devon **audit** partnership

Internal Audit Report

Follow Up Report on Areas Requiring Improvement

Torbay Council

December 2017

CUSTOMER SERVICE EXCELLENCE
CSE

Auditing for achievement

Devon Audit Partnership

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

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

Confidentiality and Disclosure Clause

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

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

Introduction

At the July 2017 Audit committee, members were provided with the Annual Internal Audit report for the Council. Appendix 4 of that report provided a summary of the audits undertaken during 2016/17, along with our assurance opinion. Where a "high" or "good" standard of audit opinion was provided we confirmed that, overall, sound controls were in place to mitigate exposure to risks identified; where an opinion of "improvements required" was provided then issues were identified during the audit process that required attention. We provided a summary of some of the key issues reported that were being addressed by management and pointed out that we were content that management were appropriately addressing these issues.

Members discussed and accepted the report; however, members have previously found it beneficial to receive a report on progress on the "improvement required" areas highlighted in Appendix 4 to the report.

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

Assurance Statement

Our assurance opinion remains as reported in our Annual Audit Report 2016/17. However, it should be recognised that there is potential for this assurance opinion to be adversely affected should the lack of progress made against certain individual audit management action plans continue.

Progress Impact Assessment

The progress made in some areas means the previously identified risks are being minimised or mitigated where appropriate. However the lack of progress made in some action plans means a number of the risks previously identified and highlighted to management continue to remain. In particular there remain areas where progress has been limited and this includes Emergency Planning and Business Continuity and a number of audits within ICT and Children's Services.

In relation to Emergency Planning and Business Continuity, we are aware that a project has been formulated with appropriate plans to address the areas of concern, however as these are in their infancy we are not at this early stage to able to change our assurance opinion.

A decision has been made to develop a contractual partnership between Plymouth City Council and Torbay Council's Children's Services, with effect from April 2018. Children's Services is also currently engaged in meeting an improvement plan. These factors may have impacted capacity and priority in addressing previous issues raised within some Internal Audit reports.

As part of the Transformation Programme ICT is currently subject to a service delivery options review and individual functions within ICT are affected by supporting associated projects, all of which impact the appropriateness of currently taking forward a number of the agreed actions.

In addition, where agreed actions are set for future dates, and have therefore not formed part of this follow up exercise, the identified risks will remain until such time as the actions are complete.

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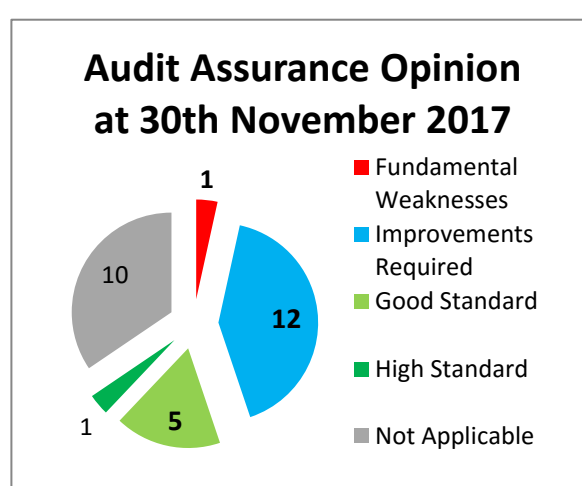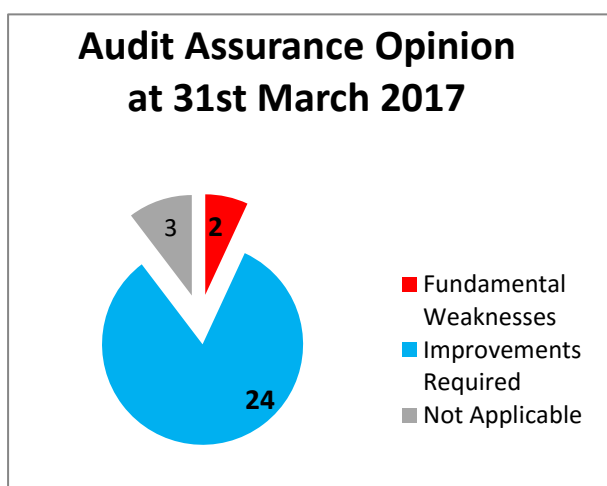
Progress

