devon **audit** partnership

Internal Audit

Annual Audit Report 2014/15

Torbay Council
Audit Committee

June 2015

CUSTOMER SERVICE EXCELLENCE
CSE

Auditing for achievement

Contents

Devon Audit Partnership	**Confidentiality and Disclosure Clause**
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 .	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 2011 set 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 2014/15 was presented to and approved by the Audit Committee in March 2014. The following report and appendices set out the background to audit service provision; reviews work undertaken in 2014/15 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 when considering the Annual Governance Statement.

Robert Hutchins
Head of Audit Partnership

Assurance Statement

Overall, and based on work performed during 2014/15 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, we can only provide limited assurance in relation to Children's Services due to the level of audit activity within this directorate.

This assurance statement will support Members in their consideration of the Annual Governance Statement see appendix 1.

Assurance over arrangements for adult social care is mainly provided by colleagues at Audit South West, the internal audit provider for Health services, who provide a separate letter of assurance.

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 2014/15 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 2014/15.

Work has been affected by notable planned changes this year where a proportion of the plan has been deferred. 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 years' 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 2014/15, core financial and administrative systems were reviewed either through specific reviews (e.g. creditors, payroll and general ledger) or generally in the reviews undertaken in respect of directorate systems.

From the internal audit work undertaken, we consider the Council's overall internal control framework operated effectively during 2014/15.

Risk Management
The Risk Management process is not yet fully embedded or disseminated to the operational risk management level.

There is still work to be done to ensure the Council is operating a fully robust risk management methodology.

ICT Continuity and Disaster Recovery require integration into the wider risk management arrangements.

Governance Arrangements
Governance arrangements have been reviewed in the areas of system implementation project management and information security.

Effective controls were found but opportunities exist to improve capacity for project delivery and information management to enhance existing governance arrangements.

The Tor Bay Harbour Authority's governance arrangements have been reviewed in relation to asset management and were operating effectively.

Economy Efficiency & Effectiveness
The TOR2 Future State Process Project was designed to deliver efficiencies, cost savings and improvements in service delivery, however this remains essentially unrealised.

Transport Strategy interworking between authorities is operating effectively.

HR / Payroll Self Service is being designed to deliver more efficient processes and improvements in service.

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 in a number of directorates 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 in Children's Services and reduces the assurance that we are able to offer in relation to this area.

The overall audit assurance will have to be considered in light of this position.
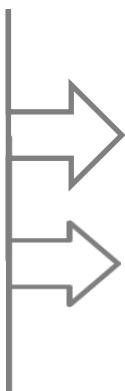
In assessing the level of assurance to be given the following have been taken into account:

- all audits completed during 2014/15, including those audits carried forward from 2013/14;

- 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.

Devon Audit Partnership

shared working across Authorities

Auditing   for   achievement

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

The consequences of change and risk
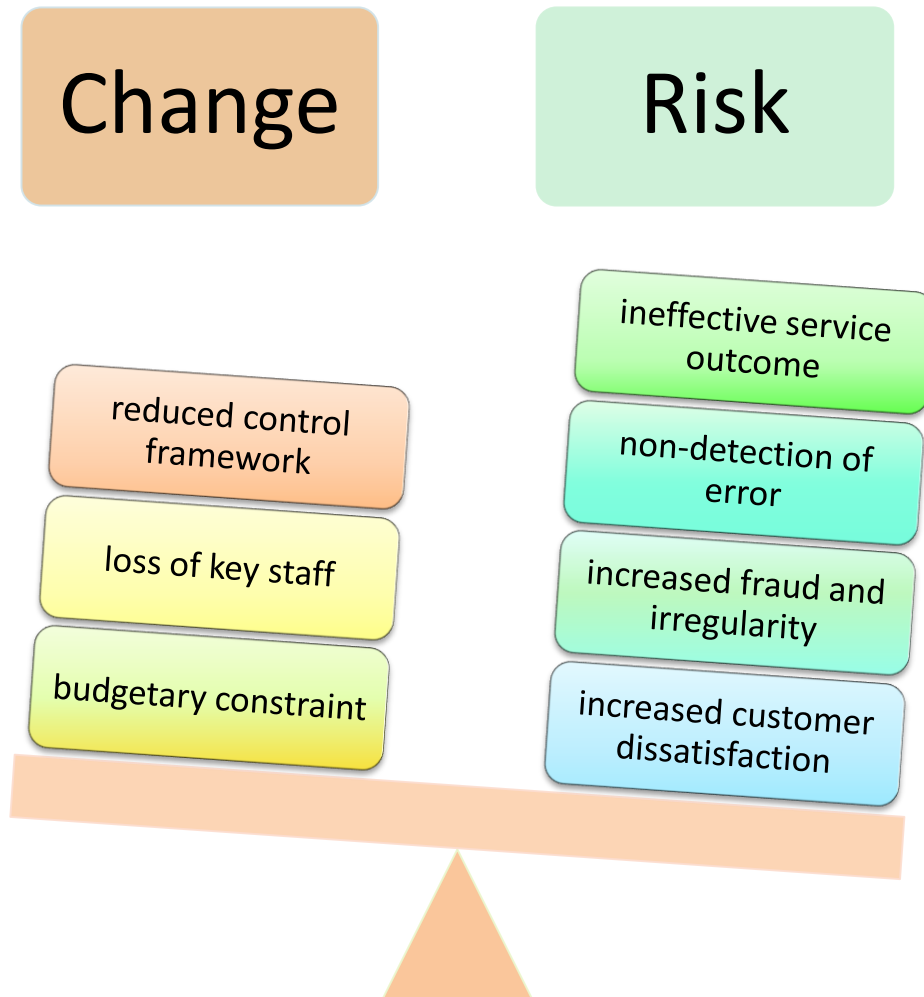
Times are changing; the expectation of the public for services provided by the public sector has never been greater; yet the money that is available for these services needs to be reduced. All public sector organisations are looking at how services can be transformed; what worked in the last decade may 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. Some key areas of change that has seen audit involvement include:

- introduction of HR / Payroll Self Service;
- developments in the Future State Project;
- developments in the risk management methodology;
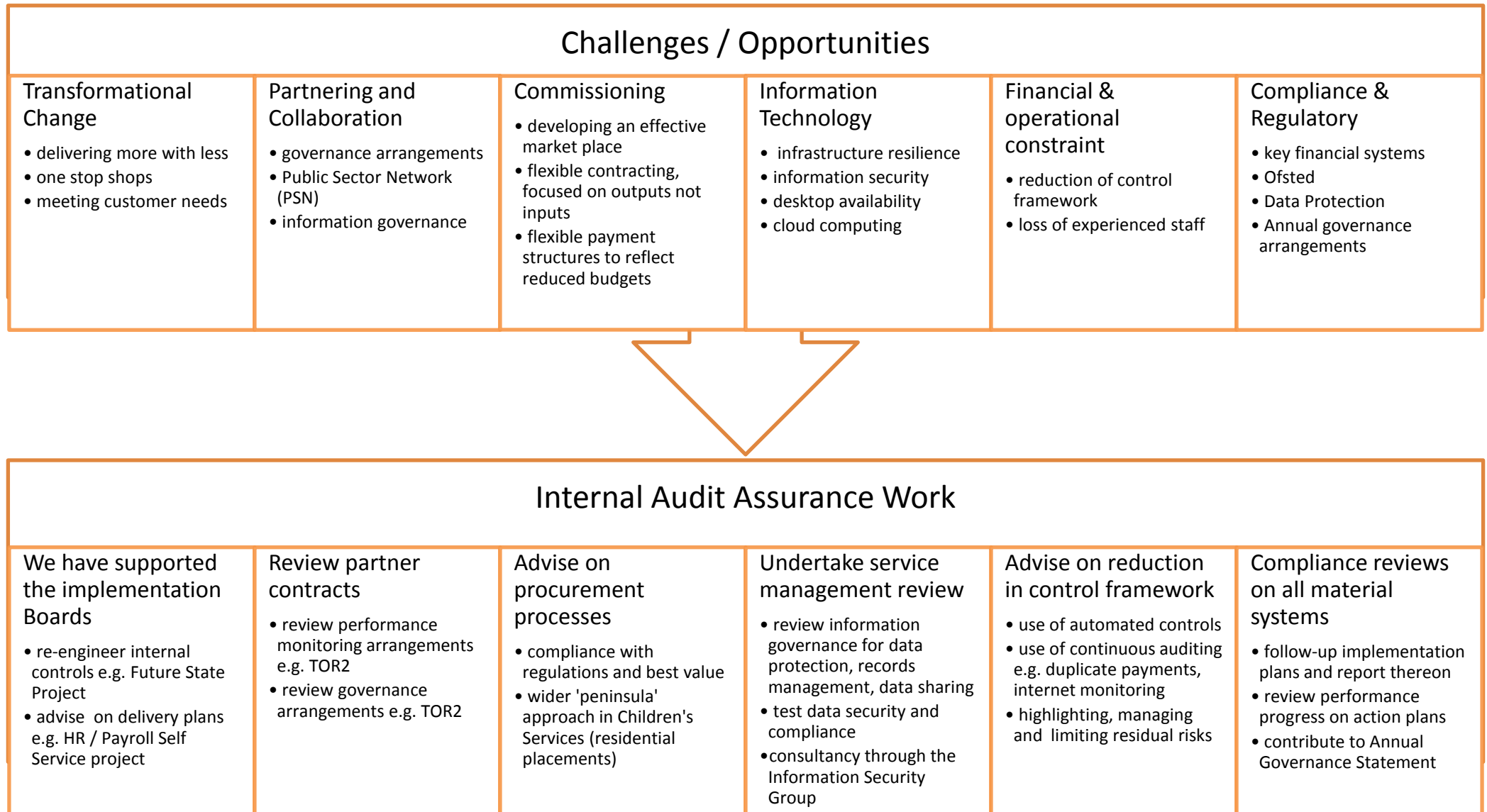- developments in information security arrangements.

