devon **audit** partnership

Internal Audit

Annual Audit Report 2016-17

Torbay Council
Audit Committee

July 2017

Robert Hutchins
Head of Audit Partnership

Auditing for achievement

CUSTOMER SERVICE EXCELLENCE
CSE

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 2015 introduced the requirement that all Authorities need to carry out an annual review of the effectiveness of their internal audit system, and need to incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

The Internal Audit plan for 2016/17 was presented and approved by the Audit Committee in March 2016. The following report and appendices set out the background to audit service provision; a review of work undertaken in 2016/17, and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

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

Expectations of the Audit Committee from this annual report

Audit Committee members are requested to consider:

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

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

Robert Hutchins
Head of Devon Audit Partnership

Opinion Statement

Overall, based on work performed during 2016/17 and our experience from the current year progress and previous years' audit, the Head of Internal Audit's Opinion is of "Significant Assurance" on the adequacy and effectiveness of the majority of the Authority's internal control framework. The exception to this is in relation to Public Health and Children's Services where opinions are of "Limited Assurance" due to the level of audit activity.

This opinion statement will support Members in their consideration for signing the Annual Governance Statement see appendix 1. Assurance over arrangement for adult social care is mainly provided by colleagues at Audit South West, the Internal Audit provider for Health Services, who provides a separate letter of assurance.

Internal Audit assesses whether key, and other, controls are operating satisfactorily within audit reviews, 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. Implementation of action plans is the responsibility of management yet may be 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 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 accompany the published Statement of Accounts for 2016/17.

Performance against plan is generally as expected, with any changes having been agreed with management. Changes relate to a proportion of the plan that has been deferred. However, we feel, based on previous year's work that the framework of control remains in operation. Further explanation is provided in the sections on Basis for Opinion at appendix 2.

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 the year, core financial and administrative systems were reviewed by Internal Audit either through specific reviews (e.g. debtors, creditors, payroll & Main Accounting) or generally in the reviews undertaken in respect of directorate systems. The Council's overall internal control framework operated effectively during the year. Where internal audit work has highlighted instances of none or part compliance, none are understood to have had a material impact on the Authority's affairs.

Risk Management

Risk Management process at Strategic level is reasonably well embedded and integrated with performance monitoring. There remains work to be done to integrate the strategic risks with operational level to provide an integrated organisational approach to managing risk. ICT Continuity and Disaster Recovery, Corporate Business Continuity and Emergency Planning require integration into the wider risk management framework.

Governance Arrangements

Governance arrangements have been reviewed in the areas of Transformation, System Implementation and Equality Impact Assessments and found to be effective with opportunities to improve capacity or alignment to business need in these areas.

The Information Security Group continues to provide governance in relation to management of information.

Performance Management

The Transformation Programme performance is monitored by the Transformation Board.

For other contracts, monitoring and governance is variable across the Authority and opportunities for improvement identified.

Performance of ICT provision is monitored albeit at a reduced level. The infrastructure relies upon aged components and requires investment.

Full Assurance	Risk management arrangements are properly established, effective and fully embedded, aligned to the risk appetite of the organisation. The systems and control framework mitigate exposure to risks identified & are being consistently applied in the areas reviewed.	Limited Assurance	Inadequate risk management arrangements and weaknesses in design, and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in a number of areas reviewed.
Significant Assurance	Risk management and the system of internal control are generally sound and designed to meet the organisation's objectives. However, some weaknesses in design and / or inconsistent application of controls do not mitigate all risks identified, putting the achievement of particular objectives at risk.	No Assurance	Risks are not mitigated and weaknesses in control, and /or consistent non-compliance with controls could result / has resulted in failure to achieve the organisation's objectives in the areas reviewed, to the extent that the resources of the Council may be at risk, and the ability to deliver the services may be adversely affected.

Value Added

We know that it is important that the internal audit service seeks to "add value" whenever it can. We obtained feedback from those audited during the year who considered we were able to add value, e.g.:

'points us in the direction for improvements in control and can also now discuss how other customers may have adapted procedures etc'.

We believe 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.

Our work has identified specific added value benefits in key areas and in mitigating key risks. Notable benefits have been reported in the following areas:

Corporate and Business Services

- ongoing support to the transformation programme, including horizon scanning, P3M3 (Portfolio, Programme and Project Management Maturity Model) self-assessment, Channel Shift, business case review template development and any advice and guidance as requested;
- advice and support to the development of risk management and its wider integration with other key business areas;
- continued attendance and active participation in the Council's Information Security Group;
- preliminary project support work on 'Ethics and Culture', the principles of which are now being incorporated into our work on the Transformation Programme;
- confirmation of Tor Bay Harbour Authority Port Marine Safety Code Compliance;
- a review of Tor2 ICT Integration to support the contract review process and identify potential areas for improvement;
- review of the business case in relation to the Council's GDPR (General Data Protection Regulations) project which requires organisational compliance by May 2018;

Community and Customer Services

- ICT Strategy review to support future strategy development in line with the Council's Transformation programme;
- review of Tor2 ICT Integration to support the contract review process and identify potential areas for improvement;
- ongoing support to various ICT system developments in line with project requirements and timescales, for example the harbour mooring system, library system; HR/Payroll MyView projects;
- identification of an error in relation to the use of formula for concessionary fares resulting in a potential substantial saving;
- assistance to the implementation of risk based verification software;
- examination of practices at the Velopark in relation to benefits realisation;
- review of the commercial viability in relation to sports pitch leases;
- support to the public toilets review project;
- review of the wider debt recovery practices across the Council.

Children's Services

- assistance in maintaining the impetus in management action plans to address previously identified risks through an annual and robust follow up exercise.

Adult Services and Public Health

- inclusion of the NRS Joint Equipment Store audit in the planned work post Audit Committee plan approval as a result of a flexible audit plan approach and effective client liaison.