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

It should be noted that a small number of the audits were not followed up due to the timing being inappropriate, linked to the timing of the agreement to the action plan for the original reports, hence in these instances the original assurance opinion remains.
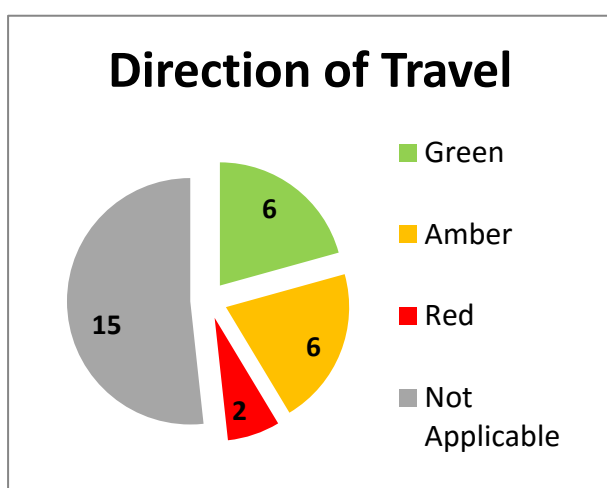
Direction of Travel

Green 6
Amber 6
Red 2
Not Applicable 15

Direction of Travel Key

Green – action plan implemented or being implemented within agreed timescales;
Amber – implementation of action plan not complete in all areas or overdue for key risks;
Red – implementation of action plan not complete and we are aware progress on key risks is not being made.
N/A – follow up not appropriate at this time / opportunity for progress has been limited

Audit Assurance Opinion at 31st March 2017

Fundamental Weaknesses 2
Improvements Required 24
Not Applicable 3

Audit Assurance Opinion at 30th November 2017

Fundamental Weaknesses 1
Improvements Required 12
Good Standard 5
High Standard 1
Not Applicable 10

Although the audits previously followed up in 2016/17 are not subject to further formal audit follow up, for continuity and the avoidance of doubt we have analysed the previous year's output to provide an indication of areas that may require further Management input. Please refer to table over page.

Total audits still at Improvements Required from 2016/17 annual follow up report			
Areas subject to follow up activity within 17/18 planned audit work			Audit areas potentially requiring Management review of progress against previous audit recommendations
Material Systems *(annual audits)*	Project activity	17/18 audits	
3	0	1	• Corporate Security and CCTV • Hosted Services (ICT) • Database Administration (ICT) • Corporate Access Management (ICT)

Internal Audit Coverage and Results

Overall we can report that, for the a number of audits, progress is being made against the agreed recommendations following our initial audit and this is shown in the direction of travel chart above and in Appendix A of this report. A significant number of opinions remain unchanged at this time although this does not in all cases reflect lack of action.

It should be noted that in a number of instances action is being taken to address the issues identified, but this is ongoing and therefore we have been unable to form a new overall assurance opinion. It is acknowledged that the need to make changes to some processes can take time to achieve, and as a consequence not all recommendations have been completed, but this is as expected.

Some agreed actions have not been implemented for a variety of reasons including strategic and operational changes in the service area and the need to prioritise resource in other directions. We shall work with management in determining revised implementation dates to ensure that actions are taken as promptly as is possible to address the risks identified.

During our initial audit work we have made reference to areas where risk exists; however in some cases it is either not economically appropriate to address this risk, or technical solutions are not yet available. In such cases management agree to accept this risk, and use other monitoring arrangements to ensure that the risk is kept to a minimum. In such cases we are unable to provide an improved audit opinion, although we fully recognise that the risk is identified, managed and management will resolve the issue as and when opportunities arise.

Appendix A of this report sets out the audits at the end of 2016/17 which were identified as 'improvements required' or 'fundamental weaknesses'. The appendix shows the current (updated) assurance opinion following our follow up work, and a 'direction of travel'. We have also provided some more detailed commentary on progress being made. Appendix B provides a definition of the assurance opinion categories.

