion of the plan for IT and Children's Services has been postponed. Those audits that have been delayed will be undertaken in the future. This has had an impact on the planned assurance work, however we feel, based on previous year's work, that the framework of control remains in operation. Further explanation is provided in the sections on Basis for Opinion and the Consequences of Change and Risk.

This statement of opinion is underpinned by :

Internal Control Framework

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

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

During 2013/14, core financial and administrative systems were reviewed by Internal Audit either through specific reviews (e.g. debtors creditors, payroll and main accounting system) or generally in the reviews undertaken in respect of directorate systems. The Council's overall internal control framework operated effectively during 2013/14, and where internal audit work has highlighted instances of none or part compliance, none have had a material impact on the Authority's affairs.

Risk Management

The new Risk Management process is still in its infancy. There is still work to be done to ensure the Council is operating a fully robust risk management methodology.

The process is not yet fully embedded and has not as yet been disseminated to the operational risk management level.

Governance Arrangements

The Council's governance arrangements have been reviewed in the areas of information governance, data protection, records management and data sharing.

Effective controls were found but a potential gap exists in staff knowledge and understanding of handling sensitive and high risk data.

Economy Efficiency & Effectiveness

The TOR2 Future State Process Project is designed to deliver more efficient processes, realise cost saving and improvements in service delivery.

Contracting arrangements in Children's Services found inadequacies in selection processes with inconsistent monitoring, which are now being addressed.

Basis for Opinion

The Chief Internal Auditor is required to provide the Council with an assurance on the adequacy and effectiveness of its accounting records and its system of internal control in the Council. In giving our opinion, it should be noted that this assurance can never be absolute. The most that the internal audit service can do is to provide reasonable assurance, based on risk-based reviews and sample testing, that there are no major weaknesses in the system of control.

This report compares the work carried out with the work that was planned through risk assessment (see appendix 2); presents a summary of the audit work undertaken; includes an opinion on the adequacy and effectiveness of the Authority's internal control environment; and summarises the performance of the Internal Audit function against its performance measures and other criteria. The report outlines the level of assurance that we are able to provide, based on the internal audit work completed during the year. It gives:

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

The extent to which our work has been affected by change of audit plan has been notable this year and we have not been able to meet the original audit plan for the Children's Services Directorate and for IT audit within the Operations and Finance Directorate due to changes in operational business needs.

Work has been deferred to future year's audit plans in consultation with the client and taking into account the related risk.

The scope of our audit work this year has been adversely affected and reduces the assurance that we are able to offer in relation to these areas.

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

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

all audits completed during 2013/14, including those audits carried forward from 2012/13;

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.



Audit Authority

Service Provision

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

Regulatory Role

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

- **Section 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.

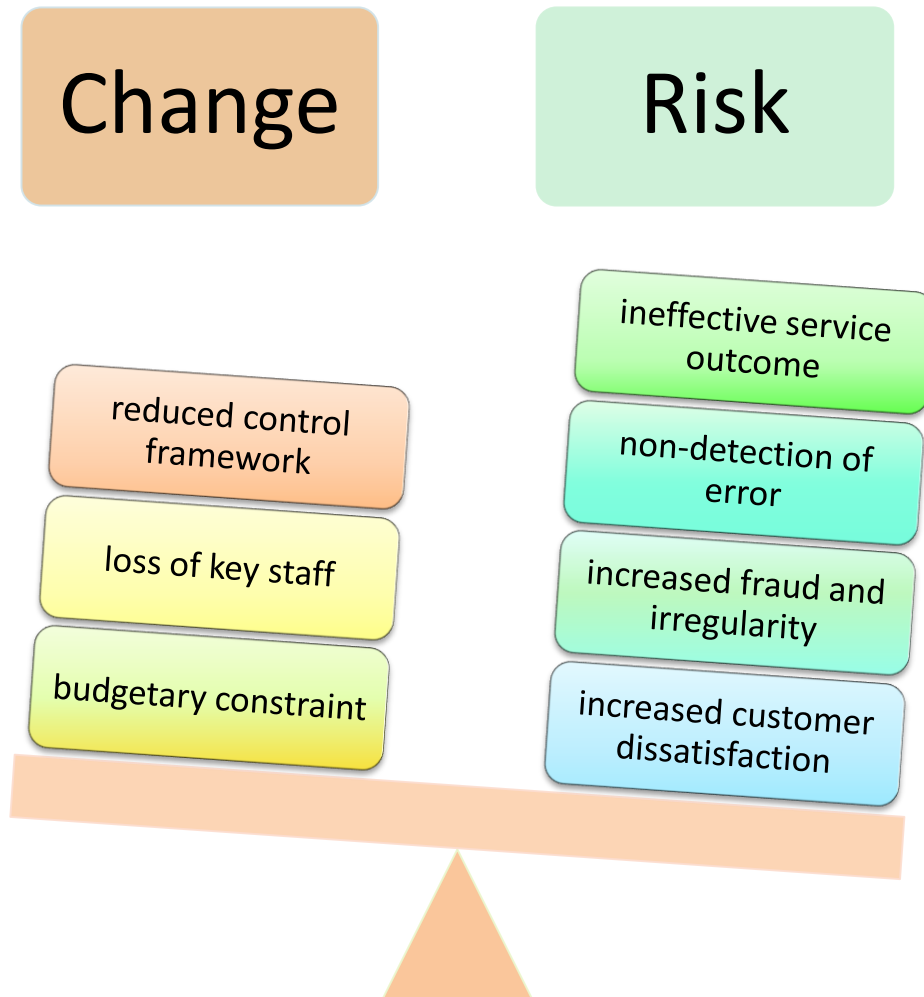
Professional Guidelines

We work to professional guidelines which govern the scope, standards and conduct of Internal Audit as set down in the Public Sector Internal Audit Standards. We have been assessed as “conforming” to these standards and have completed our annual self assessment against PSIAS requirements.

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



The consequences of change and risk



Times are changing; the expectation of the public for services provided by the public sector has never been greater; yet the money that is available for these services needs to be reduced. All public sector organisations are looking at how services can be transformed; what worked in the last decade may not meet new challenges. The use of, and dependency on, IT for service delivery will only increase further; this brings rewards but also carries its own risk.

The Internal Audit function has a key role in helping management fully understand their risks and in designing effective and efficient controls that mitigate these risks to an acceptance level; a consistent application of a quality internal audit opinion assists the organisation to develop alternative and new delivery solutions that will deliver the service required.