Schools

The Partnership has supported the development of School information "Dashboards" for clients to provide the internal audit view of the financial management of individual schools based on the most recent audit visit. The provision of internal audit's performance data provides a greater focus on schools causing concerning in the wider control environment. This information has been used in assessing overall status for schools through vulnerable budget reviews, governance and school improvement. The result of our input has been:
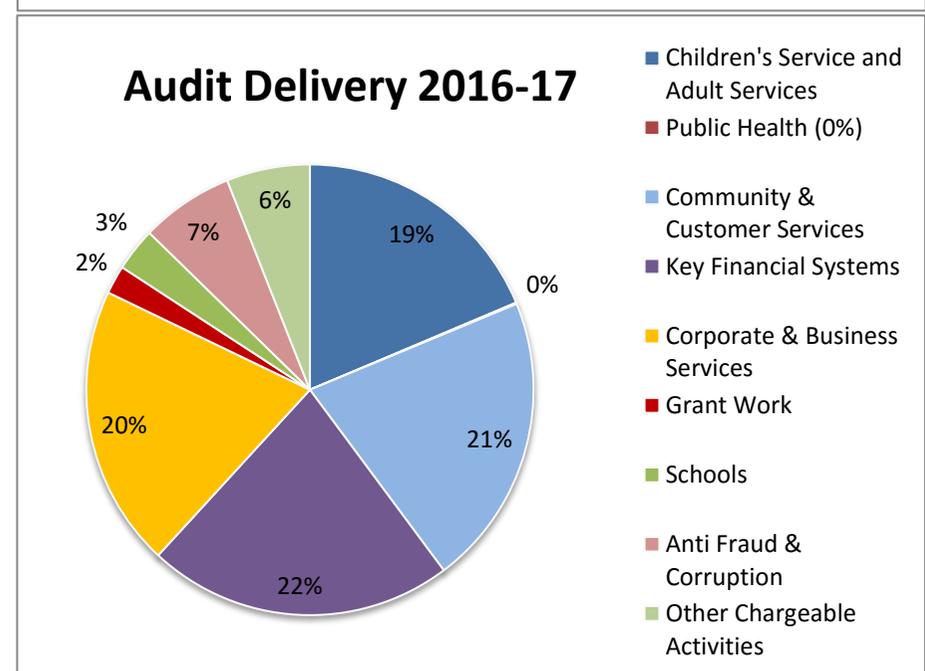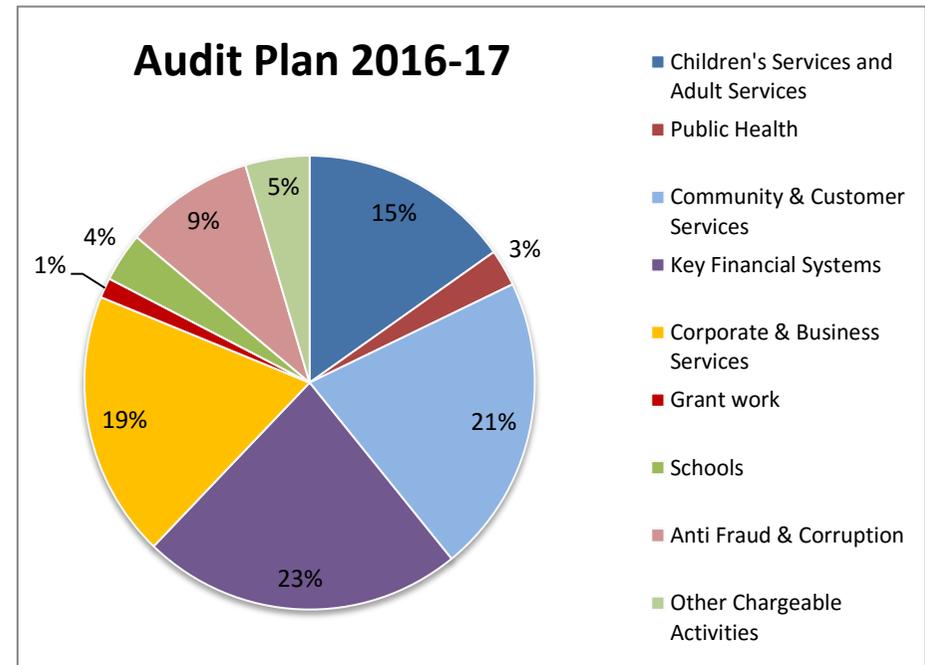
- safeguarding reviews with dip tests on the single central record;
- intervention and review of schools through audit follow-up, governor support and school improvement to raise standards.

Audit Coverage and performance against plan

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

Appendix 4 to this report provides a summary of the audits undertaken during 2016/17, 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.

Appendix 5 shows the performance indicators for audit delivery in 2016/17 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.

Audit Plan 2016-17

Legend:
- Children's Services and Adult Services
- Public Health
- Community & Customer Services
- Key Financial Systems
- Corporate & Business Services
- Grant work
- Schools
- Anti Fraud & Corruption
- Other Chargeable Activities

Values: 15%, 3%, 21%, 23%, 19%, 1%, 4%, 9%, 5%

Audit Delivery 2016-17

Legend:
- Children's Service and Adult Services
- Public Health (0%)
- Community & Customer Services
- Key Financial Systems
- Corporate & Business Services
- Grant Work
- Schools
- Anti Fraud & Corruption
- Other Chargeable Activities

Values: 19%, 0%, 21%, 22%, 20%, 2%, 3%, 7%, 6%

Summary audit results

Corporate and Business Services

In our opinion, internal controls continue to operate effectively and where recommendations for improvements have been made, action plans have been agreed with management.

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.

The wider audit work in the Corporate Debt audit reported last year identified the disjointedness of the Council's approach to debt recovery and this links to our findings for the Sundry Debtor audit and action to resolve continues;

The Transformation Programme is critical to the organisation; our work found that resource is small in terms of the core/dedicated team; and may not be sufficient given the scale of the programme.

GDPR compliance is statutory with effect from May 2018. We found that the current project requires broadening and greater focus.

Risk management still requires linking between strategic and operational levels of the organisation.

Tor Bay Harbour income processes in relation to a number of specific operational areas could be improved in order to maximise this already successful business unit, and we note these are now being addressed.

Other than the areas detailed above, no significant concerns have been identified from our work, including that on grants, and management have responded positively to any recommendations for improvement.

Community & Customer Services

In our opinion, internal controls continue to operate effectively and where recommendations for improvements have been made, action plans have been agreed with management.

Material systems controls within this service area 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.

We have rated the Council's corporate Business Continuity arrangements as having "Fundamental Weaknesses" as arrangements are inconsistent and insufficient to ensure continuity of service corporately across all the Council's critical functions.

We consider that TOR2 management and the Board have not historically provided effective governance of the JVCo, however, we note the recent improvements in relation to production and approval of the TOR2 Business Plan, along with changes to Board attendance. The use of the IT systems within the complex infrastructure between all parties is not providing intended operational benefits.

Opportunities exist for improvements in the control and governance framework for the Museum Services, Sports Pitches management, Velopark operation, Concessionary Fares reimbursement levels, Discretionary Social Fund administration, Housing Options processing and UK PMS System reconciliation.

ICT projects are reasonably well managed although balancing project requirements and business as usual will present challenges, in particular resourcing ICT within the Transformation Programme. ICT Change control arrangements require formalising and recording. The integrated approach to ICT Continuity & Disaster Recovery remains ongoing along with formulation of an ICT Strategy, however this is dependent on organisational factors. Recovery is becoming more critical to organisations due to the continued cyber threats. General Data Protection Regulations compliance is statutory with effect from May 2018. We found that the current project requires broadening and greater focus.

Children's Services

Whilst the number of audit reviews undertaken within Children's Services has increased in 2016/17, compared to the previous financial year, the assurance opinion provided for the majority of individual audit reviews has been one of 'Improvements Required'. As a consequence we cannot provide assurance that the overall control framework is working effectively

The review of Educational, Health and Care Plans (EHCP) - Ofsted Framework identified inadequate recording of Panel minutes and the decisions made and that the quality and quantity of partner information and statutory documentation received within the process was not timely or complete.

The Care Leavers - Transition Plans review identified additional staff training being required to ensure consistency in the quality of pathway plans. Pathway plans themselves require review to ensure coverage of all statutory requirements. At the time of audit good practices and improvements had already been identified by the team and were in the initial stages of implementation.

The Children's Services Five Year Plan has been replaced by a Medium Term Financial Strategy 2017-2021; working within the available financial envelope whilst balancing the needs of children / young people continues to present a major significant risk to the authority.

Unfortunately the review of the processes within the LAC - Referrals audit was hampered by issues accessing information held in the PARIS system, in that sections of information could not be reviewed as access was denied, an issue that was reported to and known by the PARIS team. In addition, we were unable to obtain supporting information for all elements of the audit as staff were unable to find the time to provide the evidence we asked for. This has impacted on the viability of the recommendations made within the draft report issued.

Adult Services and Public Health

We are unable to provide an overall opinion at this time due to the limited work undertaken within these directorate areas. We can, however, comment that in terms of our audit work completed during 2016/17 and where recommendations have been made, action plans have been agreed with management.

The Adult Services 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. Audit South West provides a separate letter of assurance to the Director of Adult Services and the Council's S151 Officer. Devon Audit Partnership provides support and internal audit input on key areas as agreed with the Director of Adult Services.

Schools

We have made good progress in the delivery of our audit plan to schools and schools have again been very appreciative of the quality of our service.