Annual Governance Statement

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

These should be considered along with the conclusions from the Annual Audit Report 2016/17 presented to the Committee in July 2017.

Process

For each service area where an overall audit opinion of "improvements required" or "fundamental weaknesses" was provided at the end of 2016/17 we completed a follow up review. The follow up review was undertaken to provide assurance to management and those charged with governance, that the agreed actions identified at our initial audit visit had been implemented, or suitable progress is being made to address the areas of concern.

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

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

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

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

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

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

Summary of Audit Follow and Findings 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 - Key

Green – action plan implemented or being implemented within agreed timescales;

Amber – implementation of action plan not complete in all areas or overdue for key risks;

Red – implementation of action plan not complete and we are aware progress on key risks is not being made.

* report recently issued, opportunity for progress has been limited

Corporate Services & Operations and Commercial Services & Transformation

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2017	Updated Audit Assurance Opinion as at 30 November 2017	Commentary and residual risk	
Material Systems					
Material systems audits and as such any recommendations made and associated agreed actions are followed up as part of the annual audit process.					
Income Collection	Risk / ANA - Medium	Improvements Required	High Standard	A review of progress against the previously agreed recommendations found that significant progress has now been made in a number of areas, for example controls have been put in place to mitigate the lack of segregation of duty between Administrator and general operational / transactions roles; system access has been improved; income collection has been incorporated into the FIMS Business Continuity Plan.	
Debtors	Risk / ANA - Medium	Improvements Required	N/A	The audit for 2017-18 will be undertaken in Q4 and will be reported upon in our annual outturn report.	N/A
Creditors	Risk / ANA - High	Improvements Required	N/A	The audit for 2017-18 is currently ongoing and will be reported upon in our annual outturn report.	N/A

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2017	Updated Audit Assurance Opinion as at 30 November 2017	Commentary and residual risk	
Corporate Debt	Risk / ANA - Medium	Improvements Required	N/A	The audit for 2017-18 will be undertaken in Q4 and will be reported upon in our annual outturn report.	N/A
Council Tax and Non Domestic Rates	Risk / ANA - Medium	Improvements Required	N/A	The audit for 2017-18 will be undertaken in Q4 and will be reported upon in our annual outturn report.	N/A
Benefits	Risk / ANA - Medium	Improvements Required	Good Standard	This year's work did not identify many issues in terms of accuracy of processing, and there have been improvements in the application of the RBV framework. There are still a number of issues outstanding from previous years, particularly in relation to SE earnings calculations and we have recommended that these are resolved as soon as possible. We found that the QC process was not working effectively and this may have had an impact on the External Audit findings which resulted in the need for additional testing in relation to the benefit subsidy claim.	⬆ G
Other					
Torbay Harbour Authority - Income	Risk / ANA - Medium	Improvements Required	Good Standard	There has been significant progress against the agreed recommendations and we are pleased to uprate the assurance opinion to good standard. There remains a key issue in relation to the arrangement with the Brixham Trawler Agency (BTA) for fish toll which does not provide a formal robust structure within which both the Tor Bay Harbour Authority and BTA can operate effectively. Further, direct fish landing is not adequately controlled. As such, fish toll from both sources may not be complete and accurate. Income may not be being maximised in relation to rental and leasing on Tor Bay Harbour estate property because agreements are not being reviewed to ensure they remain appropriate.	⬆ G