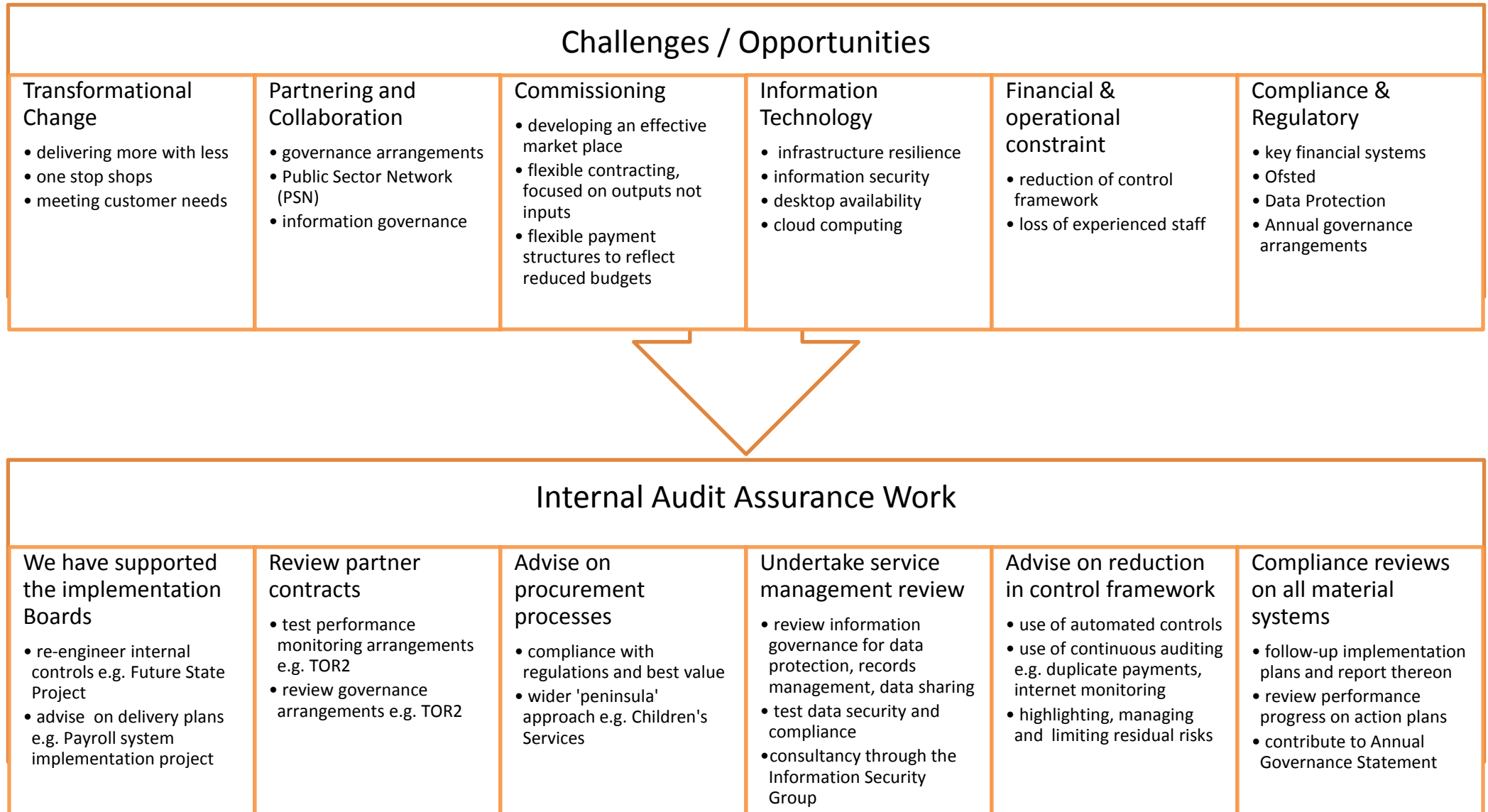
Our work this year has been tailored to meet the changing requirements of the Authority throughout the year. All of the changes and risks within this graphic have been observed and the impact of these has been of varying degrees of significance. The main impacts have been in the following areas:

The number of irregularity investigations has increased this year which may be as a consequence of reduction in the Authority's management structure due to national budgetary constraint and economic climate, resulting in a perpetuating cycle of a reducing control framework as a result of necessary management acceptance of risk due to resource constraint.

Changes in operational priorities and assessment of opportunities within specific Directorate areas have necessitated corresponding reductions in our audit work this year, but are a demonstration of proactive action by the Authority to limit the risk associated with budgetary constraint change and maintain effective service provision.

Business objectives – audit assurance overview

From consideration of the Authority's key challenges and opportunities it is facing we have provided assurance in these area through our work over the year.

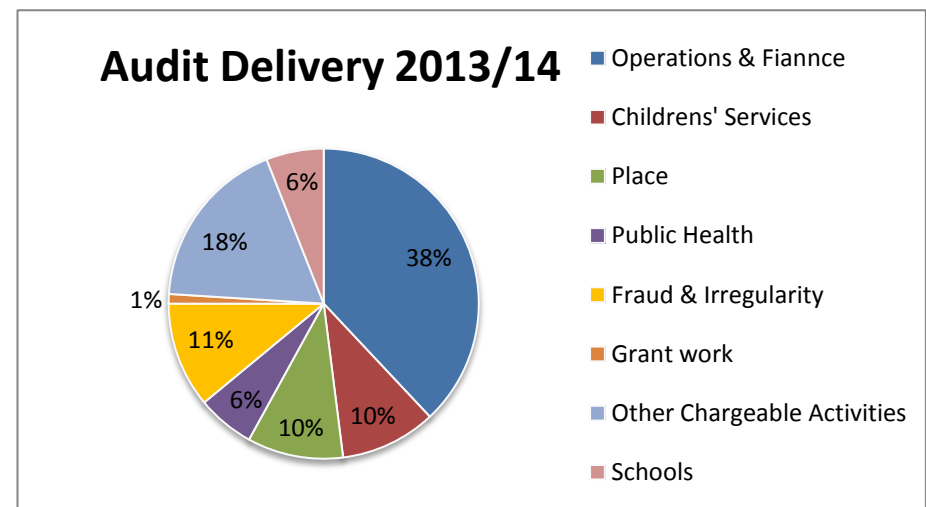
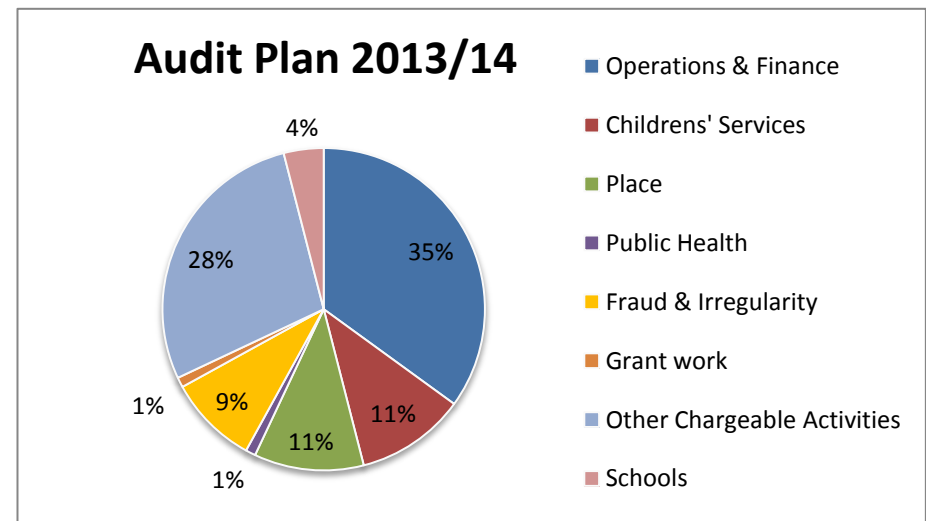


Audit Coverage and performance against plan

The pie charts right shows the breakdown of audit days delivered by service area / type of audit support provided. The balance of work has varied during the year as can be seen from comparison with the second chart. Variations have been with full agreement of the client.

Appendix 3 shows the actual days of audit delivery in 2013/14 against the revised audit plan. It will be noticed that there was a small increase in the total number of audit days provided during the year. 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.

Appendix 4 to this report provides a summary of the audits undertaken during 2013/14, 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.



Conformance with Public Sector Internal Audit Standards (PSIAS)

Conformance - Devon Audit Partnership conforms to the requirements of the PSIAS for its internal audit activity. The purpose, authority and responsibility of the internal audit activity is defined in our internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. Our internal audit charter was approved by senior management and the Audit Committee in March 2013. This is supported through DAP self-assessment of conformance with Public Sector Internal Audit Standards & Local Government Application note.