Our overall opinion is one of Good Standard with all schools audited in 2016/17 deemed to be of either high or good standard. In general, the systems and controls in schools mitigate the risks identified in many areas.

The key matters arising from the audits are the:

- Governance arrangements being published in a readily accessible format of the school website;
- Maintenance of the Single Central Record not always compliant with 'Keeping Children Safe in Education';
- Management of online cash collection systems.

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

The Schools Financial Value Standard is now an established tool for maintained schools as a self-assessment of their local financial management and schools are required to annually submit their self-assessment to their local authority by 31st March. As at that date, there were 12 maintained schools within Torbay Council and all but one of these schools had formally submitted a signed self-assessment.

Fraud Prevention and Detection

Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability.
Devon Audit Partnership (DAP) have taken on a liaison role with the recently appointed corporate fraud officer; the key outcomes of this role are the identification and investigation of external frauds.

The Cabinet Office now run the national data matching exercise (National Fraud Initiative – NFI) every two years. The majority of data matching for this involves the investigation of potential external fraud committed against the Authority, i.e. individuals or bodies external to the Council. This area of NFI is now shared with the corporate fraud officer, with DAP providing advice and undertaking the internal matching investigations ie Creditors and Payroll.

Matching reports for the following data sets are also relevant to the Council.

- Payroll
- Creditors
- Insurance
- Residential Care Homes

- Concessionary Travel Passes
- Blue Badges
- Housing Benefits

- Housing Waiting Lists
- Council Tax Single Person Discounts
- Council Tax Rising 18's
- Personal Budgets (Direct Payments)

Linked to the CIPFA requirements, DAP in conjunction with the corporate fraud officer, completed the CIPFA Fraud and Corruption Tracker (CFaCT), as part of the annual 'Protecting the Public Purse', Fraud and Corruption survey, which feeds into a national overview of fraud within public bodies.

DAP has continued to undertake an annual monitoring of staff internet use and to date found no significant concerns. This provides assurance that action has been effective and such use remains within policy. Periodic fraud bulletins are also produced and published on DAP's website.
We continue to attend the Financial Ethical and Probity Group and provide advice and support in relation to irregularities within the organisation.

Irregularities - During 16/17, Internal Audit have carried out, or assisted in sixteen new irregularity investigations. Analysis of the types of investigation and the number undertaken shows the following:-

Issue	Number
Employee Conduct	6
Poor Procedures	5
Financial Irregularity	3
IT Misuse	1
Tenders and Contracts	1

Employee conduct issues investigated included; a whistleblowing allegation regarding work place practices; raising of highways works orders; email review to support a bullying investigation; and falsification of timesheets and emails to hide mistakes.
Poor procedures issues investigated included; contract extension arrangements; exit packages for redundancy and flexible retirement; appropriate decision making practices within Children's Services; assistance with a PCN complaint, and funding concerns raised by the DfE.
Alleged financial irregularities included; arrangements leading up to the LED screen event; funds used for a departmental 'away day'; and falsification of site visits and mileage claims.
Other irregularities included a review of a team's internet usage, and alleged abuse of public office.
The Council has responded appropriately in relation to these issues demonstrating its intolerance to irregular practice.

Professional Standards and Customer Service

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 2017. This is supported through DAP self-assessment of conformance with Public Sector Internal Audit Standards & Local Government Application note.

Quality Assessment – through external assessment December 2016 "DAP is considered to be operating in conformance with the standards". External Assessment provides independent assurance against the Institute of Internal Auditors (IIA) Quality Assessment & Public Sector Internal Audit Standards (PSIAS). The Head of Devon Audit Partnership also 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.

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 2016.

Performance Indicators

Overall, performance against the indicators has been very good with improvements made on the previous year (see Appendix 5). We are aware that some of our draft and final reports were not issued to the customer within the agreed timeframes (15 working days for draft report and 10 working days for final report). We continue to review where performance in this area can be improved.

Customer Service Excellence

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

During the period we issued client survey forms with our final reports. The results of the surveys returned are, although low in number, very good and again are very positive. The overall result is very pleasing, with near 98% being "satisfied" or better across our services, see appendix 6. 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:-
'Making my services aware of improvement areas which we may not have identified ourselves. Also enforcing the view that maybe there is a bigger more Council wide issue to be addressed rather than just an element of one/more of my service areas'.
'Able to realise additional income potential'.
'It gave credence and an external opinion to some concerns / areas of development we were looking at and gave options for next steps for these'.

Analysis of Customer Survey Results 2016-17

- Very Satisfied — 77%
- Satisfied — 21%
- Adequate — 2%
- Poor — 0%
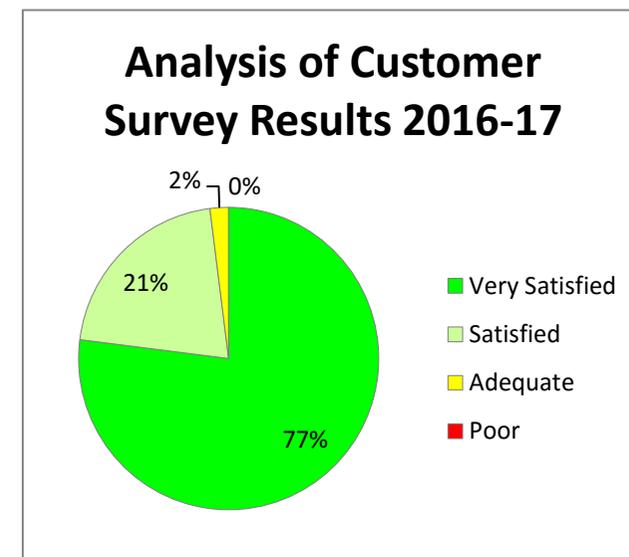
Appendix 1 - Annual Governance Framework Assurance

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 Chief Executive and Chair of the Audit Committee;
- 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 approved by, the Audit Committee, and then signed by the Chair.

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

Appendix 2 - Basis for Opinion

The Chief Internal Auditor is required to provide the Council with an opinion 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, formed from risk-based reviews and sample testing, of the framework of governance, risk management and control.

