

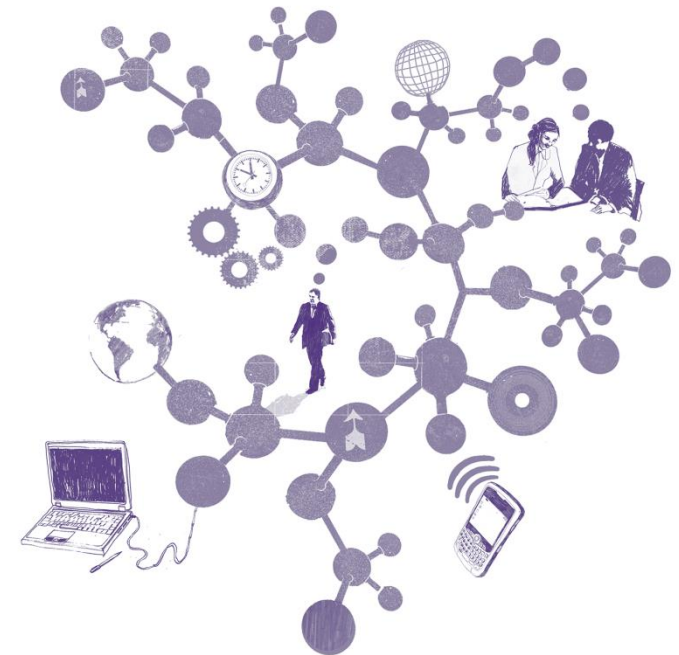
The Annual Audit Letter for Torbay Council

Year ended 31 March 2014

October 2014

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Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Torbay Council ('the Council') for the year ended 31 March 2014.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 25 June 2014 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Financial statements audit (including audit opinion)	<p>We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 24 September 2014 to the Audit Committee. The key messages reported were:</p> <ul style="list-style-type: none">• the draft accounts were produced to a high standard• the audit was facilitated by good quality working papers and prompt assistance from the finance team. <p>We issued an unqualified opinion on the Council's 2013/14 financial statements on 29 September 2014, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirmed that the financial statements gave a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.</p>
Value for Money (VfM) conclusion	<p>We also issued an unqualified VfM conclusion for 2013/14 on 29 September 2014.</p> <p>On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we were satisfied that in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.</p>

Key messages

Whole of Government Accounts (WGA)	We were not required to carry out a full review of the WGA pack as the Council fell below the threshold set by the National Audit Office (NAO). We reported that the Council's IAS19 Pensions and Property, Plant and Equipment (PPE) disclosures were consistent with the audited financial statements.
Certification of grant claims and returns	Our work on the Council's housing benefit subsidy claim is in progress and the results of the certification work will be reported in the Annual Certification Report later this year.
Audit fee	Our fee for the 2013/14 audit was £135,000, excluding VAT, which was in line with our planned fee for the year and was the same fee as in the previous year. An additional fee of £1,070 is currently being considered by the Audit Commission to account for the additional work required as part of the final accounts audit due to the Non Domestic Rates return not requiring certification in 2013/14. Further detail is included within Appendix B.

Appendix A: Key issues and recommendations

This appendix summarises the significant recommendations identified during the 2013/14 audit.

No.	Issue and recommendation	Priority	Management response/ responsible officer/ due date
1.	<p>Application of the Council's document retention policy within payroll has resulted in missing documentation relating to employees who have been in post for more than 6 years.</p> <p>Recommendation: Ensure guidance to staff is clear on the application of the document retention policy and copies of all essential documentation are retained.</p>	Medium	<p>Personnel Files are in accordance with the Councils Information Governance Retention Scheduled which has been attached. This is six years for non social care roles and twenty five years for social care roles.</p> <p>Grant Thornton have been asked for details of the sample in order that a check of these files can be undertaken to ensure compliance and will re-communicate to team members the retention policy if there is an issue. These details have been provided and the issue is being followed up by officers.</p> <p>Responsible officer: Susan Wiltshire - Service Manager HR & Payroll. Due date: Already in place</p>
2.	<p>No review of information security logs created by financial applications or Active Directory</p> <p>Recommendation: The logs relating to information security events on each system and the network should be formally reviewed for the purpose of detecting inappropriate or anomalous activity. These reviews should be performed by one or more knowledgeable individuals who are independent of the day-to-day use or administration of these systems.</p>	Medium	<p>With the resources available it is not possible to proactively examine logs for security events and to investigate any potential issues, particularly given the level of expertise required to make a valid risk assessment of each event. A protective monitoring system fully compliant with CESG's Good Practice Guide 13 has been considered but the impact of diverting limited resources away from other administration activity is seen as creating the greater risk.</p> <p>Responsible officer: Bob Clark - Executive Head -Information Services Due date: Not agreed</p>