Audit are able to report that in these areas the potential risks are being carefully managed so that their impact is minimised.

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. This can often lead to a reduction in the 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 changes 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.

5

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.
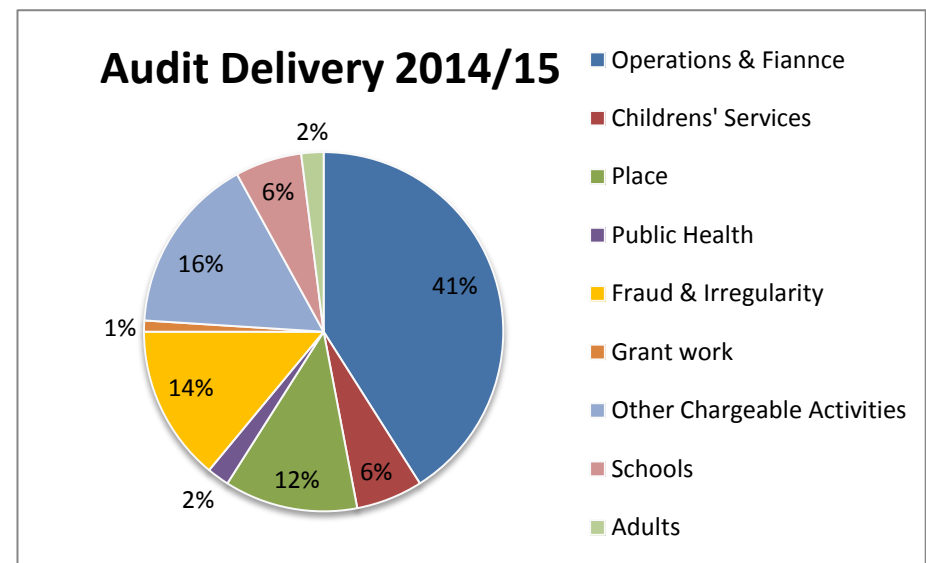
Challenges / Opportunities

Transformational Change
- delivering more with less
- one stop shops
- meeting customer needs

Partnering and Collaboration
- governance arrangements
- Public Sector Network (PSN)
- information governance

Commissioning
- developing an effective market place
- flexible contracting, focused on outputs not inputs
- flexible payment structures to reflect reduced budgets

Information Technology
- infrastructure resilience
- information security
- desktop availability
- cloud computing

Financial & operational constraint
- reduction of control framework
- loss of experienced staff

Compliance & Regulatory
- key financial systems
- Ofsted
- Data Protection
- Annual governance arrangements

Internal Audit Assurance Work

We have supported the implementation Boards
- re-engineer internal controls e.g. Future State Project
- advise on delivery plans e.g. HR / Payroll Self Service project

Review partner contracts
- review performance monitoring arrangements e.g. TOR2
- review governance arrangements e.g. TOR2

Advise on procurement processes
- compliance with regulations and best value
- wider 'peninsula' approach in Children's Services (residential placements)

Undertake service management review
- review information governance for data protection, records management, data sharing
- test data security and compliance
- consultancy through the Information Security Group

Advise on reduction in control framework
- use of automated controls
- use of continuous auditing e.g. duplicate payments, internet monitoring
- highlighting, managing and limiting residual risks

Compliance reviews on all material systems
- follow-up implementation plans and report thereon
- review performance progress on action plans
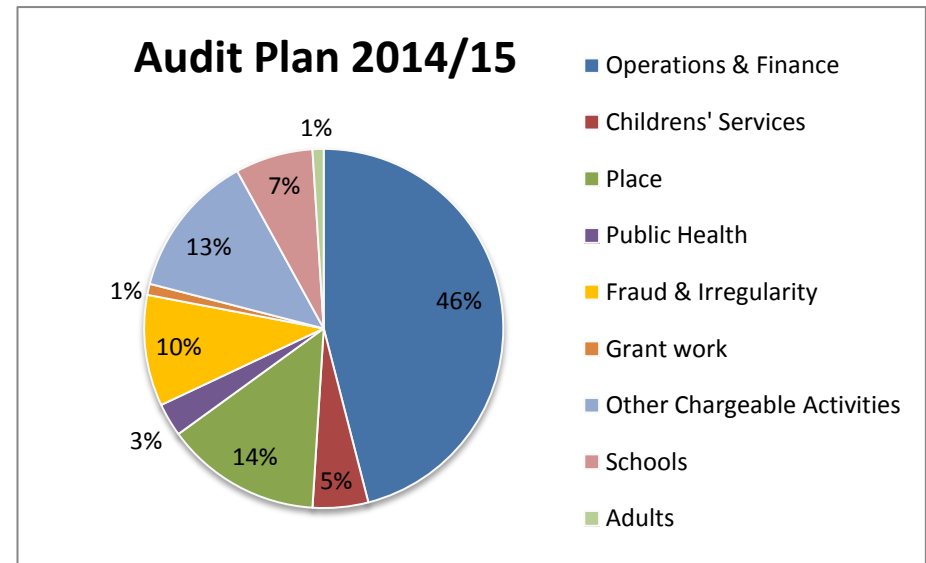- contribute to Annual Governance Statement

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 year against the revised audit plan. It will be noticed that there was a small variation 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 the year, 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.

Audit Plan 2014/15

Legend:
- Operations & Finance
- Childrens' Services
- Place
- Public Health
- Fraud & Irregularity
- Grant work
- Other Chargeable Activities
- Schools
- Adults

Values: 46%, 5%, 14%, 3%, 10%, 1%, 13%, 7%, 1%

Audit Delivery 2014/15

Legend:
- Operations & Fiannce
- Childrens' Services
- Place
- Public Health
- Fraud & Irregularity
- Grant work
- Other Chargeable Activities
- Schools
- Adults

Values: 41%, 6%, 12%, 2%, 14%, 1%, 16%, 6%, 2%

Customer Value

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 2014. 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 November 2014.

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 2014.

Performance Indicators

Overall, performance against the indicators has been good with improvements made in some of the indicators on the previous year (see appendix 3). We are aware that some of our draft were not issued to the customer within the agreed timeframes (15 working days for draft report). We have identified areas where performance has been low, 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 99% 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.