This report compares the work carried out with the work that was planned through risk assessment; 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 statement on the effectiveness of the system of internal control in meeting the Council's objectives:
- a comparison of internal audit activity during the year with that planned;
- a summary of the results of audit activity and;
- a summary of significant fraud and irregularity investigations carried out during the year and anti-fraud arrangements.
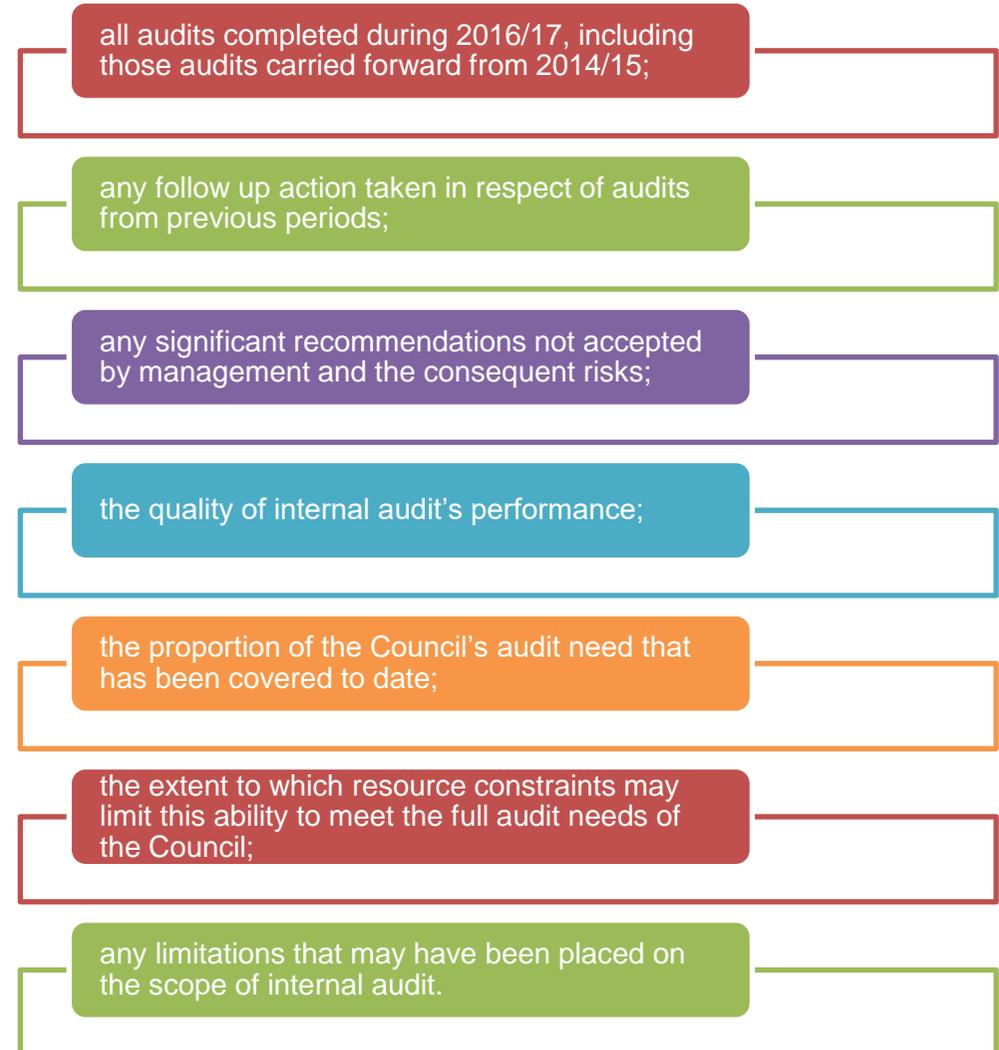
The extent to which our work has been affected by changes to audit plans has been notable this year and we have not been able to meet the original audit plan for the People Services, and some of the Place Services work. This has been due to changes in operational business needs and investigation work.

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

The scope of our audit this year has been adversely affected for People Services as a consequence of investigations and reduces the level of assurance that we are able to offer in relation to these areas.

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

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

- all audits completed during 2016/17, including those audits carried forward from 2014/15;
- 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.

Appendix 3 - Audit Authority

Service Provision

The Internal Audit (IA) Service for Devon County 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 5 of the Accounts and Audit Regulations (England) Regulations 2015** which states that "…….a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance….."
- **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.

DAP, through external assessment, demonstrates that it meets the Public Sector Internal Audit Standards (PSIAS).

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**
- **in accordance with our internal audit charter**

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.

Appendix 4 – Summary of audit reports and findings for 2016/17

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

Direction of Travel Assurance 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.

CORPORATE & BUSINESS SERVICES

Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
Material Systems (excludes those material systems that are the direct responsibility of Community and Customer Services)			
FIMS System Administration Risk / ANA - Critical	Good Standard Status: Final	Reported in the six month outturn report.	⬆G
Capital Programme Risk / ANA - Medium	Good Standard Status: Final	Reported in the six month outturn report.	⬆G
Bank Reconciliation Risk / ANA - Medium	Good Standard Status: Final	A review of progress against the previously agreed recommendations confirms that management continue to accept the risks associated with the lack of adequate separation of duty. Other recommendations relating to deadlines and procedural documentation have been actioned.	⬆G
Treasury Management Risk / ANA - Low	Good Standard Status: Final	A review of progress against the previously agreed recommendations found that two of the recommendations have now been completed and work has commenced in other areas. The department is undergoing a restructure and a new line management post has been established. This restructure has had an impact on completing the Business Continuity Plan. It is anticipated that all recommendations should be completed by the start of the new Financial Year	⬆G
Purchase Order Processing (POP) Risk / ANA - High	Good Standard Status: Final	A review of progress against the previously agreed recommendations found that Management continue to accept the residual risks associated with the lack of adequate separation of duty and the lack of restriction in terms of GL codes for the GRN function. The issues with the process for block orders, associated goods receipting and invoice matching remain outstanding as does the issue surrounding retention of authorisation details for revisions, due to the fact the FIMS upgrade has not yet taken place.	⬆G

CORPORATE & BUSINESS SERVICES

Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
Creditors

Risk / ANA - High | Improvements Required

Status: Final | A review of progress against the previously agreed recommendations found that management continue to accept the risks associated with the lack of adequate separation of duty.

Reconciliation and other records are now being retained and potential duplicate supplier records are being examined; however, the agreed review of the authorised signature checking process remains outstanding as the FIMS upgrade has not taken place yet. The lack of a robust control in this area prevents a 'Good Standard' opinion from being given. Cheque production has now ceased so the previous recommendations in relation to this are no longer applicable. | ⬆️G |
| Asset Register

Risk / ANA -Medium | Good Standard

Status: Final | The Council's non-current assets are managed in accordance with legislation, policies and procedures and related financial data is accurately recorded in the General Ledger.

New assets are identified and classified correctly and accurately recorded on the asset register, and alterations / deletions to assets appropriately updated in RAM. Revaluations are timely, are undertaken in line with the rolling asset revaluation programme, and accurately reflected in RAM. RAM functionality is fully compliant with IFRS and its reporting requirements.

Procedures for locally updating, checking and reconciling RAM are being developed, with key processes for year-end Statement of Accounts production and reconciliation now embedded. Some other procedures for QC have been put in place and other non-standard processes are expected to be developed in the coming months.
Revaluations however, are no longer subject to checking and authorisation by the Head Valuer, and though some mitigating control is due to be put in place, this has not taken place to date. | ⬆️G |
| Income Collection

Risk / ANA - Medium | Improvements Required

Status: Final | A review of progress against the previously agreed recommendations found that good progress is now being made in a number of areas, for example health and safety, the use of generic accounts, building security, and allocating DWP payments.

Although control weaknesses relating to the Web Pay system access and the lack of segregation within the teams still exist, the planned system review is still due to take place providing an opportunity for resolution, and we shall review progress in our next audit. | ⬆️G |
| Payroll

Risk / ANA - Critical | Good Standard

Status: Final | This year's assurance opinion remains as 'Good Standard'; however, we note that progress in addressing a number of prior year issues remains outstanding.

In addition, a number of new issues were identified this year in terms of the accuracy of data entry and authorisation of system amendments.

