



Internal Audit Report

Follow Up Report on
Areas Requiring
Improvement

Devon County Council

August 2014

OFFICIAL



Auditing for achievement

ITEM 7

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 June 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 2013/14, along with our assurance opinion. Where a “high” or “good” standard of audit opinion was been provided we confirmed that, overall, sound controls were in place to mitigate exposure to risks identified; where an opinion of “improvement 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 also requested a detailed report to a future meeting updating the Committee on the “improvements required” areas highlighted in Appendix 4 to the report.

To provide the assurance that Members required, Devon Audit Partnership has completed follow up reviews, where possible, and 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 2013/14.

Progress Impact Assessment

The progress made means the previously identified risks are being minimised or mitigated where appropriate.

Improvements in the areas affecting operational and strategic risks have progressed. There remains one area where progress remains incomplete:

- Social Care Commissioning – PLUS

This is key to local operational change in the coming months and in principle may impact the success of mitigation of wider strategic risks.

Significant operational changes in a number of areas will result in previously agreed action plans becoming unnecessary. For example in relation to Residential Home closures, the risks will remain until the point of closure, however addressing those risks is no longer considered a priority.

In addition, where the 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.

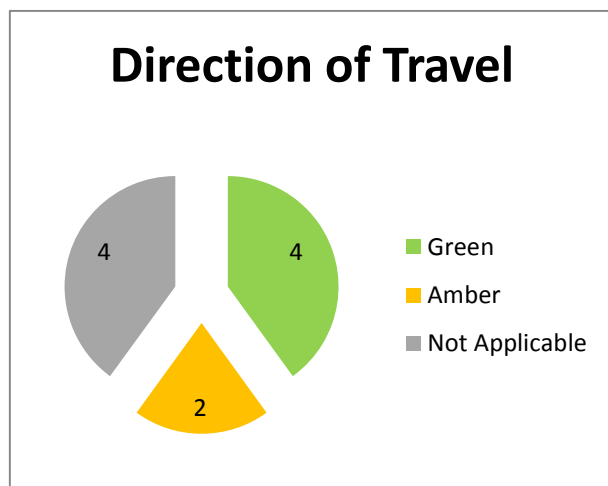
This follow up activity was an opportunity to facilitate, review and expedite progress for individual audits, to inform Management of the current position and to integrate the outcomes into the organisation’s strategic management.

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Progress

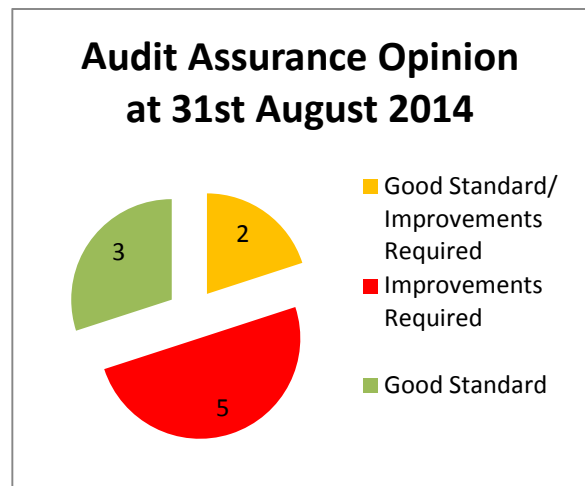
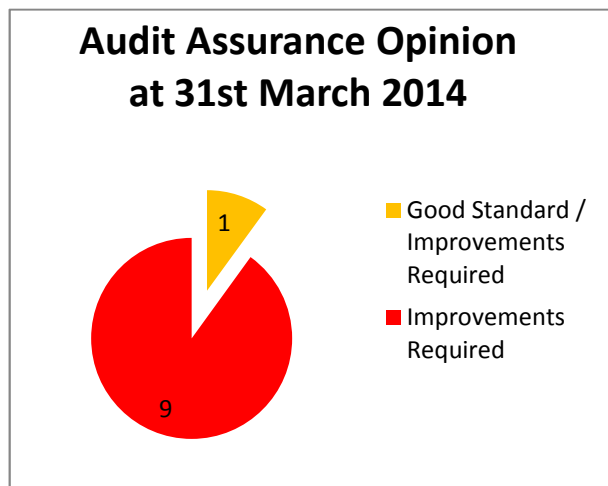
Some progress has been made against the agreed action plans as shown in the 'Direction of Travel' chart. The subsequent charts record the resulting change in audit assurance opinion based upon the follow up work undertaken.

