



devon **audit** partnership

Internal Audit

Areas Requiring Improvement - Follow Up Report

Torbay Council

January 2023

OFFICIAL



Auditing for achievement

Devon Audit Partnership

Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid-Devon, South Hams & West Devon, Torridge and North Devon councils, along with Devon and Somerset Fire and Rescue Service. We aim to be recognised as a high-quality public-sector service provider.

We work with our partners by providing professional internal audit and assurance services 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 (PSIAS) 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 tony.d.rose@devon.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 2021/22 Annual Internal Audit outturn report was presented to the Audit Committee in May 2022. Appendix 1 of that report provided a summary of the audits undertaken during 2021/22 along with our assurance opinion.

Where a “Substantial” or “Reasonable” audit Assurance Opinion was provided we confirmed that, overall, sound controls were in place to mitigate exposure to risks identified. Where an opinion of “Limited Assurance” or lower 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 “Limited Assurance” areas highlighted in Appendix 1 to the 2021/22 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 2021/22. 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.

It should be noted that there were a significant number of audits still at draft report stage in the Annual Report 2021/22 due in part to the ongoing impact of the pandemic. These have not been followed up due to timing of finalisation / receipt of the management action plan.

These will be considered for follow up in the 2023/24 follow up exercise.

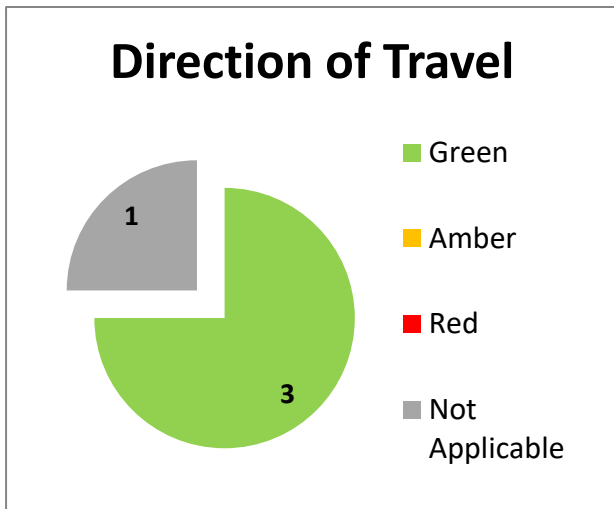
Progress Impact Assessment

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.

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.

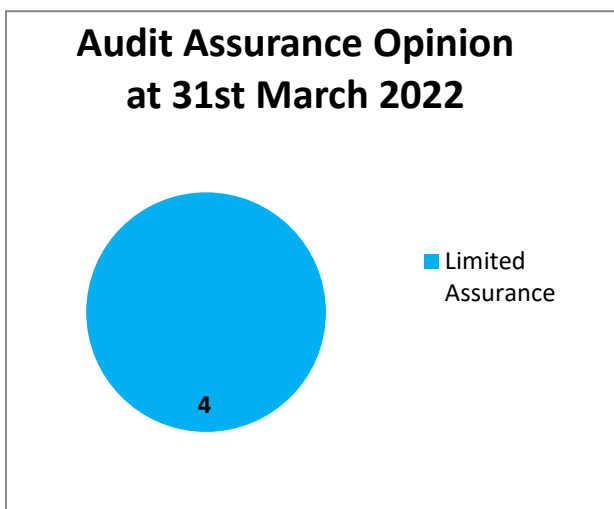
Progress

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.



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.



Although the audits previously followed up in 2021/22 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 below.

Total audits still at Improvements Required / Limited Assurance or lower from 2021/22 annual follow up report		
Areas subject to follow up activity within 2022/23 planned audit work		Areas (potentially) requiring Management review of progress against previous audit recommendations
Key Financial Systems (annual audits)	2022/23 audits	
2 (Debtors and Corporate Debt; Council Tax and NNDR)	1 (Health & Safety)	<ul style="list-style-type: none"> – Adoption – Client monitoring of RAA – Commissioning and Performance Monitoring by the Council of the TDA – Health & Safety

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.

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 2021/22 which were in final report status and identified as 'Limited Assurance' or '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 2021/22 published in May 2022.

Process

For each service area where an overall audit opinion of "Limited Assurance" or "No Assurance" was provided at the end of 2021/22 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" and "high" 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.