The introduction of the new 'MyView' interface has generally been successful, and although some related issues have been found, particularly in relation to system access and expense claims, these are not considered sufficiently significant to warrant a change to this year's opinion. They will however need addressing. | ⬆️G |

CORPORATE & BUSINESS SERVICES

Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
Payroll System – New modules implementation project Risk / ANA – Client Request	Added Value Status: Final	The self-service (MyView) system went live in July 2016, with further functions and modules being implemented throughout 2017-18, which will provide additional functionality to further improve process efficiencies. We provided a project quality assurance role with consultancy advice and guidance on system functionality and processes. Where necessary we made recommendations to support the project and ensure effective controls were in place and calculation errors minimised. As expected with an implementation of this nature, some calculation errors were identified; however these were related to human error rather than the system not operating as required. A number of recommendations have since been addressed and we will continue to provide project support as the project continues.	
Debtors Risk / ANA - Medium	Improvements Required Status: Final	Progress is beginning to be made against the previously agreed recommendations and we note that for others management continue to accept the risk of not taking action to address the control weaknesses due to operational reasons. We note that initial training on better use of the FIMS system reporting in relation debt monitoring has been provided to senior management with more support planned going forwards, and acknowledge the senior leadership team assertions that the reporting outputs will now be subject to in-depth consideration.	
General Ledger Risk / ANA - Medium	Good Standard Status: Final	The control environment for the maintenance of the FIMS General Ledger is robust, and ensures that budgetary and transactional data is effectively recorded. This enables reporting and monitoring of accurate financial information across service areas. A number of minor issues, reported in previous years, have been actioned, and the new peer review of journals and virements, adds to the improved control environment. Segregation of duty remains an issue which is accepted by management as a factor prevalent in small finance teams. As such, this year's opinion remains as 'Good Standard'.	
Grants x 5 Risk / ANA: n/a	Certified Status: Complete	Grants certified without amendment – Social Care, Rogue Landlords, Local Transport Capital Block Funding, Troubled Families (2 claims).	N/A

Other

TDA – VAT Returns Risk / ANA - Low	Good Standard Status: Final	Reported in the six month outturn report.	

CORPORATE & BUSINESS SERVICES

Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
TDA – ISO Structures Risk / ANA - Low	Good Standard Status: Final	Reported in the six month outturn report.	G ↑
Tor Bay Harbour Authority – Income Risk / ANA - Medium	Improvements Required Status: Final	Reported in the six month outturn report.	A ↗
Elections Risk / ANA - Medium	Good Standard Status: Final	Reported in the six month outturn report.	G ↑
Risk Management and Risk Recording Risk / ANA – High *ALARM = National model toolkit for managing risk in public services organisations (Five levels of assurance with 'Happening' being level 2 of 5 with level 5 being the highest assurance level)	Added Value Status: Final	Reported in the six month outturn report. ALARM* Assurance Opinion: Happening (Councillors and Senior Managers take the lead to ensure that approaches for addressing risk are being developed and implemented)	A ↗
Beach Services Risk / ANA - High	Good Standard Status: Final	Reported in the six month outturn report.	G ↑
Ethics and Culture Risk / ANA - Medium	Added Value Status: Complete	We undertook some preliminary project work building on a framework of ethical and cultural elements we initially defined. Although some progress was made, operational requirements have superseded the need for this to be a separate piece of work and as such the cultural and ethical principles are being incorporated into our work on the Council's transformation programme.	N/A
Port Marine Safety Code Risk / ANA – Client Request	Added Value Status: Complete	To the best of our knowledge and belief, and having carried out appropriate checks, in our opinion the Tor Bay Harbour Authority is compliant with the Port Marine Safety Code.	G ↑

CORPORATE & BUSINESS SERVICES

Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
Transformation Programme Risk / ANA - Critical	Added Value Status: Draft	Our support during 2016-17 has been driven by the requests of the operational Transformation team. Our support included horizon scanning, advice on development of a process based approach to the existing functional structure, setting up the P3M3 assessment templates, and reviewing and reporting on the Channel Shift projects. We have also developed business case review templates, a structure for incorporating ethical and cultural elements into our support and the programme management framework. Transformation Programme resource is small in terms of the core team, and relatively new in terms of its formulation as a dedicated team. Given the scale of the programme and the importance of the budget driver for the organisation, our concern is that resources allocated to the Transformation programme in relation to the size of the team may not be sufficient. Our involvement to date has found capacity issues in terms of their resource to support the programme that may impact the progress. Arrangements for audit support going forward through 2017-18 have been proposed in line with the Programme Managers request, and are currently awaiting approval by Senior Management.	N/A
Fair Decision Making Risk / ANA - High	Good Standard Status: Draft	We reviewed a sample of Equality Impact Assessments (EIA's) throughout the fair decision making process, including draft and final stages, to establish compliance with expected practice, including our view of appropriateness of consultation groups and ensuring the EIA's are capturing the necessary information to allow informed decisions to be made.	*

The following audits are currently in progress:
- Commissioning and Performance Monitoring by the Council of the Torbay Development Agency (TDA) (ANA – High)
- Procurement and Contracting Arrangements (ANA – High)

The following audits have been deferred or cancelled at the request of the client:
- Accessibility of budget documentation (Client Request)
- Coroner Service (ANA – Low)
- Asset Management Strategy / Plan (ANA – High)
- Performance Framework, Consultation and Business Development (ANA – Medium)

COMMUNITY AND CUSTOMER SERVICES

Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
Community and Customer Services			
Concessionary Fares Risk / ANA - High	Improvements Required Status: Final	Reported in the six month outturn report.	⬆️G
Discretionary Social Fund (Crisis Support) Risk / ANA - High	Improvements Required Status: Final	Reported in the six month outturn report.	⬆️G
Velopark Risk / ANA - Low	Improvements Required Status: Final	Reported in the six month outturn report.	⬆️G
Sports Pitches Risk / ANA - Medium	Improvements Required Status: Final	Reported in the six month outturn report.	↗️A
Museum Services Risk / ANA - Low	Improvements Required Status: Final	Reported in the six month outturn report.	↗️A
Public Toilets project – 'critical friend' role Risk / ANA - Medium	Value Added Status: Complete	Reported in the six month outturn report.	N/A
Waste & Cleaning – EFW Partnership payments and contract management Risk / ANA - Critical	Good Standard Status: Final	Controls are in place both at the service provider's facility, and via reports from the provider / SWDWP (South West Devon Waste Partnership), to inform Torbay of its own share of domestic waste. This is backed up by robust checking and reconciliation controls within the Waste Services team at Torbay. Sample testing by Audit confirmed the operation of these controls. Further verification of on-site controls was also obtained as part of the audit.	⬆️G

COMMUNITY AND CUSTOMER SERVICES

Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
Housing Options Risk / ANA - Medium	Improvements Required Status: Final	The processes and procedures are embedded within Civica enabling users to follow a set format in relation to homeless applications; however we found that development has not continued resulting in new practices not being included within work flow processes. Applications were found to be appropriately assessed and generally in a timely manner, however some issues were identified in relation to evidencing and completeness of information and completion of risk assessments. In addition, we found that the existing process does not require risk assessment of all applicants, but only those going into temporary accommodation or the hostel. Whilst acknowledging that legislation gives a duty to accommodate regardless of any risk assessment, routinely establishing this process would assist in identifying and recording safeguarding concerns and associated accommodation needs.	⬈
Highways, Street Scene, Lighting and Transport Infrastructure – UK PMS System Risk / ANA - High	Improvements Required Status: Final	As was the case when we reviewed this area during 2012-13, there are adequate system controls in place to enable the appropriate carriageway data to be collected; and the correct calculation methodology has been applied, enabling an accurate estimate of the DRC to be made. In relation to other infrastructure assets, the Council is able to provide a much more complete picture of the inventory held, plus related data including condition, age and replacement rates. We have been provided with information as to the source data for most of this information, and in the main, source systems seem to be well controlled in terms of the accuracy and completeness of the data held. However, for the majority of these assets, we have been unable to reconcile system output to the data recorded within the CIPFA Toolkit (or equivalent) as related reports were not kept at the time and could not be provided during the audit. In addition, the source of data of a number of entries is currently unknown. Consequently, we are unable to provide assurance that DRC valuations in this area are accurate. Since completion of our work, CIPFA stated that they would not proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities. Torbay Council has spent considerable officer time on this project and agrees with CIPFA's conclusion that the cost to local authorities outweighed any benefit.	N/A
Risk Based Verification (software implementation project) Risk / ANA – Client Request	Added Value Status: Complete	We provided an advisory role in relation to various aspects of the Risk Based Verification software implementation project. Our advice covered specific areas including advice on required approval routes by Members; proposals for engagement of relevant service areas within the project; review and response to the draft risk based verification policy for the HB &CT support applications; and review, clarification and advice on the software system controls.	N/A
Information Security Group	Added Value Status: Complete	Support continues to be provided in the form of attendance and active participation in the Information Security Group. This includes the review and update of the Information Security Policy Framework, work on emerging and supporting policies such as the End User Computing policy and PCI compliance, which has recently been adopted.	N/A