Added Value

We have had some very complimentary feedback some of the specific examples of where our team have been able to add value to the Council include:-

- *'This supported the service to know how embedded the practice is'.*
- *'The audit highlights areas for improvement which will increase our efficiency and reduce reputational and financial risks'.*
- *'The whole audit process makes you stop and review your procedures, which is a good thing …. my experience is always positive as I find staff both professional and friendly.'*
- *'the auditor offered appropriate solutions to ensure that actions required accurately reflected requirements'.*
- *'gave confidence that system output was correct'*

**Analysis of Customer Survey Results
April 2014 - March 2015**

- Very Satisfied
- Satisfied
- Adequate
- Poor

78%
21%
1%
0%
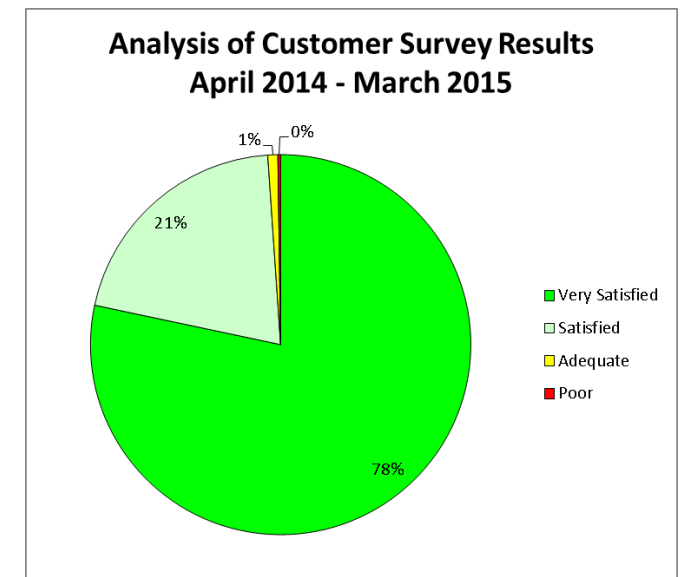
Value Added

Our internal audit activity has added value to the organisation and its stakeholders by:-
- providing objective and relevant assurance
- contributing to the effectiveness and efficiency of the governance, risk management and internal control processes

Senior Management has found our engagement, support as a "trusted advisor" effective and constructive in these significantly changing times.

Operations and Finance

- ongoing involvement in Payroll system implementation projects ensuring that control issues are highlighted and resolved before implementation;
- facilitation of ICT Continuity & Disaster Recovery integration into the risk management methodology;
- ongoing involvement as an advisory member of the Information Security Group;
- exploration of changes in relation to the Troubled Families programme which will be used to assist our clients in the transition to the new arrangements.

Place

- ongoing involvement in the Future State Project and changes to TOR2 contract monitoring arrangements ensuring that control issues are highlighted and resolved before implementation;
- previous consultancy work in relation to commercial development of TCCT, coordination with the TDA and synergies with other agencies;
- the development and annual review of the Tor Bay Harbour Authority Five Year Rolling Audit Plan and related assistance to the Executive Head in supporting the Harbour Committee;

Adults

- decommissioning of Supporting People Services;
- the transition to the periodical payment method for payments to Supporting People clients;
- the development of future years audit plans to cover new and emerging risk.

Public Health

- benchmarking fee comparison for Bereavement Services;
- risk / benefit analysis of the transfer of responsibilities of high risk Domestic Abuse from Safer Communities, and analysis of the resource / cost drivers affecting Domestic Homicide Reviews;
- facilitation of ICT Continuity & Disaster Recovery integration into the Risk Management methodology, and the associated links to the overall Emergency Planning & Disaster Recovery arrangements;
- identifying improvement opportunity in relation to consultations linked to further Public Health commissioning reviews.

Children's Services

- notification to the client of the requirement for certification of the Adoption Reform grant as a result of partnership working;
- exploration of changes in relation to the Troubled Families programme which will be used to assist our clients in the transition to the new arrangements;
- assistance in maintaining the impetus in management action plans to address previously identified risks through an annual and robust follow up exercise;
- the development of the current year and future years audit plans to incorporate flexibility to meet changing and developing business demands and to cover existing, and new or emerging risks.

Schools

Our support has helped all schools comply with the schools financial value standard with all schools completing their self-assessment this year.

Internal audit coverage and results

In our opinion, and based upon our audit work completed during 2014/15, and as trusted advisor for on-going projects, we are able to report that internal controls continue to operate effectively in the majority of the directorates and where recommendations for improvements have been made, action plans have been agreed with management.

We can only provide limited assurance at this time in relation to Children's Services due to the level of audit work undertaken within this directorate area.

No significant concerns have been identified from our work including that on grants and management have responded positively to any recommendations for improvement. The Appendix 1 details the assurance opinions for individual audits for which definitions of the assurance opinion ratings are given in Appendix 2.

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.

Our ICT Audit work has been received positively with the majority of areas reviewed providing good levels of assurance; the exception being in relation to ICT Continuity & Disaster Recovery where the need to integrate this with the Risk Management methodology has delayed the implementation of the required improvements. Internal Audit resources will support Information Services (ICT) and Commercial & Business Services in progressing and implementing an integrated approach.

Place

The Place directorate incorporates other entities in terms of the Torbay Development Agency (TDA), the English Riviera Tourism Company (ERTC), Torbay Coast and Countryside Trust (TCCT) and TOR2.

Our work in relation to these entities was deferred, and hence this report only records the change of status to 'final' of the previous work and the outcome of our follow up work and ongoing involvement in relation to TOR2 Contract Monitoring and the Future State Project.

In relation to TOR2 and the Future State Project, we have highlighted the need to focus on managing the risks arising as a result of changes to the project to ensure service provision is maintained.

Previously highlighted risks in relation to TCCT finalising a revised business plan in light of changing financial constraints and in its service level arrangements and links with TDA have been reduced as a result of the progress made in implementing our recommendations.

The Tor Bay Harbour Authority's five year rolling audit programme agreed by the Harbour Committee ensures that all risk areas are examined on a cyclical basis; the most recent audit of asset management identified weaknesses in arrangements with the TDA.

Public Health

The Public Health directorate incorporates both the Public Health functions and those for Community Safety.

Our Community Safety work is complete with both areas examined requiring improvement in the control framework; management have responded positively to our work which in addition to control framework assessment included 'added value' elements involving benchmarking and risk / benefit analysis.

Our Public Health work includes the change of status to 'final' of the previous work on the Transfer of Public Health and the follow up of this transition. As detailed in Appendix 1, were able to provide overall audit opinions of 'Good Standard' in relation to these key areas.

Adults

The Adults Directorate incorporates both the Joint Commissioning Team functions and those functions provided and audited by the NHS Trust Provider. Assurance over arrangements for adult social care is mainly provided by colleagues at Audit South West, the internal audit provider for Health services. Devon Audit Partnership provides support and internal audit input on key areas as agreed with the Director of Adults.

Our work to date has involved examination of the Supporting People function and the related decommissioning due to be budget reductions. As detailed in Appendix 1, we were able to provide an overall 'Good Standard' audit opinion in relation to the operation of this function.

Our planned Adults audit work is complete for 2014/15, and we have worked with management to prepare an audit plan for 2015/16 that addresses new and emerging risks.

Children's Services

We can only provide limited assurance at this time due to the majority of work in Children's Services in the last two years being deferred until future years. We can, however, comment that based upon our audit work completed during 2014/15 and based on earlier year's work that the framework of control remains in operation, and where recommendations have been made, action plans have been agreed with management.

The Children's Services directorate incorporates both the Safeguarding & Wellbeing functions and those for Schools.

Our work has involved examination of the Early Years arrangements and the Intensive Family Support Service functions. As detailed in Appendix 1, we are able to provide overall audit opinions of 'Good Standard' and higher in relation to these functions.

Schools

The overall assurance from schools audit is of good standard. The risk and control framework is of a good standard although there is some non-compliance or poor practice in a small number of schools on governance and use of resources to achieve school improvement. Detailed assurance is provided under a separate report, and also summarised in Appendix 1 to this report.

There are risks exposed in key areas which reduce overall assurance. The key matters arising from the audits are the:

- understanding of financial management by governors and skills assessment as evidenced by the requirements of the Standard
- ensuring plans for raising standards and attainment have been fully costed and sufficient budget has been identified and allocated to deliver those plans; and,
- absence of financial benchmarking.

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

Fraud Prevention and Detection

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 major national data matching exercise (National Fraud Initiative – NFI) every two years, with additionally data matching for Council Tax Single Person Discount (SPDs) and Rising 18's, now required annually. Data for the 2014/15 NFI exercise was provided, and the subsequent matching reports were disseminated in January 2015. Devon Audit Partnership (DAP) have now advised all relevant managers, and will assist departments in undertaking reviews of matches as appropriate through 2015. DAP continue to undertake the annual 'Protecting the Public Purse', Fraud and Corruption survey, which feeds into a national overview of fraud within public bodies.