Quality Assessment - the Head of Devon Audit Partnership maintains a quality assessment process which includes review by audit managers of all audit work. The quality assessment process and improvement is supported by a development programme. External Assessment provides assurance that against the Institute of Internal Auditors (IIA) Quality Assessment & Public Sector Internal Audit Standards (PSIAS) “DAP is considered to be operating in conformance with the standards” as reported to the Partnership Committee in July 2013.

Improvement Programme – DAP maintains a rolling development plan of improvements to the service and customers. All recommendations of the external assessment of PSIAS and quality assurance were included in this development plan and have been completed. This will be further embedded with revision of our internal quality process through peer review. Our development plan is regularly updated and a status report was reported to the Management Board in October 2013.

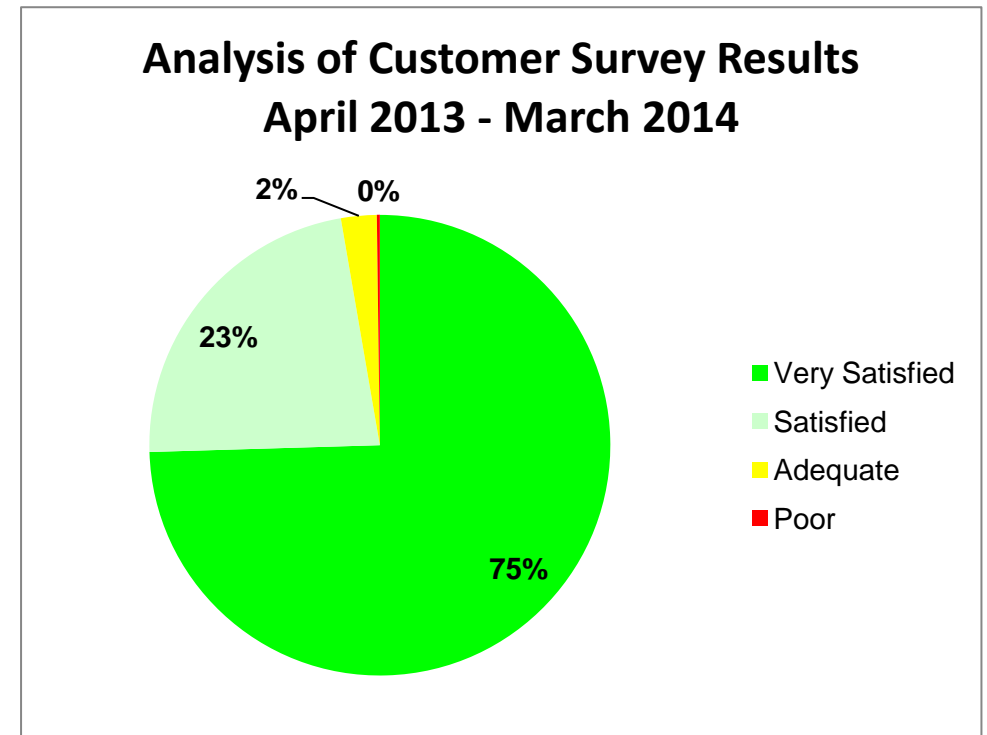
Performance Indicators

Overall, performance against the indicators has been good (see appendix 3). The targets were increased for some indicators in 2013/14 and it is acknowledged that percentage of audit plan completed is below the new target. We are aware that some of our draft and final reports were not issued to the customer within the agreed timeframes (15 working days for draft report and 10 working days for final report). We have identified areas where performance has been poor, and are working with our staff to ensure improvement is achieved.

Customer Service Excellence

DAP has been successful in re-accreditation by G4S Assessment Services of the CSE standard during the year.

During the period we issued client survey forms with our final reports. The results of the surveys returned are, although low in number, very good and again are very positive. The overall result is very pleasing, with near 98% being "satisfied" or better across our services, see appendix 5. It is very pleasing to report that our clients continue to rate the overall usefulness of the audit and the helpfulness of our auditors highly.



Internal audit coverage and results

Operations and Finance

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

Linked to material systems work, a significant level of support in a 'quality assurance' role was provided to the Payroll / HR system implementation project; a decision was made in late 2013/14 to defer implementation of a new system. As a new system was not implemented within the 2013/14 year, there is no impact on our opinion of the material systems control environment.

For audits relating to other operational departments within the Directorate, some improvement areas have been identified, and we will continue to monitor the implementation of the agreed recommendations. 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 on-going projects.

The nature of ICT continues to be a constantly changing environment with continued emerging technologies and threats. Despite the challenges that this poses, the ICT team provide a good level of service in maintaining the ICT infrastructure within the resources available to them but risks to the service remain high. A key strategic risk in relation to ICT remains the ability to maintain the infrastructure going forward particularly in light of the continued budget pressures and associated organisational shrinkage. It is understood that IT Infrastructure is being considered for inclusion within the revised strategic management framework.

The Corporate Procurement Team provides the Council's service teams with a framework of guidance, advice, systems and templates to enable those departments to procure appropriately. However, there was evidence back in 2012/13 that not all departments were making effective use of

these and may be breaching statutory and Council rules. Work is underway to assess the current position.

Public Health

Based on audits completed to date, we are yet to be able to report that, with the exception below, there are adequate controls in this Directorate.

A 'fundamental weaknesses' opinion has been given in the area of Food Safety, Health & Welfare, Licensing, and Trading Standards. This is primarily due to food safety inspection levels, and is concerning given the potential impact on public health. Our follow-up in January of the key issue in found there had been insufficient time to appoint a member of staff to address the inspections. Management are aware of the findings and related recommendations, and, where subsequent action is agreed, we shall undertake further follow up work to ensure that the identified risks have been mitigated.

Work undertaken in the area of Health & Safety found that improvements were required due to the lack of enforcement and monitoring in relation to departmental compliance with the H&S policy generally and completion of training courses.

Place

Based on audits completed and on indications from the previous and ongoing work, we have found that the majority of areas audited within Place are demonstrating an improvement in the control environment.

Whilst a number of weaknesses exist, management are aware of these issues, and have either accepted the related risk, or are taking action to address them. We will continue to monitor the implementation of the agreed recommendations.

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 on-going projects including the South Devon Link Road.

Childrens' Services

The audit of Fostering has highlighted issues with regard to the timely completion and processing of documentation in respect of in-house foster care placements ending. Our review found that payments continued to be made to foster carers due to the instruction to cease payment not being promptly provided. The situation was further exacerbated by lack of recovery action to reclaim such overpayments which in certain individual cases relate to significant amounts of money.

The review of the financial and administrative processes and procedures in place at Parkfield identified significant shortcomings in a number of areas; income collection and reconciliation, inventory management and control along with issues around contracting and the compliance with and following of the requirements of financial regulations and contract standing orders.

The review of Contracting within Children's Services found a significant number of weaknesses in the sample of placements tested where the following could not be found: formal authorisation of costs, formal options appraisal, tracker form recording the tender process and identifying reason for choice of final provider, joint funding considerations, pre-qualification checks. It should be noted that this particular audit is still in draft format and a meeting not yet held to discuss the findings made.

The findings from our audits of Parkfield and Contracting with Children's Services are currently flagged as providing issues for consideration by management for the Annual Governance Statement.

Two significant whistleblowing referrals were received late in 2013/14 and their investigation remains ongoing.