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2017	Updated Audit Assurance Opinion as at 30 November 2017	Commentary and residual risk	
Discretionary Social Fund (Crisis Support)	Risk / ANA - High	Improvements Required	Improvements Required	Some progress has been made against agreed recommendations. A number of high priority actions remain. In particular, the requirement to formulate and undertake a quality checking process with feedback to assessors; monitoring of Plough and Share's administration of the loan scheme should be recorded and monitoring outcomes reported; reconciliation between the discretionary module in IBS Open Systems and the General Ledger should be undertaken. Hence the assurance opinion remains the same.	
Commissioning and Performance Monitoring by the Council of the TDA – Service Level Agreement	(ANA – High)	N/A – advice note only	N/A – advice note only	Formal agreement to the draft report was obtained in August 2017. A follow up of this audit was included in the 2017-18 audit plan and will be formally reported within the annual outturn report.	N/A*
Procurement and Contracting Arrangements	(ANA – High)	N/A – in progress at the time of the outturn report	Improvements Required	Formal agreement to the draft report was obtained in September 2017 and as such the Procurement and Contracting Arrangements audit is not yet due for formal follow up.	N/A*
Concessionary Fares	Risk / ANA - High	Improvements Required	N/A	The Concessionary Fares audit has been included within the 2017-18 audit plan for a specific piece of follow up work outside of this annual process. At time of reporting this work remains in progress and will be formally reported within the annual outturn report.	N/A
Velopark	Risk / ANA - Low	Improvements Required	N/A	In consultation with the then Assistant Director, Community and Customer Services, we gained agreement that due to the forthcoming change in management of the Velopark, this follow up process would be waived.	N/A
Sports Pitches	Risk / ANA - Medium	Improvements Required	N/A	The Sport Pitches audit has been included within the 2017-18 audit plan for a specific piece of follow up work outside of this annual process and will be undertaken in Q4.	N/A

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2017	Updated Audit Assurance Opinion as at 30 November 2017	Commentary and residual risk	
Museum Services	Risk / ANA - Low	Improvements Required	Improvements Required	We can confirm that good progress has been made by management in addressing the risks identified in the original audit. The majority of agreed actions have taken place, considerably reducing the level of risk. A few recommendations remain to be completed, but we are confident that these will soon be addressed. It should be noted that management action in progress would expect to see this improve to Good Standard next year.	⬈
Housing Options	Risk / ANA - Medium	Improvements Required	N/A	The Housing Options audit has been included within the 2017-18 audit plan for a specific piece of follow up work outside of this annual process and will be undertaken in Q4.	N/A
Highways, Street Scene, Lighting and Transport Infrastructure – UK PMS System	Risk / ANA - High	Improvements Required	N/A	The Highways Network Asset Code is no longer being introduced and therefore no further work is required in this area.	N/A
Emergency Planning and Business Continuity	Risk / ANA - High	Fundamental Weaknesses	Fundamental Weaknesses	Although the audit opinion remains the same, it should be noted that progress is being made but is not yet fully operational. As progress is in its early stage we are not yet in a position to formulate a revised opinion. It should be noted that management action in progress would expect to see this improve next year.	⬈
TOR2 Commissioning	Risk / ANA - Critical	Improvements Required	Improvements Required	Formal agreement to the draft report was obtained in July 2017 and as such the TOR2 Commissioning audit is not yet due for formal follow up.	N/A*
Safer Communities	Risk / ANA - Medium	N/A – in progress at the time of the outturn report	Improvements Required	Formal agreement to the draft report was obtained in October 2017 and as such the Safer Communities audit is not yet due for formal follow up.	N/A*

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2017	Updated Audit Assurance Opinion as at 30 November 2017	Commentary and residual risk	
IT Audit					
Change Management	Risk / ANA - High	Improvements Required	Improvements Required	The possible organisational changes related to the ICT delivery model within the Transformation Programme may impact change management processes going forward. We would suggest that existing practices continue in relation to the regular formal change management meetings and associated communication, but further development of the process be reviewed on a case by case basis to ensure that resource is not focussed on enhancements which may ultimately become redundant. Whilst the Council operates some ICT change management processes, it remains that these are not consistent and do not provide a robust framework by which risks are minimised or mitigated, however the current risks have been accepted due to the potential organisation changes. There are some areas of good practice however a number are driven by the individuals concerned rather than by defined governance framework.	→
Partnership Working (ICT Systems TOR2)	Risk / ANA - High	Improvements Required	Improvements Required	Progress against the agreed recommendations has not been undertaken as originally expected. A number of the agreed actions have either not yet taken place or are partially implemented. We have been advised that in a number of cases the lack of progress has been in relation to delays in formalising process changes due to complexities in operational practices. We understand that both parties are operating under strict budget constraints, ruling out any current investment in infrastructure. In April 2018 the contract(s) enter their ninth year of the initial ten year contract period. As part of Transformation, a TOR2 Project Board has been formed as a key Transformation Project. Future ICT provision including channel shift and use of social media applications for Torbay residents will form part of this project.	→