Additionally, in 2014, the Council Tax team engaged the services of Datatank, for the review of Council Tax SPD awards. The annual review / audit report of the Council Tax and NDR teams, has historically reported a previous lack of appropriate review action in this area, and this engagement with Datatank, and the results including the cancelling of SPD awards to the value of £256K this year alone, has gone a significant way in redressing this audit issue.

Proactive anti-fraud work regarding Blue Badge Fraud has begun with initial meetings between relevant Council Departments, Torbay and Southern Devon Health & Care NHS Trust, and DAP. Following these, a strategy is being developed to facilitate future operational Blue Badge anti-fraud work.

Additionally, DAP has continued to undertake a six monthly monitoring of staff internet use, to identify any access attempts to websites deemed inappropriate by the Council's Internet Policy. Three Fraud bulletins have been produced and published on DAP's website.

Irregularities - During 2014/15, Internal Audit has carried out or assisted in 12 new investigations across the Council. Analysis of the types of the investigations and the number undertaken shows the following:-

Issue	Total
Employee Conduct	6
Financial Irregularity	2
IT Misuse	3
Misuse of Council Assets / Facilities	1

As can be seen from above, Audit have continued to investigate suspected IT misuse, assisting HR in the review of inappropriate e-mails being sent and excessive use of internet during working hours by officers.   Any evidence of these was sent to HR or the relevant department. In addition, reviews of e-mails have taken place as part of investigations into employee conduct, in particular where an officer was still working for his previous employer having commenced work at the Council, without agreement.

An investigation was undertaken in conjunction with HR, against staff alleged to have carried out private work during Council time. Allegations were not proven. Financial irregularity identified relating to a Council contractor. The matter has been resolved and a small additional charge invoiced to the contractor.

Audit were appointed the Investigation Officer as part of a Stage 2 complaint regarding the lack of response by a Council officer to allegations made by members of the public. A report was provided to management and the complainant.

Additionally, a number of significant 2013/14 irregularities were concluded in 14/15, notably, involvement of a senior manager in relation to inappropriate payments, which was jointly investigated with HR, and an allegation regarding inappropriate management of a school.

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
- o the Authority's policies have been complied with in practice;
- o high quality services are delivered efficiently and effectively;
- o ethical standards are met;
- o laws and regulations are complied with;
- o processes are adhered to;
- o 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 Mayor;
- 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;
  - o The Authority;
  - o Audit Committee;
  - o Risk Management;
  - o Internal Audit
  - o 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.

Corporate Risk Management framework and Reporting

Internal Audit Assurance on the internal control framework

Annual Governance Framework

Executive and Service Director Review and Assurance

External Audit and Other Assurance Reports
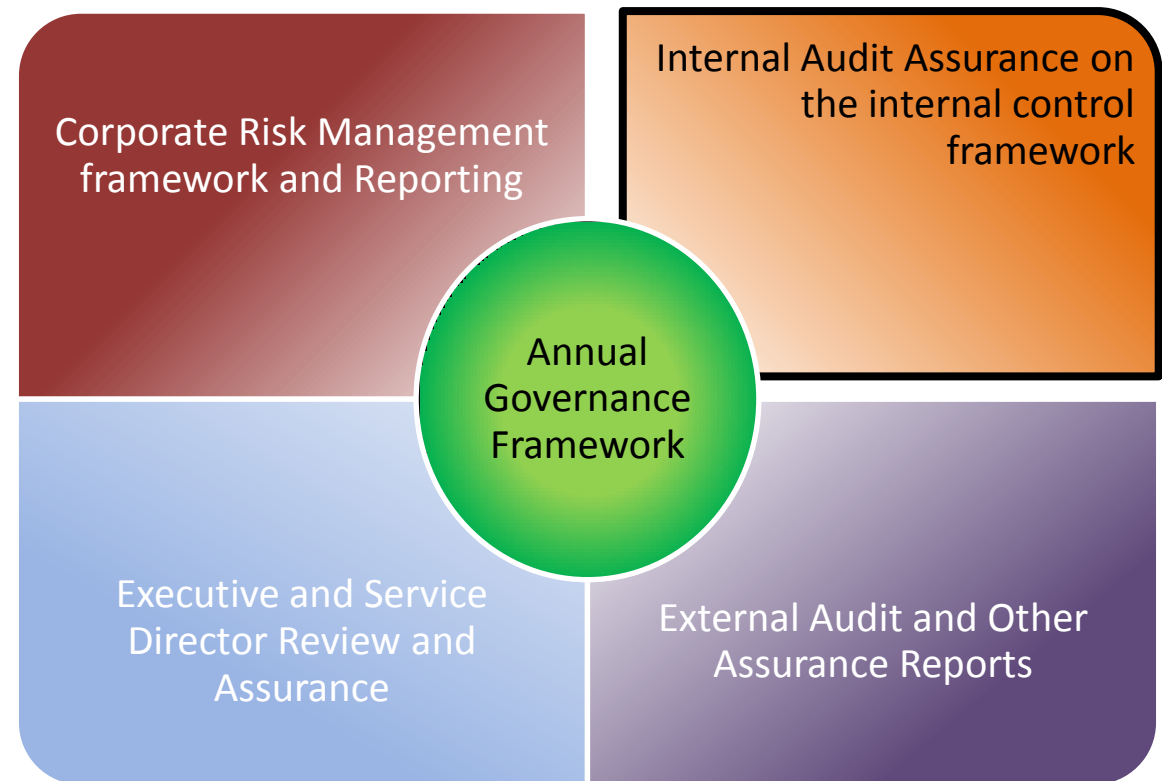
The AGS needs to be presented to, and considered by the Audit Committee.

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 2014/15 was built from this assessment.

Audit Universe

Transformat-ional Change

Governance

Audit Needs Assessment

Risk Management Framework

Directorate key objectives

Core Assurance

Key Financial Systems

Fraud & Corruption
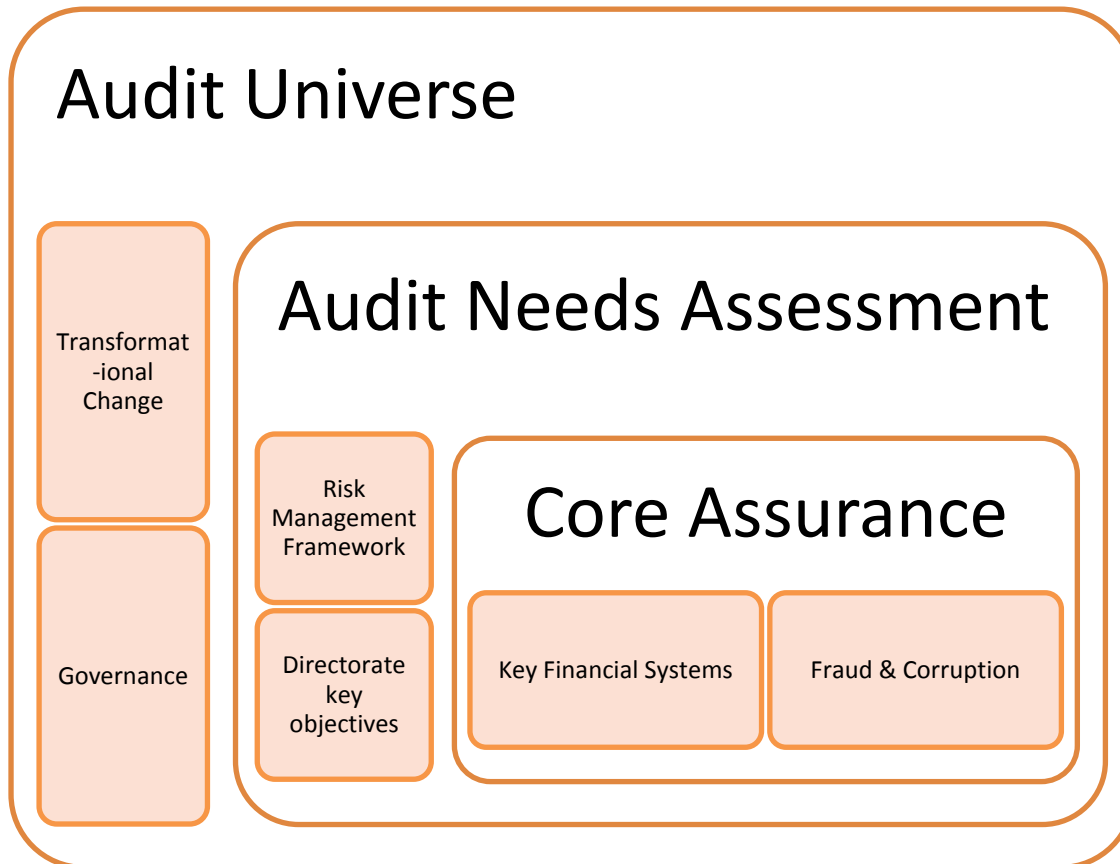
The audit plan for 2014/15 plan has been created by:

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, programmes, 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 monitors the following Local Performance Indicators LPI's:

Local Performance Indicator (LPI)	2013/14	2013/14	2014/15	2014/15
	Target	Actual	Target	Actual
Percentage of Audit plan Commenced (Inc. Schools)	100%	100%	100%	100%
Percentage of Audit plan Completed (Inc. Schools)	93%	90.4%	93%	91.7%
Actual Audit Days as percentage of planned (Inc. Schools)	95%	105.9%	95%	99%
Percentage of fundamental / material systems reviewed annually	100%	100%	100%	100%
Percentage of chargeable time	65%	69.3%	65%	67.8%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	98%	90%	99%
Draft Reports produced within target number of days (currently 15 days)	90%	83.2%	90%	77.7%
Final reports produced within target number of days (currently 10 days)	90%	88.6%	90%	96.6%
Average level of sickness absence (DAP as a whole)	2%	3%	2%	5.5%
Percentage of staff turnover (DAP as a whole)	5%	3%	5%	16.6%
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 reports were not issued to the customer within the agreed timeframes (15 working days for draft 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 & FINANCE

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Material Systems					
Northgate Self Service	ANA – Critical	Ongoing	N/A	Project QA role provided during 14/15 in line with project requirements. This will continue into 15/16 to align with project timescales.	N/A
Main Accounting System	ANA - Medium	Final	Good Standard	Assurance was reported in the 2013-14 annual report; please refer to that report for details	⬆G
Benefits	ANA - Medium	Final	Good Standard	The benefits department is generally performing effectively. Our sample testing identified only one error in relation to the processing of benefit / support claims and change notifications, and this was deemed to be as a result of a one-off error, rather than being symptomatic of underlying issues such as poorly trained staff, weak quality control, etc. Performance in terms of processing speed has deteriorated this year, however, we understand that remedial action will be taken in this regard. Specific testing of overpayment recovery did not identify any significant issues, however management were not able to provide evidence that write-offs were properly authorised in line with Financial Regulations during the first three quarters of the year. As was the case last year, the Quality Assurance process is generally robust; and benefit payments themselves are well controlled.	⬆G

OPERATIONS & FINANCE

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Bank Reconciliation	ANA - Medium	Final	Good Standard	Bank reconciliation processes for Torbay accounts are robust and effective; only minor issues have been identified in relation to timelines, and retention of supporting records. Reconciliation practices are supported by effective system controls and comprehensive procedure documents. Previous issues identified with the reconciliation of school bank account information in SIMS to FIMS GL have now been fully resolved resulting in accurate reconciliation for 2013/14. Risks remain in relation to the lack of segregation of duty within the FIMS Sys Admin team.	G ⬆
Debtors	ANA - Medium	Final	Good Standard	The Debtors system is well managed centrally and users are adequately supported by comprehensive procedures and the provision of training. Debtors processes are operating effectively within a sufficiently sound overall control environment with most processes working as expected and as required by the organisation. Certain elements of the debtor process cannot be controlled centrally or are not controlled through system settings / restrictions and therefore reliance is placed on users to comply with procedural expectations. Limited central resources prevent the enforcement of compliance; hence the annual audit highlights incidents of non-compliance. Management continue to accept the risks of not taking action to address control weaknesses and non-compliance issues identified, due to the presence of mitigating controls and for customer service / business practicality reasons. The need for increased reporting and monitoring at senior management / member level in the current economic climate continues to be reported.	G ⬆

OPERATIONS & FINANCE

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Payroll	ANA - Critical	Final	Good Standard	We are pleased to report that the assurance opinion has improved to 'Good Standard'. This is partly due to the cyclical nature of our work, resulting in a smaller audit programme and hence fewer recommendations; but also due to continuing progress in addressing prior year issues. This is against a backdrop of there being a significant amount of departmental resource being devoted to the new system implementation project during the 2013-14 year. Issues that remain include the outstanding Business Continuity Plan, the efficiency of the current method for recovering salary overpayments, and the Authority's leavers' process as leavers themselves are not required to be involved in any stage of the process before being terminated in the system. Only a small number of minor issues were identified this year in terms of the accuracy of data entry, and all system amendments tested were found to have been appropriately authorised.	G ⬆
FIMS System Administration	ANA - High	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. Minor recommendations have been made regarding the existing arrangements for access management and the retention of data in relation to testing system 'fixes'. A fundamental weakness remains in relation to the lack of full segregation of duty between the system administration and finance roles; this is reported annually and the associated risks accepted by management due to operational need and the presence of mitigating controls.	G ⬆

OPERATIONS & FINANCE

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Council Tax & NDR	ANA - medium	Final	Improvements Required	The team have continued to maintain accuracy and control over property valuations with amendments to billing adequately supported. Despite the previous establishment of processes, the review and confirmation of the ongoing appropriateness of bill reductions is not consistent or undertaken at a regular frequency, resulting in a risk of unnecessary loss of income. Recommendations have been made to properly embed the new processes, to complete on-going development of procedural documentation, and to make further enhancements to existing processes and controls.	G ↑
Purchase Order Processing (POP)	ANA – Medium	Final	Good Standard	The ordering functionality within POP is effective and provides the majority of the expected controls of an electronic ordering system including robust authorisation controls. It provides for accurate recording of all the key information and the automated transfer and reversal of commitment data to the general ledger. Weaknesses continue to exist in the goods receipting functionality, however steps have been taken and continue to be developed to establish mitigating processes, and the residual associated risks continue to be accepted by management. Previous recommendations remain outstanding in relation to paying invoices relating to block orders, and the continued use of the approved item database.	G ↑
Payroll – System Procurement and Implementation	ANA - Critical	Final	Improvements Required	The project to implement the new payroll system failed as a result of a variety of factors; the purpose of this report is to collate and record them to inform the revised projects works. The procurement followed met the legislative requirements and also internal requirements in terms of Financial Regulations and Standing Orders, and the Procurement Cycle. The project broadly followed the Prince 2 methodology in relation to project management; however failings in individual elements along with Supplier issues led to a decision to cease the project and terminate contract arrangements with the Supplier.	↗

OPERATIONS & FINANCE

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	**Assurance Opinion**	**Executive Summary**	
Corporate Debt	ANA - High	Final	Improvements Required	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. Regulatory requirements are being met, but areas of best practice including the maintenance of comprehensive procedures, use of quality control and exception reporting, and performance reporting could be improved. A recovery timetable is established and there are effective processes for identifying accounts in arrears, however issues have been identified in relation to suppressing recovery action, consistency in recovery practices and monitoring of cases with Enforcement Agents, leading to an overall risk of debt becoming unrecoverable.	⬆G
IBS Open System Admin	ANA - High	Final	Good Standard	As previously reported, progress continues to be made in improving the system management arrangements for the Open Revenues system. The system has been kept current and fit for purpose and the established control environment has been maintained. There remain some outstanding recommendations from the previous audit and these should now be prioritised to ensure that the impetus in resolving the residual control weaknesses is sustained. It remains that in some instances, due to operational need, management have accepted risks associated with certain recommendations. Weaknesses remain in relation to the management of access rights, the retention of the system audit trail, and the maintenance of regular reconciliations. The Business Continuity Plan is not current and there has been an increase in system down time, due to the current IT hardware, which is affecting service delivery.	⬆G