Schools

We have made good progress in the delivery of our audit plan to schools and schools have again been very appreciative of the quality of our service. The requirements to meet the challenges through change to the SFVS are significant. We are focusing all of our effort to achieve the targets and support schools to the fullest of our ability.

The number of maintained schools continues to reduce with conversion to academy schools and consequently our work level with this, although several academy schools continue our audit services.

Schools have completed their school financial value standard returns. Our audit of these during the course of our review continues to find improvement opportunities in:

- clarity of governors business;
- financing of improvement plans;
- evidence of procurement;
- business continuity plans.

Our opinion is that the systems and controls in schools mitigate the risks identified in many areas. Although specific risks have been identified on the core element of the audit review at some schools, recommendations have been made to reduce risks and in other areas and are made to strengthen what are reliable procedures.

Fraud Prevention and Detection

Fraud Prevention and Detection and the National Fraud Initiative

Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. The Audit Commission runs a national data matching exercise (National Fraud Initiative - NFI) every two years. With regard to the 2013/14 NFI, the data sets have now been reviewed by Internal Audit or the relevant department / team of Torbay Council, and a small number of matches are still being investigated by Housing Benefits. Key findings are:

- Nearly £30K of savings identified – predominantly within benefits claims.
- Internal Audit has reviewed the payroll and creditor payments related data sets, and with the exception of a small amount of duplicate payments to suppliers (less than £1,200), has identified no issues or evidence of employment fraud, conflicts of interest or issues regarding rights to work in the UK.
- Additional data sets matching using the new Flexible / Real Time Matching Service was undertaken, but did not reveal any further frauds. Other data sets will be investigated as these become available

Proactive work to target possible Blue Badge fraud is planned to take place in 2014/15, involving collaboration with counter fraud and Blue Badge administration staff at the Torbay and Southern Devon Health and Care Trust, and parking enforcement officers at Torbay Council.

Irregularities - During 2013/14, Internal Audit have carried out, or assisted in a total of 20 new irregularity investigations. Analysis of the types of investigation and the number undertaken shows the following:-

<u>Issue</u>	<u>Number of Cases</u>
IT Misuse	5
Financial Irregularity	4
Theft	2
Employee Conduct	6
Poor Procedures	2
Misuse of Council Assets	1

As can be seen from above, the range of alleged irregularities and numbers does not suggest any one specific problem area, although as a result of a FOI request, and the subsequent investigation, it has been requested that Internal Audit begin an ongoing six monthly internet monitoring exercise to establish if staff access to the Internet is being abused. This work started from the beginning of 2014/15.

The details of these irregularities have been reported to Directors, and where appropriate or relevant have been mentioned within the directorate's findings above.

Appendix 1 - Annual Governance Framework Assurance

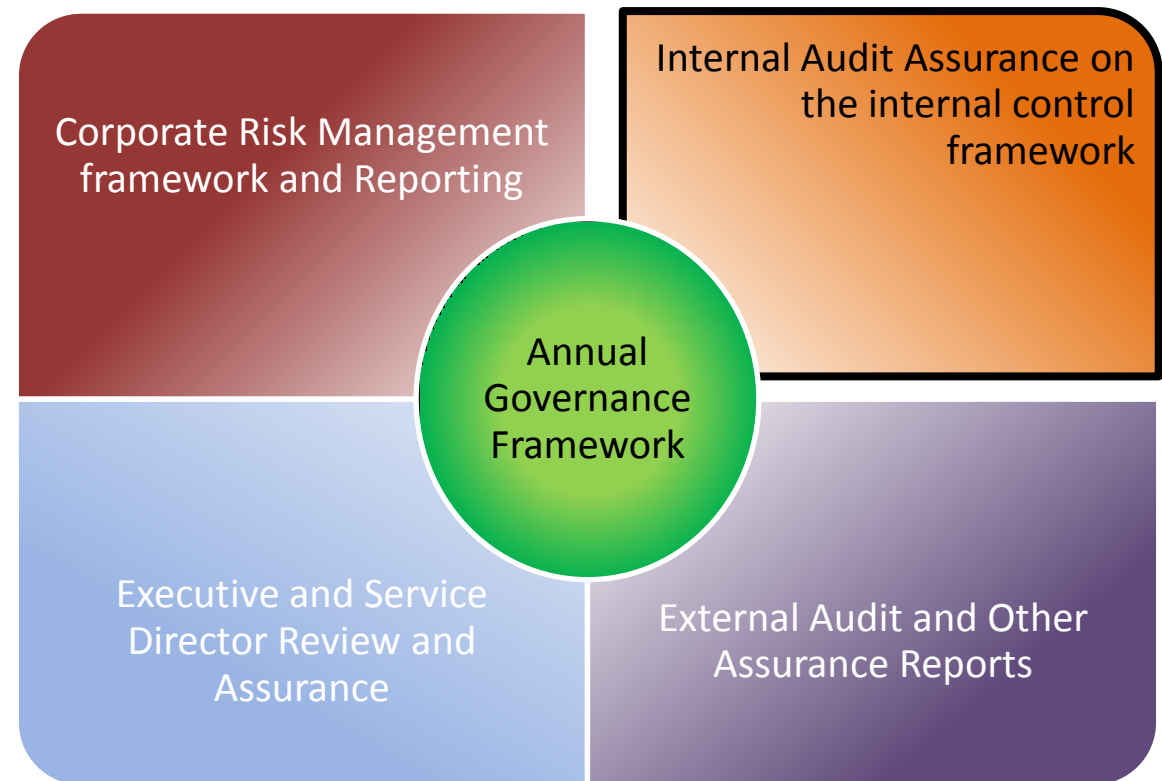
The conclusions of this report provide the internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.

The Annual Governance Statement provides assurance that

- the Authority's policies have been complied with in practice;
- high quality services are delivered efficiently and effectively;
- ethical standards are met;
- laws and regulations are complied with;
- processes are adhered to;
- performance statements are accurate.

The statement relates to the governance system as it is applied during the year for the accounts that it accompanies. It should:-

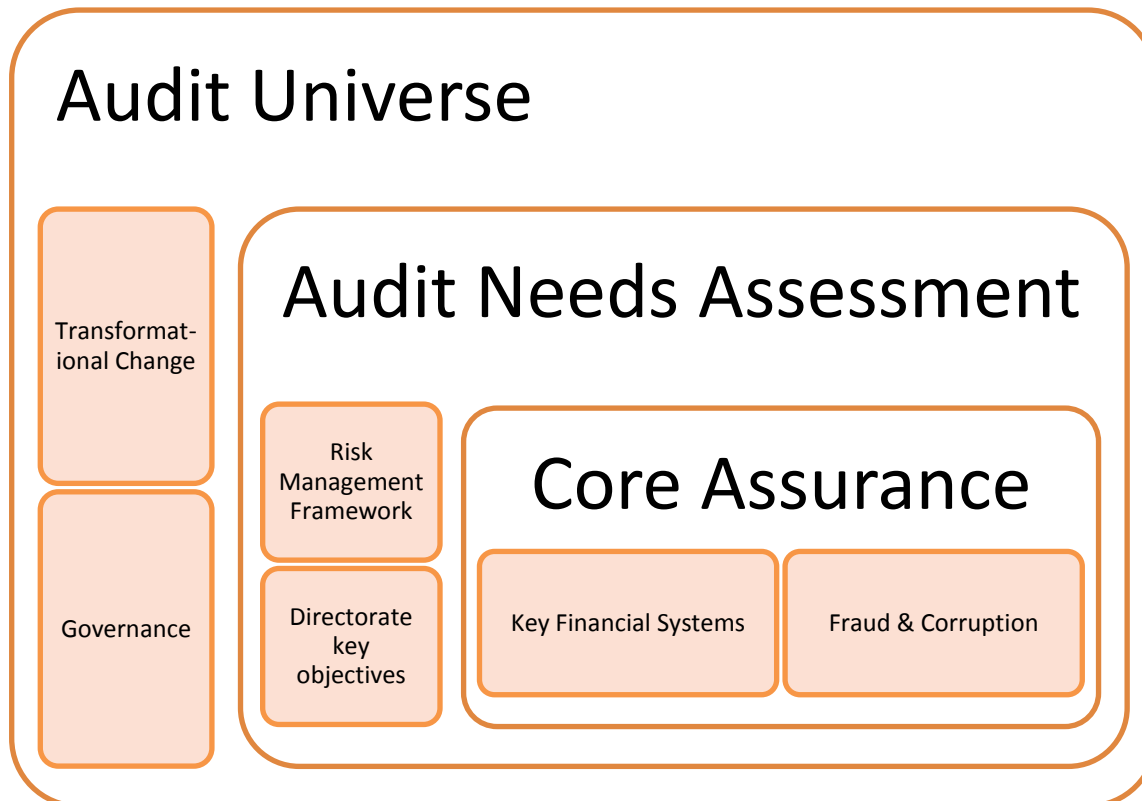
- be prepared by senior management and signed by the Executive Director and Leader of the Council;
- highlight significant events or developments in the year;
- acknowledge the responsibility on management to ensure good governance;
- indicate the level of assurance that systems and processes can provide;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