COMMUNITY AND CUSTOMER SERVICES

	Audit Report		Direction of Travel Assurance
Risk Area / Audit Entity	**Assurance opinion**	**Residual Risk / Audit Comment**	
Emergency Planning and Business Continuity Risk / ANA - High	Fundamental Weaknesses Status: Final	The Council's Emergency Planning framework is sufficiently robust to allow the Council to effectively respond in an emergency. It is supported by a process framework and a robust risk assessment process. The Council's emergency plan is in place but is however currently under review and being further developed. There is a good working relationship with the Local Resilience Forum which includes senior management at the Chief Officer Group We were able to clearly see that statutory guidelines issued by government departments and agencies are being incorporated into the council's plan, which would suggest that the Council is operating within expected industry practice. Our assurance opinion of 'Fundamental Weaknesses' relates to corporate business continuity arrangements. We recognise some progress has been made in this area but in our opinion they are not consistently robust, and have not been subject to full testing. Therefore we deem the arrangements insufficient to ensure continuity of service corporately across all the Council's critical functions, should an incident occur.	
TOR2 Commissioning Risk / ANA - Critical	Improvements Required Status: Draft	The JVCo Contracts incorporates governance arrangements in terms of a schedule of management groups and meetings. However, this provides insufficient detail for the appropriate working of the TOR2 Board Meetings. In our opinion the Board operates too much at an operational detail level, and not as the strategic driver and oversight of TOR2. In particular, its historic failure to require the publication of a 'fit for purpose' Business Plan, and a number of other shortcomings were noted. The balance and number of directors was also questioned. Recent production and approval of the Business Plan along with changes to Board attendance and subsequent management of strategic issues, has meant that this area was not included in the Annual Governance Statement. Governance arrangements built into the Contracts for meeting groups below the TOR2 Board are generally followed, and supported by more detailed Terms of Reference, but may require clarity and liaison, to ensure that they manage discussions and decisions appropriate to their levels. The TOR2 Risk Matrix requires updating to incorporate current risks and future changes i.e. contracts ending. This process has begun but there is some way to go before it will be suitable. The expectation that TOR2 would develop and grow third party customer business cannot be effectively evaluated as the quality of data provided in periodic reports is not comprehensive enough to inform the level and nature of third party growth and trends, or expected targets. The lack of business growth, over six years into the Partnership, achieved through work for neighbouring Authorities may be considered to be disappointing. The Authority has started undertaking a Business Case Options Appraisal to ensure the delivery of current TOR2 services post 2020. This work needs to be progressed effectively to ensure that adequate time is provided for management to take appropriate actions prior to the last year of the Contracts.	

COMMUNITY AND CUSTOMER SERVICES

Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
The following audit is currently in progress: • Safer Communities – community safety partnership / domestic abuse (Risk / ANA – Medium)			
IT Audit			
Change Management Risk / ANA - High	Improvements Required Status: Final	Reported in the six month outturn report.	
Harbour Mooring Replacement System Risk / ANA – Medium	Added Value Status: Complete	Reported in the six month outturn report.	N/A
Channel Shift Risk / ANA – High	Added Value Status: Complete	Reported in the six month outturn report.	N/A
Service Strategy Risk / ANA – High	Added Value Status: Complete	Reported in the six month outturn report.	N/A
PCI (Payment Card Industry) Compliance Risk / ANA – High	Good Standard Status: Final	The need to secure data is increasingly critical within organisations, with ICO penalties for data breaches under the new General Data Protection Regulations 2018 rising significantly. Consequently investment to maximise security and minimise associated risk in areas such as PCI-DSS compliance should be carefully considered in order to meet compliance timescales and standards. The external IT vulnerability scans have reported that Torbay Council is currently compliant with the scans validation requirements. In addition the self-assessment, undertaken by Torbay Council, stated compliance with PCI-DSS requirements; however, our review would conflict with that opinion. Our review of a small sample of the self-assessment questions suggests that these responses could not be adequately evidenced and therefore open to challenge were the Council to be subject to external scrutiny. For example firewall rule reviews are not undertaken as stated; policy and procedure is not known by all relevant parties.	

COMMUNITY AND CUSTOMER SERVICES

Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
Partnership Working (ICT systems TOR2) Risk / ANA - High	Improvements Required Status: Final	The issues experienced in relation to the IT integration and operation of associated processes vary across the three distinct contracts (Waste; Assets; Highways). In our opinion the IT Integration is not providing the efficiency outcomes originally expected and outlined within the agreed contract. Both parties have IT solutions and processes in place provided by multiple vendors, but in a number of cases these are not operating as originally intended and may need further investment by both parties to achieve contractual requirements and performance. Although reasons for identified issues are not, in all cases, clearly attributable we would suggest that there are two key operational areas that should be considered. First is the lack of integrated working between both parties which currently sees two very distinct organisations working in functional silos supported by individual systems and integrations that are not operationally robust; secondly, there may be a cultural barrier to progression of contract efficiencies. Given the issues identified we would question whether arrangements are providing Torbay Council with the intended operational benefits through use of effective IT, and, as such, whether it should continue in its current state and whether changes are required. There may be merit in exploring a single IT solution operated by one party to reduce inefficiencies and clearly define responsibilities.	G ↑
Cyber Essentials Risk / ANA - Client Request	Improvements Required: Status: Final	The review was a high level review against the Government Cyber essentials scheme. ICT Services reasonably satisfy a number of the baseline requirements; however there are a number of areas where compliance and associated controls either require implementation or could be further enhanced. Due to the ongoing financial savings required from Local Government, ICT has seen a significant reduction in budget and associated resource; which we understand has led to a greater level of risk acceptance as certain operational practices such as active monitoring of activity, privileges, and security breaches, have been withdrawn with focus upon critical operations to maintain the network infrastructure and maintain PSN (Public Services Network) compliance. One area of significant weakness relates to the use of high privilege Active Directory (AD) accounts. The current number and type of the Domain Admin accounts is considered excessive. A project to migrate the current Anti-virus solution to one which is more targeted at Ransomware is in progress. Further, cost reduction methods such as operating 'behind current version' practices, particularly in relation to server operating systems creates additional vulnerabilities. The compensating controls that ICT operate provide significant benefit. The ICT team has reduced significantly but remain experienced and motivated. The value of shared knowledge and awareness is not underestimated and has been taken account of during the review process.	G ↑

COMMUNITY AND CUSTOMER SERVICES

Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
Library Services (new system implementation and service delivery project) Risk / ANA - Medium	Added Value Status: Final	The Library Service is subject to a significant level of change, through the service delivery review and the Library Management system implementation, including changes to the e-invoicing process. The Library Services team are experienced staff that bring a high level of knowledge to the projects. The Library Management System (LMS) project driven by Devon County Council is progressing but has been subject to delays due to the supplier's engagement with another Council going through system implementation. The Torbay Council team are engaged in the project. The Service review is ongoing, currently going through the Council's tender process. A robust tender specification was developed upon which we provided review and feedback.	G
Corporate Information Management Risk / ANA - Critical	Added Value Status: Draft	Our review of the business case identified areas for further consideration in order to broaden the content and achieve greater focus. It is pleasing to note that a project has been initiated as compliance with GDPR is a statutory requirement from May 2018, and we will continue to support the project in 2017-18.	A