OPERATIONS & FINANCE

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Purchasing Cards	ANA - Low	Final	Good Standard	The administration of purchase cards is well managed and card holders are supported with comprehensive published procedures. The central processing practices are robust and a high degree of accuracy is achieved. Weaknesses have been identified in relation to card holders not following procedures leading to a risk of inappropriate or unauthorised expenditure via purchase cards.	G
Asset Register	ANA - Medium	Draft	Good Standard	The Council's non-current assets are generally managed in accordance with legislation, policies and procedures and related financial data is accurately recorded in the ledger. However, it was noted that for 2013/14, the protocol for authorising the updating of revaluations was not strictly adhered to. New assets are identified and classified correctly and accurately recorded on the Asset register, and the existence of assets could be substantiated. Revaluations are timely, are undertaken in line with the rolling asset revaluation programme, and are in the main accurately reflected in TOAD. It was noted that updating TOAD with revaluation data was delayed due to the implementation of the new RAM system. Asset disposals were found to be authorised in line with Financial Regulations, correctly accounted for and removed from the asset register. Asset register functionality is fully compliant with IFRS and its reporting requirements, and as a result, previously reported issues related to this have now been resolved. However, procedures for locally updating, checking and reconciling RAM are yet to be written; although it is acknowledged that the Finance team has been embedding local processes since the introduction of the system, and once these are fully determined, the procedures for future use can be written.	G *

OPERATIONS & FINANCE

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Creditors	ANA - High	Draft	Improvements Required	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 note that during 2014-15, procedures were being constantly reviewed / developed with aim of improving and stream lining them. 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. Weaknesses also 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 still a work in progress.	*
Income Collection	ANA - Medium	Draft	Good Standard	The Income Collection team continues to maintain effective procedures and systems for receiving, recording, allocating and processing income. 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. The control weaknesses identified mainly 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, including meeting Health & Safety expectations, lack of personal safety devices and the already acknowledged risks in relation to segregation of duty.	*

OPERATIONS & FINANCE

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Crisis Support Follow-up	ANA - Low	Draft	Improvements Required	Satisfactory progress against some recommendations has taken place. We note that a number of recommendations remain to be completed. Timescales for these recommendations have slipped due to other higher priority commitments and reduced resources.	G *

The following audits are currently in progress:
- Main Accounting System (ANA – Medium)
- Debtors (ANA – High)
- POP (Electronic Ordering) (ANA – Medium)
- Bank Reconciliation (ANA – Medium)
- Treasury Management (ANA – Low)
- Payroll (ANA – Critical)

- Benefits (ANA – Medium)
- Council Tax & NDR (ANA – Medium)

It is anticipated that the reports will be issued & agreed in the first quarter of 2015/16. No issues of major concern have been identified from our fieldwork to date.

The following audits have either been cancelled or deferred until 2015-16
- Council Tax Support Scheme (ANA – Low – Client Request)
- Capital Programme (ANA – Medium)

Grants

Highways Capital Funding x 4	Client Request	Completed	Certified	No issues identified	G
Adoption Reform	Client Request	Completed	Certified	No issues identified	G
Troubled Families x4	Client Request	Completed	Certified	No issued identified	G
Wave 7 Aspiring Heads	Client Request	Completed	Certified	A number of issues identified, however only a 'limited assurance' opinion was required, and evidence presented was deemed to be sufficient for this to be provided.	G

OPERATIONS & FINANCE

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
IT Audit					
IT Asset Management	ANA - Critical	Final	Good Standard	Assurance was reported in the half year report; please refer to that report for details.	
Website Content Management	ANA - Low	Final	Good Standard	There are examples of good practice in the management arrangements surrounding the delivery of the Council's website including the publishing and management of content, policy and procedural guidance and training material with a large number of staff trained in the upkeep of the content. However, it appears that organisational shrinkage is impacting the ability to maintain the web content, much of which had not been subject to review and is considered out of date. Although the overall opinion is 'Good Standard', the issues identified regarding content being out of date will potentially increase and so the risk will grow. Resource reductions may impact on the services ability to make satisfactory progress with their planned work programme. To date this has adversely affected the commencement of the CMS evaluation due to conflicting work priorities. Open source CMS systems offer operation and security benefits.	
Social Networking and Media	ANA - Low	Final	Good Standard	There are examples of good practice in the management arrangements surrounding the use of social media which is supported by a good level of policy and procedural guidance and training material. Some monitoring is undertaken of social media content to establish compliance with expected practice and industry related legislation. Social media content is subject to monitoring by the Public Access Channel (PACS) Team; there are opportunities for improvement in : - monitoring use against traditional methods to target areas; - potential for financial saving through a continuing reduction in costly customer engagements e.g. a SOCITIM identified reduction in telephony through on-line transacting via social media.	

OPERATIONS & FINANCE

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
ICT Continuity & Disaster Recovery	ANA - High	Final	Improvements Required	Progress against the agreed recommendations has not been undertaken as originally expected, however there is some integration work required with the revised Risk Management methodology and therefore delays have in part been linked to the further development and integration of Risk Management into the SLT framework. A number of the agreed actions have not yet taken place and therefore the level of risk has not been reduced. The relevant Executive Heads have scheduled a meeting with Audit to facilitate progression of the recommendations.	
Telephony & Voice	ANA - Medium	Final	High Standard	The controls in place in relation to the Council's telephony network have both a strategic and operational perspective. They are robust and provide the organisation with a sound control framework. As with many areas further investment into IT would greatly increase the entire control framework and the overall resiliency.	
Mobile Device Management	ANA - Critical	Draft	Good Standard	We found a very good level of control to be in place with effective controls in most areas and particularly in respect of policies and procedures, and protective monitoring. Similarly, security arrangements both over the devices and their connections to the Council's network are generally sound although we have identified potential weaknesses when mobile devices are connected to non-Council Wi-Fi networks. The Council's PSN Customer Certificate has expired. Although it is understood that there is no imminent risk of disconnection from services, it is important that the measures required to secure a Certificate in 2015 are effectively planned to ensure success.	
Information Security Group	Client Request	Ongoing	Not Applicable	Support continues to be provided in the form of attendance and active participation in the Information Security Group, including involvement in the End User Computing policy and PCI compliance. Work continues at the request of the client in terms of meeting attendance and active participation in arising associated activities including involvement in the group's work on emerging issues.	Not applicable

OPERATIONS & FINANCE

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report				Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary		
Harbour Mooring system Replacement *	ANA-Medium	Deferred	Improvements Required	The existing system is now in need of replacement to enable more effective control on an expanding area of business and to provide an effective interface with the main accounting system for debt recovery. Interim arrangements have been made to the client's satisfaction as a one-off operation. The project for development of an in-house package by ICT has been suspended as it does not meet client needs. Development processes will be further reviewed in next year's audit plan.		*
Database Administration	ANA-High	Deferred	N/A	Database administration is completed on an ongoing basis by ICT however they have few tools available for effective monitoring of the system. Audit facilitated presentation of a sophisticated monitoring tool from an external supplier with opportunity for continuous database audit. ICT considered that although beneficial the package cost was prohibitive at this time and are considering other opportunities for in-house monitoring.		
File Storage *	ANA-High	Draft	Improvements Required	There are some sound arrangements in terms of support contracts and the taking of backups; however, we identified issues around the reliability of backups when used to restore whole systems. We also found that business areas are not engaging effectively with the business continuity planning process and, consequently, IT Services are unable to plan as effectively as would otherwise be the case. The disaster recovery contract expires imminently. It is essential that ample opportunity is included to test the effectiveness of the contracted provision and to re-test if necessary. The Council does not currently monitor the capacity and performance of the file storage systems and its approach to their management is reactive rather than proactive.		*

The following audits are currently in progress.

- Change Management – follow-up (ANA – High)

It is anticipated that the reports will be issued & agreed in the first quarter of 2015/16. No issues of major concern have been identified from our fieldwork to date.

