



devon **audit** partnership

Internal Audit Report

Follow Up Report on
Areas Requiring
Improvement

Torbay Council

January 2022

OFFICIAL



Auditing for achievement

Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Torridge, North Devon, Mid Devon and Devon County 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

The 2020/21 Annual Internal Audit outturn report was presented to the Audit Committee in May 2021; Appendix 1 of that report provided a summary of the audits undertaken during 2020/21, along with our assurance opinion. Where a “high/substantial” or “good/reasonable” standard/audit assurance opinion was provided we confirmed that, overall, sound controls were in place to mitigate exposure to risks identified; where an opinion of “improvements required/limited assurance” or worse 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 have previously found it beneficial to receive a report on progress on the “improvements required / limited assurance” areas highlighted in Appendix 1 to the 2020/21 annual 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 2020/21. However, it should be recognised that there is potential for this assurance opinion to be adversely affected should there be a lack of continued progress where work is ongoing to address individual management action plans.

We do recognise that the Covid-19 pandemic response has continued to be a priority for the Council, with impacts across all service areas. As such in some cases progress has been impacted.

To note we delayed completion of the intended SEN – Higher Needs follow up due to the planned Ofsted visit and subsequent reporting. As such this area will be followed up within the 2022-23 follow up exercise.

Progress Impact Assessment

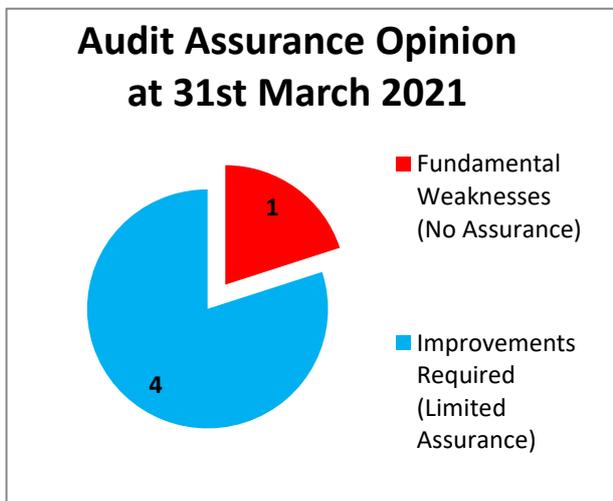
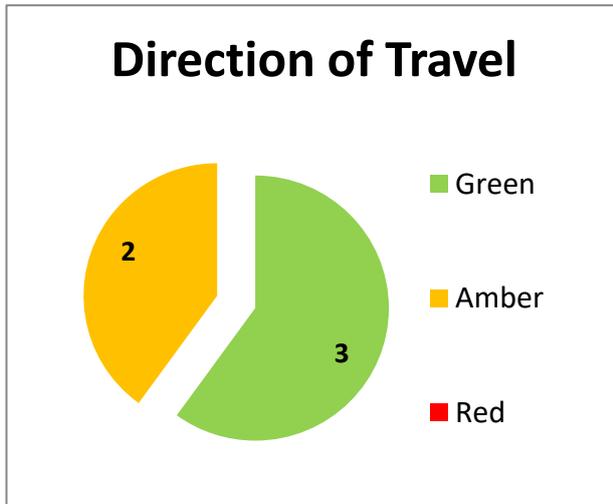
The progress made in some areas means the previously identified risks are being minimised or mitigated where appropriate. We recognise that in other areas progress remains ongoing, although acknowledge that appropriate plans are in place to address the associated risks.

Progress in some areas has been affected by the ongoing pandemic and the need to await new legislation. In other instances, although Management responses indicate that progress has been made, the lack of supporting evidence means that we are unable to confirm that associated risks are being addressed in all cases.

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

Where progress has been made against the agreed action plans, this is 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.



Note, the changes in assurance opinions effective April 2020 as described in the 2020-21 outturn report.

Although the audits previously followed up in 2020/21 are not subject to further formal audit follow up as part of this process, 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/Limited Assurance or worse from 2020/21 annual follow up report

| Areas subject to follow up activity within 2021/22 planned audit work | | Areas (potentially) requiring Management review of progress against previous audit recommendations |
|---|----------------|---|
| Key Financial Systems (annual audits) | 2021/22 audits | |
| 2 (Debtors and Corporate Debt; Council Tax and NNDR) | N/A | <ul style="list-style-type: none"> – Housing Services – Contract Monitoring – Libraries – Local Transport Implementation Plan / Strategic Transport – Children’s Contracted Services / Commissioned Services – Disability Services – Early Help Strategy – Legal Care Proceedings – Permanency Planning – Transition of Children with Disabilities to Adults |

Internal Audit Coverage and Results

Overall, we can report that Management responses indicate that progress has been made in most areas, and this is shown in the direction of travel chart above and in Appendix A of this report. Where the opinion remains unchanged, we acknowledge that progress is being made.

In a small number of instances supporting evidence was not provided to us within the follow up activity and therefore we were unable to re-assess our assurance opinions. We do however recognise that service areas remain under pressure due to the Covid-19 pandemic which may have impacted their response to the follow up activity.

It should be noted that in a number of instances we understand that action is being taken to address the issues identified. 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 the need to prioritise resource in other directions.

Appendix A of this report sets out the audits at the end of 2020/21 which were identified as ‘improvements required/limited assurance’ or ‘fundamental weaknesses/no assurance’. 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 2020/21 published in May 2021.