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

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

Appendix 2 - Audit Needs Assessment



We employ a risk based priority audit planning tool to identify those areas where audit resources can be most usefully targeted. This involves scoring a range of systems, services and functions across the whole Authority, known as the “Audit Universe” using a number of factors/criteria. The final score, or risk factor for each area, together with a priority ranking, then determines an initial schedule of priorities for audit attention.

The resultant Internal Audit Plan for 2013/14 was built from this assessment.

The audit plan for 2013/14 plan has been created by:

- Consideration of risks identified in the Authority’s strategic and operational risk registers
- Review and update of the audit universe
- Discussions and liaison with Directors and Senior Officers regarding the risks which threaten the achievement of corporate or service objectives, including changes and / or the introduction of new systems, operations, programs, and corporate initiatives
- Taking into account results of previous internal audit reviews
- Taking into account Internal Audit’s knowledge and experience of the risks facing the Authority, including factors and systems that are key to successful achievement of the Council’s delivery plans
- Requirements to provide a “collaborative audit” approach with the external auditors

Appendix 3 – Performance Indicators

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

Local Performance Indicator (LPI)	2012/13	2012/13	2013/14	2013/14
	Target	Actual	Target	Actual
Percentage of Audit plan Commenced (Inc. Schools)	95%	99%	100%	100%
Percentage of Audit plan Completed (Inc. Schools)	90%	93.1%	93%	90.4%
Actual Audit Days as percentage of planned (Inc. Schools)	90%	95%	95%	105.9%
Percentage of fundamental / material systems reviewed annually	100%	100%	100%	100%
Percentage of chargeable time	65%	66.1%	65%	69.3
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	98%	90%	98%
Draft Reports produced within target number of days (currently 15 days)	90%	98%	90%	83.2%
Final reports produced within target number of days (currently 10 days)	90%	99%	90%	88.6%
Average level of sickness absence (DAP as a whole)	2%	2.9%	2%	3%
Percentage of staff turnover (DAP as a whole)	5%	8.5% (3 people)	5%	3%
Out-turn within budget	Yes	Yes	Yes	Yes

Overall, performance against the indicators has been very good. We are aware that some of our draft and final reports were not issued to the customer within the agreed timeframes (15 working days for draft report and 10 working days for final report). We have identified areas where performance has been poor, and are working with our staff to ensure improvement is achieved.



Appendix 4 – Summary of audit reports and findings for 2013/14



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

Assurance Progress Key



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

Operations and Finance					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Material Systems					
FIMS System Administration	ANA - Medium	Final	Good Standard	FIMS is effectively managed with robust processes and controls including comprehensive and effective reconciliation processes, robust access management, recorded change control and business continuity arrangements. The processes are fully supported with complete and disseminated policies and procedures for both the System Administration team (FIMS Sys Admin) and the system users. Training is provided and data quality expectations stated to support correct use of the system and the achievement of accurate data.	
UKPMS System	ANA - Medium	Final	Improvements Required	<p>There are adequate system controls in place to enable the appropriate carriageway data to be collected; and the correct calculation methodology has been applied, enabling an accurate estimate of the DRC to be made.</p> <p>In relation to other infrastructure assets, the Authority is currently not in a position to be able to measure, and hence disclose them accurately on a DRC basis. This is due to there being insufficiently detailed inventory data available to populate the required calculation spreadsheets. If remedial action is not undertaken to address the issues highlighted before CIPFA's Transport Infrastructure Code is fully adopted, there is a risk that the Authority's accounts will be qualified. The same qualification risk applies to the 2013/14 WGA return, should this require auditing.</p>	



Operations and Finance					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Discretionary Social Fund (Crisis Support)	ANA - High	Final	Improvements Required	<p>A comprehensive scheme is in place, and proper processes were followed before its introduction, including a full option appraisal and risk assessment. The scheme has been sufficiently and appropriately publicised on the Authority's internet site, and in its 'Connections' offices. The processing of claims was found to have been done in a timely manner, however sample testing found a lack of documented evidence in relation to the claimant's circumstances, and also in relation to the decision making process itself. It was therefore difficult to assess whether the awards made were appropriate, and in line with scheme guidelines.</p> <p>There are good controls around the handling of vouchers and post office bar codes; and where payments have been made to third parties for individual items, for example furniture; however improvements are required in relation to the payment of bulk invoices.</p> <p>We have also recommended that reconciliation issues between the discretionary module in IBS and the main accounting system are resolved as soon as possible to enable information to be uploaded completely and accurately into the ledger.</p>	
Council Tax Support Scheme	ANA - High	Final	High Standard	<p>The new Council Tax Support (CTS) scheme was approved before the start of the financial year, and is in line with Government requirements. A comprehensive option appraisal was undertaken after extensive consultation, and the scheme is well publicised.</p> <p>The Revenues and Benefits team have ensured the smooth transition from the previous CTB scheme to the new CTS scheme, undertaking robust system testing before the scheme went live at the beginning of the 2013/14 financial year.</p>	

Operations and Finance					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
IBS System Administration	ANA - High	Final	Good Standard	<p>Assurance for these 2012/13 key financial systems audits was reported in the 2013/14 half year report; please refer to that report for details.</p> <p>The timing annual audit work to provide assurance in relation to the key financial systems results in a number of these audits being completed in the first quarter of the following year; hence the work for 2013/14 is in progress at the time of reporting. No issues of concern have been identified in our 2013/14 fieldwork to date.</p> <p>The 2012/13 assurance opinions are provided here for completeness in relation to our overall Assurance Statement.</p>	
Asset Register	ANA - Medium	Final	Good Standard		
Bank Reconciliation	ANA - Medium	Final	Good Standard		
Benefits	ANA - Medium	Final	Good Standard		
Purchase Order Processing (POP)	ANA - Medium	Final	Good Standard		
Council Tax and NNDR	ANA - Medium	Final	Improvement Required		
Debtors	ANA - Medium	Final	Good Standard		
Payroll	ANA - Critical	Final	Improvement Required		
Treasury Management	ANA - Low	Final	Good Standard		