OPERATIONS & FINANCE

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
The following audits have been cancelled or deferred to 2015-16 at the request of the client largely because of change of need through timing: - Service Strategy (ANA – High), Thin Client (ANA – High), Channel Shift (ANA – High), Corporate Printing (ANA – Medium), Corporate Information Management (ANA – High), Information Security (Data Protection) (ANA – High), Public Health Data Transfer including N3 (ANA – High)					
Other					
Democratic Representation and Management	ANA - Medium	Final	Good Standard	Assurance was reported in the 2013-14 annual report; please refer to that report for details	
The following audits are currently in progress. • Human Resources (ANA – High) • Procurement - Compliance with Statutory & Council Regulations (ANA - High) It is anticipated that the reports will be issued & agreed in the first quarter of 2015/16. No issues of major concern have been identified from our fieldwork to date.					
The following audits have been cancelled or deferred to 2015-16 at the request of the client: - Demand Management including Financial Planning (LARR – Strategic Risk) - Disposal of assets linked to CCRP/ORP (ANA - High) - Fair Decision Making (LARR – Strategic Risk) - Business Change (ANA – High)					

PLACE

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Place					
Torbay Coast and Countryside Trust	ANA - Medium	Final	Good Standard	Assurance was reported in the 2013-14 annual report; please refer to that report for details.	🡅 G
Torbay Development Agency - Cockington Court	ANA - High	Final	Good Standard	Assurance was reported in the 2013-14 annual report; please refer to that report for details.	🡅 G
Parking Services	ANA - High	Final	Improvements Required	Assurance was reported in the 2013-14 annual report; please refer to that report for details.	🡕 A
TOR2 Contract Monitoring	ANA - High	Final	Improvements Required	The overall audit opinion remains as 'Improvements Required', but the direction of travel has continued upwards i.e. improvements made. However, Corporate Governance continues to present an ongoing risk which impacts on the overall audit opinion. The lack of completion and delivery of the Annual Report and Annual Business Plan, in accordance with the requirements of the Schedules, remains an ongoing concern. Additionally, the updating of the Risk Matrix, and a Business Continuity Plan in the event of TOR2 going out of business, are yet to be provided. Contract monitoring arrangements at operational level have improved considerably since the start of the contract with some previously reported issues close to resolution, however new issues have also been identified, and some existing IT issues remained outstanding. This report has also identified new risks presented by the changes which the Future State Project brought from April 2014. The introduction of these risks provided new challenges to ensure that service provision is maintained within an environment of reduced budget, staff changes, and process / system changes. Focus on managing these risks proactively should prevent contract management and monitoring arrangements falling back to a less than satisfactory standard, and the associated risks that the quality of service provision drops, and this drop in service is not subsequently identified for appropriate payment deductions to be made.	🡕 A

PLACE

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Torbay Harbour Authority - Asset Management	ANA - Medium	Final	Improvements Required	Governance in relation to Tor Bay Harbour Authority asset management was found to be exceptional, with the Tor Bay Harbour Authority benefiting from the established arrangements of Torbay Council and enhancing these with specific additional requirements addressed through the Harbour Committee. Although processes and arrangements are in place to operationally manage the assets, a number of weaknesses were identified that could lead to loss of income and unidentified deterioration in assets. The number of issues identified has resulted in our overall assurance opinion being 'Improvements Required'. Torbay Development Agency (TDA) provide certain services to the Tor Bay Harbour Authority in relation to asset management and hence improved monitoring of service delivery and establishing closer and more effective working practices with the TDA would assist in addressing some of the issues found during this audit.	
Transport - Synergy Strategic & Operational	ANA - High	Final	High Standard	The Strategic Planning teams at Devon County and Torbay Councils have jointly produced shared Local Transport Plans 2006-2011 (LTP2), and 2011-26 (LTP3) to a high standard.. We note that Torbay Council has won national awards both in respect of a specific transportation project and also for the quality of its LPT2 Local Transportation Plan. Operational delivery of the plans is the responsibility of the Highways sections of each Council. There is good interworking between both Councils at strategic and operational levels that contributes to the effective and timely delivery of planned works and initiatives. Both Councils have achieved significant success in obtaining new sources of funding to the extent that the key challenge is now the ability to deliver each project in good time to avoid the risk that funding is withdrawn. Both Councils have achieved significant success in the delivery of the Local Transportation Plans, with all key projects delivered on time, and in general only less strategic areas not delivered to date. Lessons learned include the need to keep the Local Transportation Plans up to date.	

PLACE

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	**Assurance Opinion**	**Executive Summary**	
Carbon Management – CRC Annual Submission	Client Request - Statutory Requirement	Certified	Good Standard	No issues identified.	G ↑
TOR2 Future State Project	ANA - Medium	Ongoing	Not applicable	The Future State Process Project for TOR2 incorporated a number of changes including; transfer of calls to TOR2's Control Hub, organisational and accommodation changes, mapping end to end workflow processes, and implementing a Two Tier Performance Auditing Procedure in place of the existing PI reporting and monitoring process. Audit was asked to provide assurance on the last two of these changes. These changes have not yet taken effect, Future State Project Board meetings have ceased, and key personnel have left the Council. Audit will maintain an oversight of changes in these areas when / if they occur.	A ↗
South Devon Link Road / Waste PFI	ANA - High	Ongoing	Not applicable	Devon Audit Partnership has kept a watching brief of progress with the schemes.	Not applicable

The following audits are in progress at year end.
- Tor Bay Harbour Authority – Risk Management (ANA - Medium) and the Museum Services (ANA - Low)
- Section 106 (ANA – Medium)

It is anticipated that the reports will be issued & agreed in the first quarter of 2014/15. Some issues of concern have been identified from our Section 106 fieldwork to date and are being discussed with management; these will be reported in our 2015/16 monitoring reports.

The following audit has been cancelled or deferred to 2015-16 at the request of the client: - Concessionary Fares (ANA - High) - Sports Facilities (Client Request) - Place projects (ANA - Medium) - Planning (ANA – Medium)	- Torbay Development Agency (TDA) (ANA - High) - English Riviera Tourism Company (ERTC) (ANA - Medium) - Torbay Coast & Countryside Trust (TCCT) (ANA - Medium)

Grants

Highways Capital Funding x 4	Client Request	Completed	Certified	No issues identified.	G ↑

PUBLIC HEALTH

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Public Health					
Transfer of Public Health Service	ANA – Critical	Final	Good Standard	Assurance was reported in the 2013-14 annual report; please refer to that report for details.	
Transition Follow Up	ANA – High	Final	Good Standard	The original report highlighted the need to update the Council's Emergency Plan and Business Continuity documents to fully include the integration of Public Health. Our follow up activity identified that the Council's Major Emergency Business Continuity Plan had not been updated for a number of years and did not include Public Health as part of the Council's internal response.	
Community Safety					
Bereavement	ANA - Low	Final	Improvements Required	Cemetery and crematorium fees charged were found to be competitive with Torbay comparing favourably i.e. generally lower than Exeter and Plymouth for the majority of services / products, as shown in the detailed breakdown of the comparable fees. Examination of fees charged found that these have not consistently been increased in accordance with the management contract; however, they do accord with the original Memorandum agreed by Council in 2008. Client side management should still however monitor these closely going forwards. Contract management arrangements require improvement in a number of areas. Although accurate, the annual rent review process is not timely, which in turn has impacted the timeliness of income received. Additionally, contract monitoring in relation to asset management and maintenance is insufficient to ensure that the conditions of the 'full repairing lease', which imposes full repairing and insuring obligations on the tenant (Contractor) are being met to mitigate the risks of asset deterioration and H&S risks to the public.	

PUBLIC HEALTH

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			
		Status	Assurance Opinion	Executive Summary	Assurance Progress RAG Score
Community Safety - Safer Communities	ANA - High	Final	Improvements Required	At both an operational and strategic level the Domestic Abuse Steering Group (DASG), and Stronger Board, respectively provide direction and support for the Team delivering domestic abuse services. Despite this support and direction, the 'Torbay Strategy Against Domestic Abuse' for 2013-18 was found to be still waiting approval leading to a risk of a lack of agreed strategic direction and service planning. The DASG membership was incomplete in terms of inclusion of all relevant partners and it was identified that some partners are failing to provide adequate support. Existing arrangements may be further strengthened by having cross-partner agreement regarding levels of resourcing / financing, or a 'pooled budget'. Performance of the service was found to be effectively monitored and reported in a timely fashion, although recommendations have been made to be more proactive where underperformance has been identified. Case file management is not consistent and this may be an impacting factor on performance. Additional added value information is provided to support service improvement, detailing the risks / benefits of the transfer of responsibility for high risk Domestic Abuse cases and the resource / cost drivers affecting Domestic Homicide Reviews.	