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2017	Updated Audit Assurance Opinion as at 30 November 2017	Commentary and residual risk	
Cyber Essentials	Risk / ANA - Client Request	Improvements Required	Improvements Required	It is pleasing to note that some progress has been made against the agreed actions. A small number of recommendations have been implemented with a majority ongoing. Whilst progress has been made, the level of actions either ongoing or not implemented results in the risks remaining. It should be noted that management action in progress would expect to see this improve next year.	

Adult Services					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2017	Updated Audit Assurance Opinion as at 30 November 2017	Commentary and residual risk	
NRS Healthcare Joint Equipment	Risk / ANA: Client Request	Improvements Required	Good Standard	A follow up of this audit was included in the 2017-18 plan and is being formally reported within the six month outturn report.	

Children's Services

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2017	Updated Audit Assurance Opinion as at 30 November 2017	Commentary and residual risk	
Educational Health and Care Plan – Ofsted Framework	Risk/ANA: ANA - Low, client request	Improvements Required	Good Standard	Significant progress has been made with a number of the associated risks having been addressed. There remain a small number of areas where further improvement is required however this is somewhat reliant on external influences.	⬆G
Contracts, Commissioning, Procurement including Career South West	Risk/ANA: ANA - Medium, client request	Improvements Required	Good Standard	Significant progress has been made with a number of the associated risks having been addressed. A sufficiency strategy has been drafted. Controls would be further enhanced through the finalisation and implementation of this policy.	⬆G
Care Leavers – Transition Plans	Risk/ANA: ANA - Low, Ofsted, client request	Improvements Required	Improvements Required	Other work priorities within Children's Services have prevented completion of a follow up audit; however since the original audit was completed the Care Leavers' Service has been subject to a focussed Ofsted Monitoring Visit in July 2017. Whilst the Monitoring Visit highlighted progress with the completion and quality of Pathway Plans, there remained variability in quality to be addressed. Ofsted also noted that Care Leavers' awareness of their entitlements had been significantly strengthened and that an After Care Handbook and Entitlement Sheet is issued to all Care Leavers. We have been advised that work is also underway to review all Care Leavers' accommodation as the visit evidenced a misunderstanding on the assessment process which has resulted in a programme which will see all accommodation settings visited and reassessed. In light of this information, we have taken assurance from Ofsted's findings and updated the direction of travel to 'Amber' now with the intention of re-visiting this area in our follow up exercise next year.	↗A

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2017	Updated Audit Assurance Opinion as at 30 November 2017	Commentary and residual risk	
Transition Children's to Adults – Special Educational Needs and Disabilities	ANA - Medium	Fundamental Weaknesses	Improvements Required	Progress has been made with the formulation of the SEND Strategy. A joint strategic needs assessment has been carried out, the results of which are awaiting publication. It is clear that new processes and templates have been formulated in relation to the Education, Health and Care Plans (EHCP). We are pleased to lift the assurance opinion to that of Improvements Required. This reflects that progress has been made, however the templates and processes will require a formal audit review to establish effectiveness and consistency in operation. It should be noted that management action in progress would expect to see this improve further next year.	
Torbay Safeguarding Children Board	Risk/ANA: ANA - Critical, Ofsted, client request	Improvements Required	Improvements Required	Formal agreement to the draft report was obtained in November 2017 and as such the Torbay Safeguarding Children Board audit is not yet due for formal follow up.	N/A*
Looked After Children - Referrals	Risk/ANA: ANA - Medium, Ofsted	Improvements Required	Improvements Required	Formal agreement to the draft report was obtained in September 2017 and as such the Looked After Children - Referrals audit is not yet due for formal follow up.	N/A*

Definitions of Audit Assurance Opinion Levels

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

Definition of Recommendation Priority

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

Confidentiality under the National Protective Marking Scheme

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