Operations and Finance

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Creditors	ANA - High	Final	Improvements Required	<p>The processing procedures and practices are robust and a high degree of accuracy continues to be achieved leading to data quality, correct payments and the achievement of performance targets. It is pleasing to acknowledge that again the audit has not identified any processing errors.</p> <p>Although outside the direct control of the Payments Team, the issues relating to the weaknesses in the cheque printing control environment and the lack of segregation of duty in the access rights for CHAPS have impacted on the assurance opinion that can be provided in relation to the generation of output.</p> <p>Weaknesses exist in the control environment in relation to the operation of payment authorisation controls. Whilst the associated risks have previously been accepted by management, it is acknowledged that a project to automate manual processing that combines effective authorisation controls is underway; system issues have impacted project progress during 2013/14.</p>	
Corporate Debt	ANA - High	Draft	Improvements Required	<p>The Corporate Debt team is a relatively small team that are responsible for the recovery of debts and providing cover in the Income Collection office which leads to a lack of segregation of duty; the associated risks are accepted by management.</p> <p>Regulatory requirements are being met, but areas of best practice including the maintenance of comprehensive procedures, debt strategy, use of quality control and exception reporting, and performance reporting could be improved.</p> <p>A recovery timetable is established and debt is being recovered, but inconsistencies in practice were identified along with opportunity to improve existing processes and resolve the acknowledged system issue, in order to mitigate the risk of debt becoming unrecoverable due to delay in recovery action.</p>	

Operations and Finance

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Income Collection	ANA - Medium	Draft	Good Standard	<p>The Income Collection team continues to maintain effective procedures and systems for receiving, recording and processing payments. Relevant receipting practices ensure that every transaction is uniquely identifiable and effective reconciliation processes ensure that all income is accounted for accurately. The Audit Opinion reflects the quality of controls and the effectiveness of their operation in relation to these core functions.</p> <p>The control weaknesses identified mainly to relate to the hosted Web Pay system or the operation of the system and as such recommendations have been made to improve the system administration. Other peripheral issues have been identified in relation to meeting H&S expectations and the adequacy of insurance, along with the already acknowledged risks in relation to segregation of duty and Council wide PCI compliance of which the latter is not the direct responsibility of the Income Collection team.</p>	 *
Main Accounting System	ANA - Medium	Draft	Good Standard	<p>A well established and robust control framework for the maintenance of FIMS Main Accounting System ensures the integrity of the accounting data which is subsequently used to produce the Statement of Accounts and inform the Council's budgetary requirements.</p>	 *






The following audits are in progress at year end.

- Payroll system – procurement and implementation (ANA - Critical)
- Benefits 2013/14 (ANA - Medium)
- Council Tax and NNDR 2013/14 (ANA - Medium)
- IBS System Administration 2013/14 (ANA - Medium)
- Purchase Order Processing (POP) 2013/14 (ANA - Medium)
- Bank Reconciliation 2013/14 (ANA - Medium)
- Debtors 2013/14 (ANA - Medium)

It is anticipated that the reports will be issued & agreed in the first quarter of 2014/15. No issues of major concern have been identified from our fieldwork to date.

The following audits were deferred to facilitate preferred timing of the audit in the first quarter of 2014/15.

- Payroll 2013/14 (ANA - Critical)
- Asset Register 2013/14 (ANA - Medium)

Operations and Finance					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
IT audit					
Information Governance, Data Protection, Records management and Security	ANA - Critical	Final	Good Standard	Assurance was reported in the half year report; please refer to that report for details.	
Hosted Services	ANA - Critical	Final	Good Standard	Assurance was reported in the half year report; please refer to that report for details.	
Data Security, BCP, Disaster Recovery	ANA - High	Final	Improvements Required	Assurance was reported in the half year report; please refer to that report for details.	
IT Asset Management	ANA - Critical	Draft	Good Standard	Assurance was reported in the half year report; please refer to that report for details.	
PCI Compliance	ANA - High	Ongoing	Not applicable	Further progress has been now made in overcoming significant technical and contractual issues. Internal Audit are continuing to monitor progress in achieving full PCI compliance, and will further monitor progress to achieving compliance with the forthcoming new PCI compliance standard. Internal Audit is providing significant support in terms of drafting a corporate PCI policy and this is being progressed through the organisation's Information Security Group with the intention of it formulating part of the existing DISP policy framework. A key issue that remains is a lack of ownership of PCI corporately. Again, this is to be discussed within the Information Security Group.	
Internet & Email Software	Client Request	Ongoing, as required	Not applicable	This has reduced in 2013/14 since passing the management of the Internet and Email software over to IG in conjunction with ICT support, and as a result of changes to the Surf Control licence. Where required, we continue to provide support in monitoring the rule base and producing activity reports for customers as requested / required depending on organisational need. In some instances these may lead to formal investigations.	Not applicable

Operations and Finance

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Security Policy Review	Client Request	Ongoing	Not applicable	<p>Support continues to be provided in the form of attendance and active participation in the Information Security Group. This has primarily involved regular meetings and ad-hoc communication as required, and initial and ongoing activity has been supporting the significant project of developing, launching and now maintaining the DISP policy framework.</p> <p>Work continues at the request of the client in terms of meeting attendance, and of late, specifically includes support directly to the Exec Head of ICT and IG officer in relation to development and launch of an End User Computing policy. In addition, recently the PCI policy has fallen within the remit of this group, as outlined above. It is expected support will continue as required by the client. The group also focusses on emerging issues, which ensures that in some cases the Council are leaders in certain areas.</p>	Not Applicable

The following audits are in progress at year end.

- IT IS Strategy
- Website Content Management (ANA - Low)
- Social Networking and Media (ANA - Low)




It is anticipated that the reports will be issued & agreed in the first quarter of 2014/15. No issues of major concern have been identified from our fieldwork to date.

The following audits were deferred

- Partnership working (ANA - High)
- Secure Data Transfer Project (Client Request)
- Health Transfer (ANA – High)
- Mobile Device Management (ANA – Critical)
- File Storage (ANA – Critical)
- Thin Client Planning and Roll Out (ANA – High)
- Voice Network (ANA - Medium)

The following audits were cancelled as no longer required

- TCT New SCCR database implementation (ANA - Critical)
- IT Risk Assessment (Client Request)

Operations and Finance					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Other					
Commercial Services - Legal Services (litigation and licensing)	ANA - high	Final	Good Standard	Assurance was reported in the half year report; please refer to that report for details.	
Risk Management and Risk Register	ANA - High	Final	Improvements Required	<p>As the new Risk Management process is in its infancy we are unable to provide an audit opinion of a fully established process, so this opinion is based upon theoretical practices and initial operation.</p> <p>There is still work being done to ensure that the Council is operating a fully robust Risk Management methodology. Our initial review suggests that this could be a more integrated dynamic approach to Risk Management.</p> <p>Based upon the status of the practical application of the revised strategic risk management methodology our audit opinion of 'improvements required' reflects that the process is not yet fully embedded and has not as yet been disseminated to the operational risk management level.</p> <p>The gradual roll out of the new approach provides a continuous learning opportunity whereby the processes are subject to ongoing development. However, although the strategic risk management process appears to be a more robust methodology, issues have been identified with the effectiveness of the initial identification of risks, and a lack of integration throughout the organisation in terms of linkage between operational risks, strategic risks, business continuity and disaster recovery.</p>	
Democratic Representation and Management	ANA - Medium	Draft	Good Standard	<p>Democratic Representation and Management is essentially a well-controlled service area. There are adequate procedures in place, and, with a small number of minor exceptions, these are followed in practice.</p> <p>We have made a number of recommendations to potentially improve the service, including considerations relating to the effect of future departmental changes on delivering the minimum statutory service requirements.</p>	 *

Operations and Finance

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	





The following audits are in progress at year end.