The following audit is currently in progress:
- Lifestyle Service review - Consultations (ANA - Medium)

It is anticipated that the report will be issued & agreed in the first quarter of 2015/16. No issues of major concern have been identified from our fieldwork to date.

The following audit has either been cancelled, or deferred to 2015-16 at the request of the client:
- Public Health / NHS Links (ANA - High)

Adults

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Supporting People	ANA – Medium Risk	Final	Good Standard	Supporting People have achieved a 'High Standard' assurance opinion in relation to decommissioning by ensuring that all of their services have been fully informed of the possible cuts by producing a consultation summary document detailing the proposals and including an equality impact assessment for each of those areas. Councillors were then able to make informed decisions as part of the decision-making process regarding the Council's budget. This led to transitional funds being made available for some of the services at risk to allow for a phased withdrawal from the service. Post decommissioning reviews have since been undertaken, however the resulting decommissioning plan needs to be formalised as part of a project plan for each service at risk. Performance indicators are in place for service providers, but require review for ongoing currency and relevance. Review of contracts with service providers found a lack of authorisation of waivers in relation to procurement rules. Additionally, it was noted that invoices were not provided to support payments leading to VAT non-compliance; it is acknowledged that the payments examined were fully supported by contract information and that reconciliation processes were robust.	

Our work in Supporting People concludes our audit plan for 2014/15. We have worked with the Adults management team to produce an audit plan for 2015/16 that addresses new and emerging risks.

Children's Services

| Risk Area / Audit Entity | Risk Assessment / Audit Needs Assessment | Audit Report | | | Assurance Progress RAG Score |
		Status	Assurance Opinion	Executive Summary	
Children's Services External Contracts	ANA – High Risk	Final	Improvements Required	Assurance was reported in the 2013-14 annual report: please refer to that report for details. Our August 2014 annual follow up exercise confirmed completion of the action plan is substantially underway resulting in a positive movement in the assurance opinion to Improvements Required.	🡹G
Early Years	ANA – Medium	Final	High Standard	A draft Childcare Sufficiency- Annual Assessment report 2014-2015 details how plans are being formulated to ensure that adequate spaces are available in the relevant areas. This report has not been formally ratified by management or Council, but steps are being taken to address the potential shortfall. Audit reviewed the checking of eligibility of families and the introduction of flexible packages. One instance was noted where a looked after child started prior to the eligible term; steps are being taken to prevent recurrence. The Council ensures the quality of providers by allowing only Good or Outstanding providers as measured by OFSTED to take children. Provider agreements were in place for all providers. Parental agreements were in place and subject to checking and monitoring arrangements.	🡹G
Intensive Family Support Service (IFSS)	Client Request	Final	Good Standard	IFSS do not have a formal strategy document. Examination of referrals has shown that the service appears to be changing from a short term intensive service to one that is dealing with cases already in Local Authority care or going through legal proceedings in the Courts. This change may have an adverse effect on resources, and diverts away from an early intervention strategy to longer term involvement with families. Cost calculations on projecting net savings have not been utilised yet; data used for any further such projections should be robust to mitigate the risk of overstating the savings. There was a good standard in case recording and work undertaken by the IFSS staff; there was a back log of input of paper based records leading to the risk of incomplete records. Improvements could be	🡹G

Children's Services

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report				Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary		
				made in risk assessment and action plans by ensuring that all relevant fields in these documents are completed. There is no definition of a 'step down' in relation to case closure apart from a generalised concept, nor any clear management follow up after closure to assess the continuance of success; there is a risk that 'step down' may be overstated. Staff were found to demonstrate relevant skills for the majority of the required areas, but there was a lack of skilled staff in relation to mental health; a lack of expertise could lead to families with mental health issues not receiving adequate support.		

The following audits have either been cancelled or deferred to 2015-16 at the request of the client:
- PARIS (ANA – Critical)
- Safeguarding (LARR – Strategic Risk)

Grants

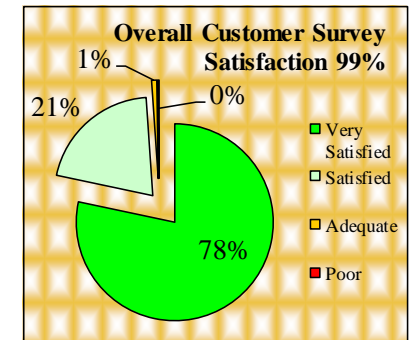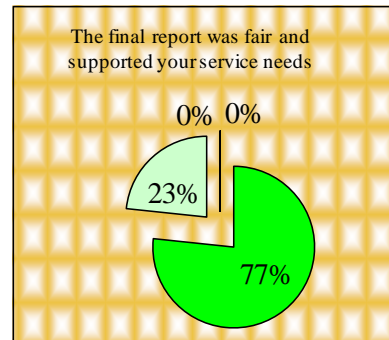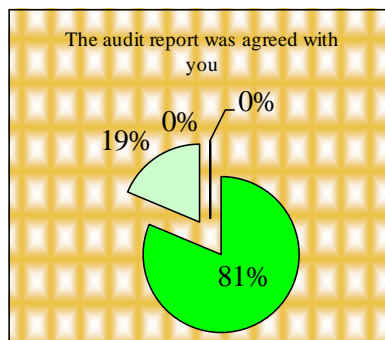| Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Status	Assurance Opinion	Executive Summary	Assurance Progress RAG Score
Adoption Reform	Client Request	Completed	Certified	No issues identified.	G ⬆
Wave 7 Aspiring Heads	Client Request	Completed	Certified	A number of issues identified, however only a 'limited assurance' opinion was required, and evidence presented was deemed to be sufficient for this to be provided.	G ⬆
Troubled Families x4	Client Request	Completed	Certified	No issues identified	G ⬆

Maintained Schools

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Status	Assurance Opinion	Executive Summary	Assurance Progress RAG Score
Schools Financial Value Standards (SFVS)	ANA – Low Mandatory for LA / Schools	Final	Good Standard	SFVS Dedicated Schools Grant Chief Finance Office assurance statement for 2014/15 submitted to the Department for Education.	G ⬆
Maintained Schools audit programme	Agreed programme through 'buy back'	On-going	Good Standard	The overall opinion for the routine school audit visits has been maintained as 'good standard' (see summary data below). The provision of internal audit's performance data provides a greater focus on schools causing concerning in the wider control environment.	G ⬆

Maintained Schools Summary Data	Assurance Opinion
The key matters arising from the audits are the: • understanding of financial management by governors and skills assessment as evidenced by the requirements of the Standard • demonstrable financing of plans for raising standards and attainment; and, • absence of financial benchmarking. Recommendations have been made to reduce risks and in other areas, recommendations made serve to strengthen what are reasonably reliable procedures.	Good Standard

Appendix 5 - Customer Service Excellence

Customer Survey Results April 2014 - March 2015

The charts below show a summary of 92 responses received.

The planned timing of the audit was agreed with you
- 0%
- 0%
- 24%
- 76%

You were consulted on the significance to you of the audit areas
- 0%
- 0%
- 22%
- 78%

The audit scope was agreed with you
- 0%
- 0%
- 27%
- 73%

The audit was completed at the agreed time
- 3%
- 1%
- 26%
- 70%

The auditors minimised disruption to you during the audit
- 0%
- 1%
- 22%
- 77%

You were kept updated on audit observations
- 0%
- 0%
- 23%
- 77%

Audit communications were professional & effective
- 2%
- 0%
- 13%
- 85%

Access to audit staff was always available
- 0%
- 0%
- 23%
- 77%

Auditors were professional, knowledgeable & understanding
- 6%
- 0%
- 0%
- 94%

The Audit de-brief was relevent & effective
- 0%
- 0%
- 17%
- 83%

Your audit needs were met & you were treated fairly
- 0%
- 0%
- 17%
- 83%

Audit reports were appropriate & issued within timescales
- 6%
- 2%
- 27%
- 65%

The audit report was agreed with you
- 0%
- 0%
- 19%
- 81%

The final report was fair and supported your service needs
- 0%
- 0%
- 23%
- 77%

Overall Customer Survey Satisfaction 99%
- 1%
- 0%
- 21%
- 78%

Legend:
- Very Satisfied
- Satisfied
- Adequate
- Poor

37