The following audits have either been cancelled by the client or deferred until 2017-18
- ICT Service Strategy formulation (Risk / ANA – Critical)
- Service Design (Risk / ANA – Critical)
- Infrastructure Management (Risk / ANA – Critical)
- ICT Continuity and Disaster Recovery – project 'critical friend' role (Risk / ANA – Critical)

Material Systems (within Community and Customer Services)

Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
IBS* Open System Administration * International Business Systems Risk / ANA - High	Good Standard Status: Final	Reported in the six month outturn report.	G
Corporate Debt Risk / ANA - Medium	Improvements Required Status: Final	A review of progress against the previously agreed recommendations has found that the majority of recommendations remain outstanding, however it is noted steps are being taken to address all recommendations going forwards although full completion is not likely to be achieved until 2018/19. Whilst planned steps are positive, the delay in making the changes is likely to continue to result in debts becoming more difficult and therefore more costly to pursue; or simply becoming unrecoverable. We note that progress has been made in the development of a Debt Policy and revising Financial Regulations to cover debts recovered by the Corporate Debt Team. Targets have been set for the external collection agencies and performance is monitored. Action is now being taken to review accounts with recovery inhibit codes. Initial training on better use of the FIMS system reporting in relation debt monitoring has been provided to senior management with more support planned going forwards.	A

COMMUNITY AND CUSTOMER SERVICES

Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
Council Tax & Non Domestic Rates Risk / ANA - Medium	Improvements Required Status: Final	A review of progress against the previously agreed recommendations has found that the majority of recommendations remain outstanding, however it is noted steps are being taken to address all recommendations in 2017/18. Progress is beginning to be made in relation to regular review of discounts, exemptions and credits on accounts with this work ongoing at the time of the audit. We note that there is intention to implement quality control checking following a recruitment exercise, and to produce a revised suite of performance indicators. We also note that management continue to accept the risks in relation to current practices for transfers between accounts, access to update accounts and the lack of authorisation in relation to special arrangements for payment.	
Benefits Risk / ANA - Medium	Improvements Required Status: Final	This year's audit followed up the previously agreed recommendations and examined the process for Risk Based Verification following its recent implementation. We found that whilst a number of the recommendations have been actioned, issues around Self Employed (SE) earnings calculations remain. In addition, our work undertaken in relation to the recently introduced Risk Based Verification framework found that assurance cannot yet be provided in terms of compliance with evidencing requirements due to the new processes still being changed and embedded at the time of the audit. Our findings in these areas have resulted in an 'Improvements Required' audit opinion due to the limited scope of our work, however we acknowledge that Self Employed claims make up only 4% of the caseload and that the Risk Based Verification processes are still being embedded. Supplementary recommendations have been made accordingly, and we are pleased to report that management have responded positively and promptly to these which should ensure that issues are resolved for 2017-18. Although outside of our audit scope this year, we understand that significant progress has been made in relation to processing times and the departmental working practices enabling more efficient and effective processing and generally improved departmental operation across Revenues & Benefits. We will review these changes in the audits of Benefits & Council Tax Support and CTAX & NDR during 2017-18.	

CHILDREN'S SERVICES

Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
Care Leavers - Transition Plans Risk/ANA: ANA - Low, Ofsted, client request	Improvements Required Status: Final	The audit focused on the content and completeness of the current pathway plans in place for care leavers, and also the compliance with statutory legislation contained within the Children Act 1989 guidance and regulations. The care leavers service has not been at full establishment due to sickness and a vacant post for some time and this has impacted on the ability to maintain an up to date and effective service for care leavers. However, the service is now currently at establishment and a number of good practices and improvements identified by the team were in the initial stages of implementation at the time of audit. The main issues identified as part of this audit review are:- • Pathway plans require review to ensure they cover all statutory requirements; • Additional staff training is required to ensure the quality of the pathway plans is consistent; • An evaluation of the effectiveness of monitoring of communications with care leavers is required.	⬆G
EHCP - Ofsted Framework Risk/ANA: ANA - Low, client request	Improvements Required Status: Final	The audit undertaken was an in-depth review of new requests for Educational, Health and Care Plans (EHCP) to ascertain the compliance with statutory legislation and to the Local Area SEND Inspection Framework. A number of good practices and compliance to the inspection Framework have been observed during the review. However, there are a number of areas identified where compliance and associated controls either require implementation or could be further enhanced. A significant increase in workload has impacted on the services ability to maintain a number of preventative measures and controls. The main issues identified as part of this audit review are:- • Processes and guidelines require review and implementation; • a single process and filing approach for sensitive data is required and should be followed by all staff; • Inadequate recording of the Panel minutes and decisions made; • Excessive monitoring of the EHCP process, reducing reliance on the information recorded; • The quality and quantity of information and statutory documentation received by some of the partners in the process is not timely or complete.	⬆G

CHILDREN'S SERVICES

Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
Contracts, Commissioning, Procurement including CSW Risk/ANA: ANA - Medium, client request	Improvements Required Status: Final	Whilst generic policy and procedure documents and training opportunities exist for the Council as a whole, there are no specific policies or training for Commissioning and Procurement in Children's Services. A single comprehensive record of contracts is not maintained, and whilst the Council maintains a contracts register the entries for Children's Services were limited and incomplete. Children's Services do not keep an overall record of contracts in place. This makes it difficult to identify what contracts exist within Children's Services and subsequently the arrangements in place. Our testing found that contracts were awarded in accordance with Financial Regulations; however information in relation to contracts is not always consistently recorded on the PARIS system. Similarly there is little evidence to confirm the completion of performance visits to ensure compliance with standards set in provider contracts; opportunity exists to utilise the statutory visits made by social workers to feed back into the Procurement process.	
Business Processes / Workforce Strategy Risk/ANA: ANA - High, client request	Good Standard Status: Draft	Strategic and operational practices continue to provide improvements in service delivery, in particular the significant improvement to the direct contact between Social Workers and Clients and the reduction of reliance on Agency Staff and associated costs. We identified a good level of monitoring of both practices and budgets and have made some recommendations to further enhance existing practice.	
Torbay Safeguarding Children Board (TSCB) Risk/ANA: ANA - Critical, Ofsted, client request	Improvements Required Status: Draft	The TSCB has key documentation such as a Partnership Agreement, Business Plan and an Annual Report in place. Recommendations have been made in respect of these such as retaining signed agreements and adding details of membership to the Business Plan along with introducing a Risk Register.	
Looked After Children - Referrals Risk/ANA: ANA - Medium, Ofsted	Improvements Required Status: Draft	A number of good practices and compliance to the statutory guidelines have been observed during the review. However, there are a number of areas identified where compliance and associated controls either require implementation or could be further enhanced. The main issues identified as part of this audit review are:- • Care plans are of a variable quality; • Monitoring of key dates needs to be implemented; • Process documents, evidencing the complete journey through the care system, are required; • Permanency placements dates should be consistently recorded to ensure that any 'drift or delay' is identified.	