- Procurement - Contract Compliance (ANA - High)
- Business Change - Disposal of assets linked to CCRP/ORP (ANA - High)

It is anticipated that the reports will be issued & agreed in the first quarter of 2014/15. No issues of major concern have been identified from our fieldwork to date.

The following audits were deferred

- Elections (ANA - Medium)
- Performance, Partnership & Research - Fair decision making process (ANA - High)




Public Health					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Housing Standards	ANA - High	Final	Good Standard	Assurance was reported in the half year report; please refer to that report for details.	
Health and Safety	ANA - Low	Final	Improvements Required	Assurance was reported in the half year report; please refer to that report for details.	
Food Safety, Health & Welfare, Licensing, & Trading Standards	ANA - Medium	Final	Fundamental Weaknesses	<p>Despite the Audit Opinion given, the Service was found to have rigorous procedures that are effectively operated by competent and knowledgeable staff. The current Local Government climate has resulted in a reduction in available resource within the service which has impacted inspection levels achieved.</p> <p>The Audit Opinion of 'Fundamental Weaknesses' is based upon the critical risk to public health, particularly in relation to the Food Safety inspection levels. Despite many food premises being inspected, the nature of this work along with work such as Licensing, Trading Standards and Health & Safety, is problematic in terms of allocating set / standard resources and time scales to tasks such as inspections.</p>	
Transfer of Public Health Service	ANA – Critical	Draft	Good Standard	<p>The Public Health Transition Project was well managed and delivered against the required milestones.</p> <p>We recommend that a comprehensive workforce planning exercise is undertaken to ensure that the public health team continue to have the right skills mix and capacity to deliver the public health programme.</p> <p>Good collaborative working was demonstrated ensuring business continuity during the transition and post transfer. Concerns around the areas of possible non-compliance regarding information governance were considered during the transition stage and we recommend that this risk be reviewed post transfer.</p> <p>The Council needs to ensure that Public Health emergency planning is fully integrated within the Council's current emergency planning policies and procedures.</p> <p>The Service does undertake preventative work, however, due to the reduction in resources this is likely to reduce, placing further pressure on</p>	



Public Health					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				the current service, as these proactive activities reduce the likelihood of future interventions being required. This poses a risk to Public Health and a secondary risk to the Council of possible legal challenge and associated reputational damage.	


The following audits are in progress of completion at year end.


- Health and Wellbeing Board (ANA - High)
- Bereavement Services (ANA - Low)
- Community Safety – Safer Communities (ANA – High)

It is anticipated that the reports will be issued & agreed in the first quarter of 2014/15. No issues of major concern have been identified from our fieldwork to date.

Place					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Business Improvement Districts	ANA - Medium	Final	Improvements Required	Assurance was reported in the half year report; please refer to that report for details.	
TOR2 Contract Monitoring	ANA - High	Final	Improvements Required	<p>The status for 2012/13 was that improvements to TOR2, both operationally and from a contract monitoring perspective, have been evident since the first audit review in 2010/11.</p> <p>The overall audit opinion for that year stated 'Improvements Required' – however, the direction of travel was one of 'improvements made', with Corporate Governance issues representing the over-riding audit concern.</p> <p>For 2013/14, audit review work is being finalised and the report is expected to continue it's 'Improvements Required' opinion. Additionally, Audit have provided a project assurance role on the Future State Board, and given assistance on various related work streams introducing more efficient processes and structures in line with required budget pressures. This role will continue into 2014/15 alongside a continued oversight of the Council's management / monitoring of the TOR2 contract.</p>	
English Riviera Tourism Company	High	Final	Good Standard	<p>During the year significant progress has been made towards further consolidating the interests of the tourism activities and industry of the Bay through the publication for the first time of a single tourist guide for the Bay.</p> <p>The on-line presence of the ERTC has also been improved through the use of a local specialist consultancy company, and visitor numbers to the Bay have held up well compared with other comparable resorts despite the economic recession and poor weather, and Torbay received excellent feedback ratings through the internationally based Trip Advisor website.</p> <p>It is presently anticipated that further cuts will be forthcoming in 2014/15 and 2015/16 that will further impact on the infrastructure of the ERTC. As a result, continued pro-active development of the existing promotional partnership programme, and other initiatives will be</p>	

Place					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				<p>required to address these on-going central funding shortfalls</p> <p>In our opinion, the Company's accounting procedures and administration remain of a high standard, with budgetary variances being closely monitored, and reported to the Finance Sub-Committee of the Board.</p>	
DVLA Non-fee Paying Audit	Client Request	Completed	Not Applicable	<p>The DVLA provide vehicle keeper details to Torbay Council Parking Services on request. However details can only be requested in specific circumstances, for example, where the PCN has not been paid and keeper details are required to progress recovery or where a PCN needs to be issued by post.</p> <p>The DVLA has a duty to protect the data it holds, and requested an audit to be undertaken to provide assurance on the release of its data to third parties. This involved the completion of an 'Annual Governance and Contract Compliance Assessment', which included providing additional detail on a sample of data requests submitted. It was completed in conjunction with Parking Services.</p>	Not applicable
South Devon Link Road	ANA - Critical	Completed	Not Applicable	Devon Audit Partnership have kept a watching brief of progress with the scheme.	Not applicable
Climate Change (CRC Scheme)	ANA - Medium	Completed	Certified	Records were found to be of a good standard and the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme certificate was issued by the deadline of 31st July 2013.	
Torbay Coast and Countryside Trust	ANA - Medium	Draft	Improvements Required	<p>The Trust's key financial constraint remains the inability to obtain adequate funding to help further develop the Trust's activities, and repay the overdraft and bank loan.</p> <p>Funding from Torbay Council may be reduced in the light of present budgetary constraints. As a result, there is an urgent need to continue to</p>	 *

Place					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				<p>further develop commercial activities, and also to continue to identify, exploit and expand opportunities for commercial partnerships and to secure further external income and capital.</p> <p>A new revised business recovery plan needs to be generated in the light of present initiatives and activities, and budgets and cash flow projections revised accordingly.</p> <p>The opportunity should also be taken to ensure that liaison with other agencies in the Bay is further developed through the establishment of an inter-agency forum to allow the pro-active discussion, development and evolution of a common 'road map' to give greater cohesion and mutual understanding of shared strategic and operational goals.</p>	
Economic Development Company - Cockington Court	ANA - High	Draft	Good Standard	<p>A Centre Director was appointed in August 2012, and progress has been made in developing and evolving Cockington Court into a viable and profitable business entity.</p> <p>A business plan was prepared for grant claim purposes, and this now needs urgently to be brought up to date in the light of current trading conditions, and future trading expectations. A revised budget also needs to be set along similar lines, linked to the revised business plan. The budget setting process should be revisited to ensure that adequate input is received from the Centre Director.</p> <p>On-going coordination and cooperation between Cockington Court and the Torbay Coast and Countryside Trust should be continued and strengthened to ensure that promotional opportunities are optimised, and that daily operational issues are swiftly and pro-actively resolved.</p> <p>The opportunity should also be taken to ensure that liaison with other agencies in the Bay is further developed through the establishment of an inter-agency forum to allow the pro-active discussion, development and evolution of a common 'road map' to give greater cohesion and mutual understanding of shared strategic and operational goals.</p>	

Place					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Parking Services	ANA - High	Draft	Improvements Required	<p>Existing procedures need to be improved, and in many cases developed, to ensure that there is a comprehensive basis for Parking Services functional activity.</p> <p>Controls do not adequately mitigate the risks identified within the report and accordingly recommendations have been made to improve controls in relation to system parameter changes, system administration, reconciliation, stock control and quality assurance processes.</p>	 *

The following audits are in progress at year end.