Appendix A: Key issues and recommendations

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No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
3.	<p>The Northgate Payroll and ABS Firms systems have weak password management controls. This was first identified in our 2012/13 review and our recommendations at that time have not been implemented to date.</p> <p>Recommendation: Passwords should be a minimum of 8 characters, complex and set to renew between 30 - 60 days to ensure a robust protection against unauthorised access. The new payroll system being delivered should have robust password management embedded at implementation.</p>	Medium	<p>Payroll - We are going to re-visit the existing solution security controls especially in the light of the introduction of self service. It is anticipated that the upgrade for self service will improve security controls.</p> <p>ABS - We are pursuing two avenues here. a) the introduction of SSL and b) the introduction of single sign-on (active directory tie-in).</p> <p>Responsible officer: Bob Clark - Executive Head -Information Services Due date: 31 March 2015</p>
4.	<p>Login sessions on the network and therefore over the financially critical systems are not automatically disconnected after a period of inactivity.</p> <p>Recommendation: The active directory screensaver policy should be enabled to automatically lock the user screens after a period of inactivity after a maximum period of 15 minutes.</p>	Medium	<p>This is something we could implement to strengthen our security however most staff (to comply with IT security policy) should be locking there active session when they leave their office for meetings, etc. The issue with locking the session automatically after 15 minutes of inactivity can be annoying to our users if they are actually still at their desks working but not accessing their PC's. In this scenario we see no reason why the PC should be locked. However the security issue identified is recognised and will be referred to the Council's Senior Leadership Team with a recommendation to implement a change and I will ask PC support to look into this further and come up with other alternative recommendations.</p> <p>Responsible officer: Bob Clark - Executive Head -Information Services Due date: On-going</p>

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5.	<p>The Council have identified £12m of savings in 2014/15 and require a further £14m in 2015/16. Proposals have been out to consultation but detailed plans have yet to be developed.</p> <p>Recommendation: The Council needs to ensure that detailed savings plans are developed to support the required savings going forward. As part of this, a robust process for monitoring savings plans should be developed and action taken where slippage occurs.</p>	High	<p>The Mayor is to present budget reduction proposals to Council on 30 October 2014. As part of the Council's approach to prepare for the implementation of savings from April 2015, the Mayor has made his proposals 3 months earlier than in previous years. Officers and Members will continue ensure detailed proposals are finalised for the 2015/16 budget.</p> <p>All savings proposals will be monitored throughout the year and will form part of the regular quarterly budget monitoring process.</p> <p>Responsible officer: Paul Looby - Executive Head – Finance Due date: On-going</p>
6.	<p>The risk management arrangements introduced in 2012/13 are monitoring strategic risks but have yet to be embedded at an operational risk management level.</p> <p>Recommendation: The Council needs to work on embedding the new risk management process at the operational risk management level.</p>	High	<p>The next step in developing the new risk management process, is to make it an intrinsic part of planning and decision making, this will be done by incorporating risk issues into the Senior Leadership Teams (SLT) regular meetings and their associated work teams, the operational elements of the risk management process involves a wider group of employees as part of their day to day roles in maintaining the key controls that help mitigate risk to the Council. The intention therefore is to link the these day to day activities and bring more attention to addressing risks that require the attention of SLT.</p> <p>Responsible officer: Ann-Marie Bond – Head of Commercial and Business Services. Due date: On-going</p>

Appendix B: Reports issued and fees

We confirm below the fee charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Audit Fee	135,000	135,000
Additional fee – Business rates*		1,070
Grant certification fee**	10,605	10,605
Total fees	145,605	146,675

* There is additional fee of £1,070 in respect of work on material business rates balances. this additional work was necessary as auditors are no longer required to carry out work to certify NNDR3 claims. The additional fee is 50% of the average fee previously charged for NNDR3 certifications for unitary councils and is subject to agreement by the Audit Commission

** This work is on-going and the final fee will be notified in the Annual Certification Report later this year.

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan	June 2014
Audit Findings Report	September 2014
Certification report	December 2014
Annual Audit Letter	October 2014



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