CHILDREN'S SERVICES

Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
The following audits have either been cancelled or deferred at the request of the client:- • Residual functions in Children's Services after transfer to ICO - organisational fit (Risk/ANA: ANA - Medium, client request) • 5 Year Savings Plan / Budget Strategy / Invest to Save (Risk/ANA: ANA - High, LGA review, client request)		• Proposed transfer of Children's Services into the Integrated Care Organisation (ICO) - 'critical friend' role (Risk/ANA: ANA - Medium, client request) • PARIS - Case Recording / Data Quality / Business Use (Risk/ANA: ANA - Critical)	
Schools Financial Value Standards (SFVS)	Good Standard	SFVS Dedicated Schools Grant Chief Finance Office assurance statement for 2016/17 submitted to the Department for Education.	⬆G
Maintained Schools audit programme	Good Standard	The overall opinion for the routine school audit visits has been maintained as 'good standard' (refer to 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: • Finding maintenance of the Single Central Record at three schools was not fully compliant with 'Keeping Children Safe in Education'; • Concern regarding management of online cash collection systems; a school having all school income paid into their School Fund whilst another school had not correctly accounted for transaction charges and VAT on income received.	Good Standard

ADULT SERVICES and PUBLIC HEALTH

Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
NRS Joint Equipment Risk / ANA: Client Request	Improvements Required Status: Final	Reported in the six month outturn report.	

The following audits for Adult Services have been deferred at the request of the client:- • Better Care Fund / Section 256 monies • Commissioning and Performance Management	The following audits for Public Health have been deferred at the request of the client:- • Commissioned Services – Contracts Management and Monitoring • 0 - 5 Activities (Health Visitors) Commissioning

Appendix 5 – Performance Indicators

There are no national Performance Indicators in existence for Internal Audit, but the Partnership does monitor the following Local Performance Indicators LPI's:
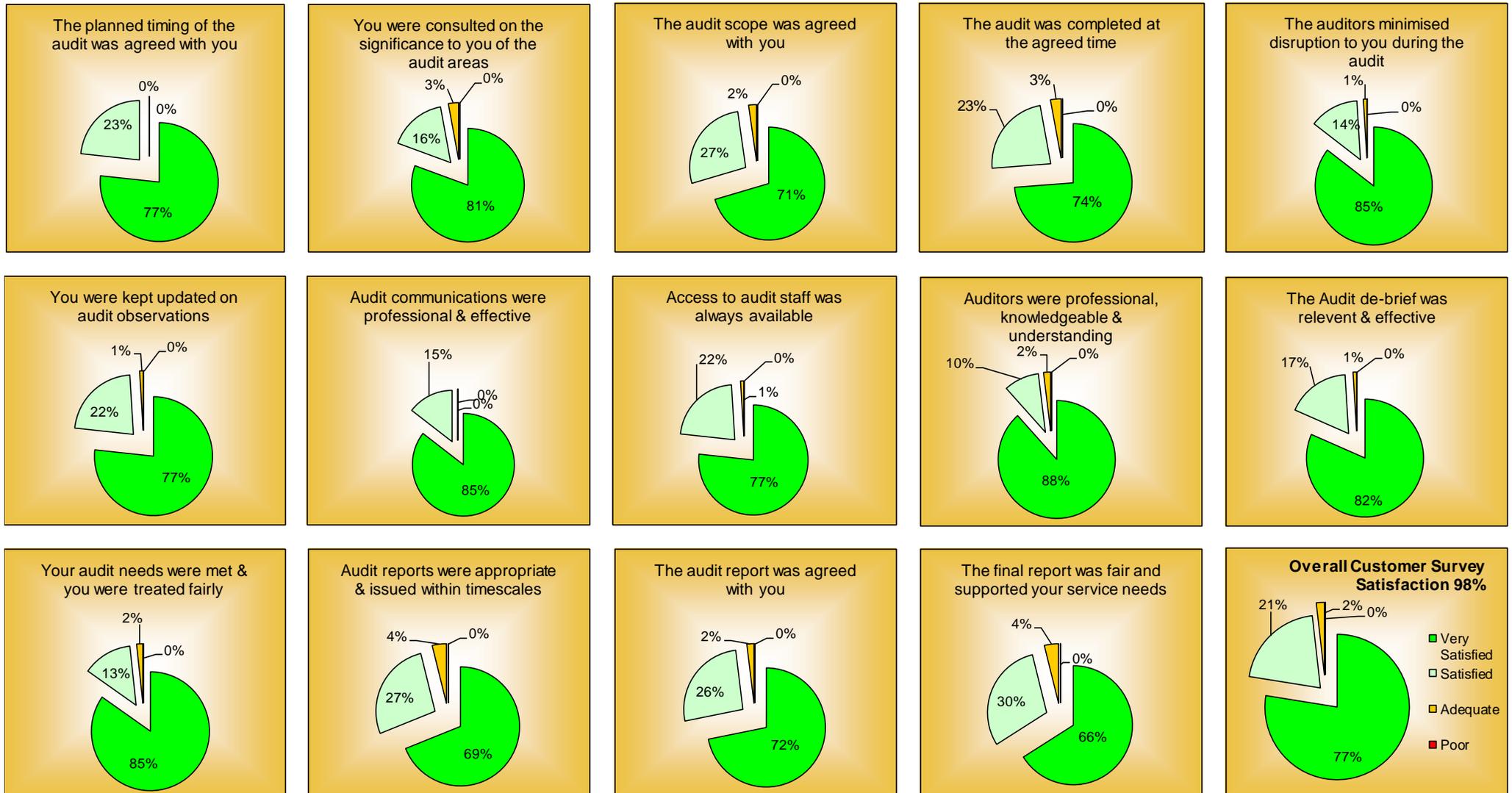
Local Performance Indicator (LPI)	2015/16	2015/16	2016/17	Torbay 2016/17	DAP 2016/17
	Target	Actual	Target	Actual	Actual
Percentage of Audit plan Commenced (Inc. Schools)	100%	100%	100%	100%	99%
Percentage of Audit plan Completed (Inc. Schools)	93%	97%	93%	96%	94%
Actual Audit Days as percentage of planned (Inc. Schools)	95%	101%	95%	113%	101%
Percentage of fundamental / material systems reviewed annually	100%	100%	100%	100%	100%
Percentage of chargeable time	65%	69%	65%	64%	70%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	99%	90%	94%	98%
Draft Reports produced within target number of days (currently 15 days)	90%	87%	90%	85%	90%
Final reports produced within target number of days (currently 10 days)	90%	94%	90%	100%	98%
Average level of sickness absence (DAP as a whole)	2%	2%	2%		3.2%
Percentage of staff turnover (DAP as a whole)	5%	5%	5%		21%
Out-turn within budget	Yes	Yes	Yes		Yes

Overall, performance against the indicators has been very good and has maintained improvement on 2015/16 in relation to the issue of final reports to the customer within the agreed timeframes. Although there has been no overall improvement in relation to the issue of draft reports, analysis demonstrates that draft reports issued in the later part of the year were issued in line with performance targets.

Appendix 6 - Customer Service Excellence

Customer Survey Results April - March 2017

The charts below show a summary of   **103**   **responses received.**

The planned timing of the audit was agreed with you
0% 0% 23% 77%

You were consulted on the significance to you of the audit areas
3% 0% 16% 81%

The audit scope was agreed with you
2% 0% 27% 71%

The audit was completed at the agreed time
3% 0% 23% 74%

The auditors minimised disruption to you during the audit
1% 0% 14% 85%

You were kept updated on audit observations
1% 0% 22% 77%

Audit communications were professional & effective
15% 0% 0% 85%

Access to audit staff was always available
22% 0% 1% 77%

Auditors were professional, knowledgeable & understanding
2% 0% 10% 88%

The Audit de-brief was relevent & effective
17% 1% 0% 82%

Your audit needs were met & you were treated fairly
2% 0% 13% 85%

Audit reports were appropriate & issued within timescales
4% 0% 27% 69%

The audit report was agreed with you
2% 0% 26% 72%

The final report was fair and supported your service needs
4% 0% 30% 66%

Overall Customer Survey Satisfaction 98%
21% 2% 0% 77%
- Very Satisfied
- Satisfied
- Adequate
- Poor

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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.