- TOR2 Contract Monitoring – Follow Up & Future State Mapping Project 2013/14 (ANA risk - High)
- Transport - Strategic and Operational (ANA - High)
- Tor Bay Harbour Authority (ANA - Medium)




It is anticipated that the reports will be issued & agreed in the first quarter of 2014/15. No issues of major concern have been identified from our fieldwork to date.

The following audits were deferred


- Section 106 (ANA - Medium)
- Economic Development Company 2013-14 (ANA - High)
- English Riviera Tourism Company 2013-14 (ANA - Medium)

Grants – the majority of which relate to 2012/13, but audited as part of the 2013/14 plan

Local Sustainable Transport Fund	Client Request	Completed	Certified	No issues identified	
DECC Fuel Poverty Grant	Client Request	Completed	Certified	No issues identified	
Bus Operators Grant	Client Request	Completed	Certified	No issues identified	

Children's Services					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Fostering	ANA - Medium Risk	Final	Improvements Required	Assurance was reported in the half year report; please refer to that report for details.	
Parkfield (My Place)	ANA - High Risk	Final	Fundamental Weakness	Assurance was reported in the half year report; please refer to that report for details.	
Children's Services External Contracts	ANA - High Risk	Draft	Fundamental Weakness	<p>Children's Services have a range of contracts in place with a number of managers responsible for their procuring and commissioning. Children's Services do not have one person responsible for co-coordinating contracts across the service. This has led to a fragmented approach in contracting and a lack of joined up approach to this area.</p> <p>Audit found difficulty in identifying the contracts in place due to the lack of entries in the Torbay Council Contracts Register. It is a requirement of Torbay's Financial Regulations that all contracts over £5,000 should be shown on the Register and the responsibility for ensuring that contracts are recorded lies with the Director of Children's Services.</p> <p>The main area of contract spend within Children's Services is with regard to residential and ISP contracts (total spend of £9.886m). These are dealt with by a small contracts team. A number of areas around this contracting process were found to be inadequate both in the recording of the tender process and selection of successful provider.</p> <p>Placements were not authorised by the Access to Resources Panel or other nominated officer. Most residential placements over 52 weeks cost at least £150,000. Children's Services Scheme of Delegation for Financial & Other Arrangements states "That all independent sector Placements have to go through Access to Resources Panel and that any placement over £100,000 should be agreed by Portfolio Member for Children's Services".</p> <p>Performance visits are undertaken by The Partnership but only 30% of the sample tested had been visited in the last year. The Contracts Team used to undertake regular visits to providers but this has not happened for over a year. Two new providers have received no visits apart from any that a social worker would make. Risk exists if no formal visits or</p>	 *

Children's Services

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				enquiries have been made to ascertain overall the quality of service provision and achievement of effective outcomes for the child. Financial Regulations have not been adhered to in respect of Residential and Independent Sector Placement expenditure authorisation.	
Troubled Families		Ongoing	Not Applicable	Checking and certification of periodic grant claims.	

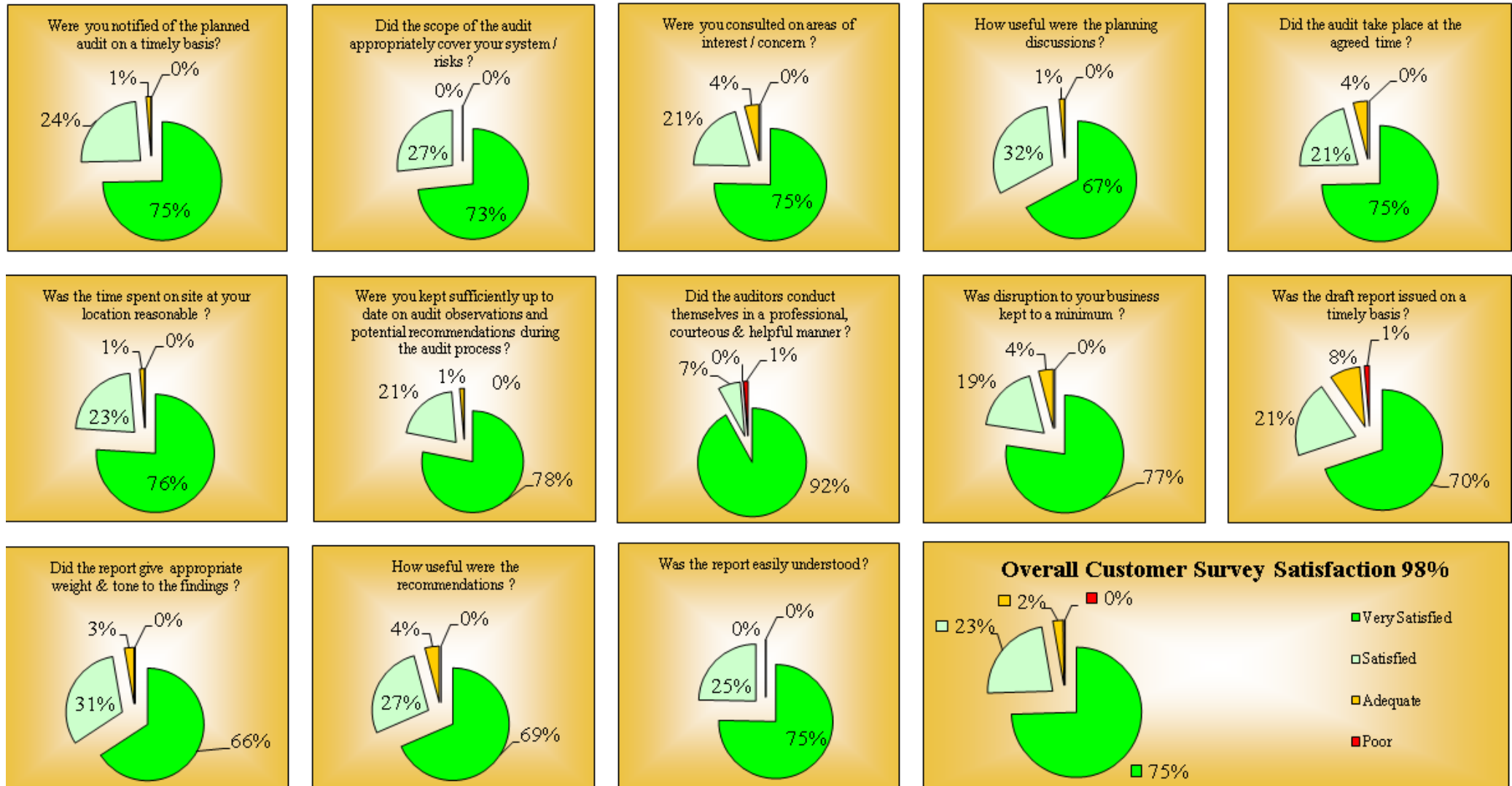
The following audits were scheduled within the original agreed plan but no longer required

- Section 17 Payments (ANA - Low)
- 3 - 5 Year Budget Strategy (ANA - High)
- Business Systems & Processes (ANA - High)
- Delegated Powers & Responsibilities (ANA - Medium)

Appendix 5 - Customer Service Excellence

Customer Survey Results April 2013 - March 2014

The charts below show a summary of 75 responses received.



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