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 2022-23

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.

Children’s Services					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion – 31 March 2022	Updated Audit Assurance Opinion – 30 November 2022	Commentary and residual risk	
Special Guardianship Orders – Follow up	ANA - Medium	Limited Assurance	Limited Assurance	<p>It is pleasing to note the progress continues to be made in relation to review and update of the care planning pathways and support plans, quality assurance and sign off of special guardianship support plans at Head of Service level. Development and implementation of the SGO tracker should aid the review process to ensure deadlines are not missed and reviews are carried out in a timely manner.</p> <p>However, whilst the stated progress can be seen, we have not been able to verify these are consistently being implemented and adhered to and therefore are unable to uplift our assurance opinion at this time.</p> <p>The decision linked to the cost-of-living crisis not to undertake formal financial annual reviews carries the risk that some SG’s may receive incorrect financial support.</p>	

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 2022	Updated Audit Assurance Opinion at 30 November 2022	Commentary and residual risk	
SEN - Higher Needs	ANA – Medium	Limited Assurance	N/A	<p>Our follow up of audit recommendations and agreed actions confirmed that some positive progress had been made, however our scope of work differed from that of the Ofsted SEND Inspection in November 2021.</p> <p>The Ofsted Inspection has superceded our work and note that improvements made will be focussed on the Ofsted findings. Given this, we are not providing a revised opinion in relation to our work but have included mention in this report for completeness.</p>	N/A

CORPORATE SERVICES and FINANCIAL SERVICES					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion at 31 March 2022	Updated Audit Assurance Opinion at 30 November 2022	Commentary and residual risk	
ICT Information Governance (IG) and Data Quality (including Children's Services)	ANA – High	Limited Assurance	Reasonable Assurance	<p>We found that the majority of policies and guidance have been updated, and policies now due for review are intended to be completed by the end of 2022/23, along with further improvement of engagement with Children's Services.</p> <p>The Council's Information Asset Register was subject to review within the ICO Audit activity, however regular reviews should be established, including alignment of the registers risk framework to that of the Councils.</p> <p>The CS induction process has been reviewed to appropriately incorporate IG and Data Quality in alignment with the Corporate</p>	

				<p>process, with further work ongoing, for example agency staff recruitment and leaver processes. The launch of onboarding provides all new starters with a consistent set of policies and procedures to follow.</p> <p>It is understood that an inventory for moveable property within Children’s Services has been developed and is being maintained, however, we have not been provided with evidence to confirm this and therefore cannot provide assurance regarding operational practice.</p> <p>The index / directory of physical records remains an issue. We understand that due to staffing changes this has not been actioned and it is understood that a new location for the records has been agreed and once relocation has taken place, details of the records will be uploaded to Liquid Logic.</p>	
Cyber Governance	ANA – Client Request	Limited Assurance	Reasonable Assurance	<p>It is pleasing to note that Cyber defences continue to develop. In terms of the issues previously identified, the majority are complete or substantially in progress. Cyber defences are a continuously evolving area, with new risks constantly emerging, and as such it is vital that appropriate investment continues. It is also pleasing to note the investment in CISSP qualification, and acknowledgement of inclusion of the area within the risk register and supporting governance activities.</p> <p>We note that training is intended to be established by the end of 2022/23, and as such, although a Cyber briefing to SLT has been undertaken the knowledge gap at Senior Officer and Member levels remains. We acknowledge the investment into Cyber defences but note that capacity and resource is likely to remain an issue given the level of cyber defence project work and maintaining business as usual. Work is in progress in relation to strengthening the Business and Civil continuity arrangements and associated disaster recovery provision, and the Council’s Emergency Planning team have been advised to raise cyber as a priority with the Local Resilience Forum.</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.

Confidentiality under the National Protective Marking Scheme

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.
Official: Sensitive	A limited subset of OFFICIAL information could have more damaging consequences if it were lost, stolen or published in the media. This subset of information should still be managed within the 'OFFICIAL' classification tier, but may attract additional measures to reinforce the 'need to know'. In such cases where there is a clear and justifiable requirement to reinforce the 'need to know', assets should be conspicuously marked: 'OFFICIAL-SENSITIVE'. All documents marked OFFICIAL: SENSITIVE must be handled appropriately and with extra care, to ensure the information is not accessed by unauthorised people.