Process

For each service area where an overall audit opinion of “improvements required/limited assurance” or “fundamental weaknesses/no assurance” was provided at the end of 2020/21 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 or “opportunity” 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 "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 2021-22

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/overdue for key risks;
Red – implementation of action plan not complete and we are aware progress on key risks is not being made.
 * reflects report recently issued in draft therefore not subject to follow up at this time
 **reflects the updated assurance opinions effective from April 2020 (see Appendix B)

| Children's Services | | | | | |
|-------------------------------------|--|--|---|---|---|
| Risk Area / Audit Entity | Risk Assessment / Audit Needs Assessment | Audit Report | | | Direction of Travel RAG Score |
| | | Audit Assurance Opinion at 31 March 2021 | Updated Audit Assurance Opinion at 30 November 2021 | Commentary and residual risk | |
| Adoption – client monitoring of RAA | ANA - Medium | Improvements Required | Limited Assurance ** | <p>Whilst we have received Management responses to the original agreed actions that state progress has been made, we are yet to be provided with supporting evidence. Therefore, our revised executive summary, level of assurance and our audit opinions are all based upon information advised rather than evidence provided; as such we are unable to uplift our level of assurance from that originally provided.</p> <p>We understand that a regional Adoption South West (ASW) peer review is now in place and includes representatives from both procurement and commissioning. This is attended by the Divisional Director with appropriate Head of Service deputisation. We have been advised that key performance indicators along with service monitoring are in place and are undertaken via the Local Authority Peer Review to support performance improvements.</p> <p>Again, we have been advised that a procedure manual has been developed, along with supporting adoption documentation, guidance relating to recording of information, and a practice / process guide. Adoption champions have been identified, meetings are in place and being held, and a task and finish group formed all of which is intended to support the consistent application of required practices.</p> |  |

| Place | | | | | |
|--|--|--|---|---|---|
| Risk Area / Audit Entity | Risk Assessment / Audit Needs Assessment | Audit Report | | | Direction of Travel RAG Score |
| | | Audit Assurance Opinion at 31 March 2021 | Updated Audit Assurance Opinion at 30 November 2021 | Commentary and residual risk | |
| Commissioning and Performance Monitoring by the Council of the TDA | ANA – High | Improvements Required | Limited Assurance ** | <p>We are pleased to note the progress that has been made. Performance reporting and monitoring is in place, supported by regular meetings and communications, albeit that some of these aspects require formalising and recording. Fees and grants have been defined, with planned inclusion of these into the commissioning agreement going forward.</p> <p>As noted in our opinion statements a number of recommendations were completed during the original audit, with the majority either in progress, delayed or not yet due. We understand that the delays have been due in part to either the Covid-19 pandemic and the impact of this on the key Council Redesign Programme or pending revision to Public Contracts Regulations which would inform work going forward.</p> <p>Although we recognise progress made, work does continue and as such risks remain, albeit to a lesser degree once the processes are fully embedded into operational practices. In a small number of cases, although we have been provided with a narrative detailing progress made we are yet to receive formal supporting evidence and as such we are unable to provide assurance in relation to the progress of these particular actions, and in these instances we have re-reported the original actions.</p> |  |
| Technology Forge – Asset and FM Implementation Project | ANA – Medium | Improvements Required | Substantial Assurance ** | <p>It is pleasing to note that a large majority of actions have been completed either at the time of the original audit or during the period between the final advice note being issued and the current follow up process. Given the progress made we can confirm that from a project and system perspective as assessed in 2019-20, the originally identified risks have in the main been mitigated. We have re-reported one recommendation which is an opportunity to streamline the pre-input stages using potential system driven controls. Again, the Project Lead has consistently provided us with information throughout the follow up process enabling an accurate assessment of the status.</p> |  |

| Adult Services – Community and Customer Services | | | | | |
|--|--|---|--|---|---|
| Risk Area / Audit Entity | Risk Assessment / Audit Needs Assessment | Audit Report | | | Direction of Travel RAG Score |
| | | Audit Assurance Opinion as at 31 March 2021 | Updated Audit Assurance Opinion as at 30 November 2021 | Commentary and residual risk | |
| Community Protection - Prevention | ANA – High | Improvements Required | Reasonable Assurance ** | We can confirm that positive progress has been made by management in addressing the risks identified in the original audit. The agreed actions are in progress, with, in many cases, significant progress having already been made. It should be noted that delays in progress have in the main been due to the Council's response to the Covid-19 pandemic and the associated activities required. We recognise the progress made and have re-reported the original recommendations as these remain ongoing and will be progressed/reconvened when resources permit. |  |
| Health and Safety | ANA – High | Fundamental Weaknesses | Limited Assurance ** | <p>It is pleasing to note that significant progress has been made, albeit that a number of actions remain ongoing or in progress. Further work is required to ensure completion of agreed actions and fully embedding the required processes into organisational practices.</p> <p>We understand that the past 18 months have been extremely difficult from a Corporate H&S delivery point of view, with COVID dominating the work, and impacts on resources. We further understand that the team continue to identify new risks, which has added to the workload, and has deferred the wider workplan based upon a risk prioritisation approach resulting in timelines not being fully achieved. We have been advised that the main challenge facing H&S is obtaining widespread managerial commitment across the organisation linked to a need for a cultural change.</p> |  |

Definitions of Audit Assurance Opinion Levels

| Assurance | Definition |
|-----------------------|--|
| Substantial Assurance | A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. |
| Reasonable Assurance | There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited. |
| Limited Assurance | Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited. |
| No Assurance | Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited. |

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. |
| Opportunity | A recommendation to drive operational improvement which may enable efficiency savings to be realised, capacity to be created, support opportunity for commercialisation / income generation or improve customer experience. These recommendations do not feed into the assurance control environment. |

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| Marking | Definitions |
|---------------------|---|
| 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. |
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