It should be noted that a large proportion 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 or significant operational changes resulting in a follow up being inappropriate, hence in these instances the original assurance opinion remains. For such audits, a follow up review will be completed at an appropriate time, and results fed back to senior management and the Audit Committee.



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



Internal Audit Coverage and Results

Overall we can report that 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 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 any revision to implementation dates to ensure that where necessary 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 2013/14 which were identified as 'improvements required'. 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 2013-14 presented to the Committee in June 2014.

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Process

For each service area where an overall audit opinion of “improvements required” was provided at the end of 2013/14 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

Appendix A

Summary of Audit Follow and Findings 2013-14

Risk Assessment Key


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

Direction of Travel - Key

Green – action plan implemented or being implemented within agreed timescales;
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 * report recently issued, opportunity for progress has been limited


Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report		Commentary and residual risk	Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2014	Updated Audit Assurance Opinion as at 31 August 2014		
Corporate Resources – Finance					
Lodged Purchase Cards	ANA - Low	Good Standard / Improvements Required	Good Standard / Improvements Required	The report was in draft at the time of the 2013-14 annual report. It has now been issued in final and a management action plan agreed. Dates for action to be completed are in the future and thus it is was not appropriate to follow up status at this time. A follow up audit will be programmed in during the 2015/16 audit plan year.	N/A *

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Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report		Commentary and residual risk	Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2014	Updated Audit Assurance Opinion as at 31 August 2014		
Corporate Resources – Human Resources					
Payroll	ANA - Medium	Improvements Required	Good standard	Payroll is subject to an annual audit and therefore the status of individual recommendations against the agreed actions is currently being followed up as part of the 2014-15 audit. The two key risks are: <ul style="list-style-type: none"> - suspense account reconciliation. Good progress is being made and balances are being cleared. - authorisation of amendments to payroll records, management have chosen to accept the risk which will be mitigated following introduction of “self-service” over the next 12-18mths. Full results of this audit will be reported in our six monthly performance outturn report.	
Corporate Resources – Business Strategy and Support					
Management of mobile phones	Client request	Improvements Required	Improvements Required	The report was in draft at the time of the 2013-14 annual report. It has now been issued in final and a management action plan agreed. Dates for action to be completed are in the future and thus it was not appropriate to follow up status at this time. A follow up audit will be programmed in later in this financial year.	N/A *

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report		Commentary and residual risk	Direction of Travel RAG Score
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People - Children's Social Work Service & Child Protection					
Children's Centres ECI – Countess Wear / Chestnut / Flying Start	ANA - Low	Improvements Required	Good Standard	Recommendations within the management action plan have been implemented and associated internal reporting timescales agreed.	
Care Leavers – Training Flat	Client request	Improvements Required	Good Standard	Carer to purchase flat via business loan therefore current mortgage provider issue will be no longer relevant. Adequate insurance now in place. Flat occupancy maximised.	
People - Education & Learning					
Children Missing in Education	ANA - Medium	Improvements Required	Good Standard	CME steering group has been restructured. A variety of CME documents have been produced; schools made aware via a variety of methods. Higher quality of timely information now available; data within reports more timely leading to more efficient and effective follow up. Situation recognised as very	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report		Commentary and residual risk	Direction of Travel RAG Score
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				high priority, corresponding allocation of resources made.	
People - Social Care Commissioning					
PLUSS	Client request	Improvements Required	Improvements Required	A number of the report recommendations have been implemented within the existing contract with PLUSS. The content of the report has been taken into account with writing the specification for the new Devon Independent Living Integrated Service (DILIS) which is planned to start from 1 st April 2015.	
People - Adult Social Care					
Administrative Support	ANA - Medium	Improvements Required	Improvements Required	Closure programme now in place for residential care homes	N/A
RCH / Day Centres – establishment / financial audit Charlton Lodge St Lawrence RCH &	ANA - Medium	Improvements Required	Improvements Required	Summary audit report produced detailing findings and recommendations made at all residential / day establishments. Applicable matters dealt with by Assistant Accountants in conjunction with Unit Managers / Clerks. The majority of establishments are scheduled for closure over the next eighteen months. Closures to commence as	N/A

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report		Commentary and residual risk	Direction of Travel RAG Score
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Day Centre Harewood RCH & Day Centre				follows:- <ul style="list-style-type: none"> Charlton Lodge: RCH (Spring 2015); Day Services (July 2014) St Lawrence: RCH (early 2015); Day Services (July 2014) Harewood: RCH (Spring 2015); Day Services (November 2014) 	
People - Finance / Cross Cutting					
Mental Health Team Processes	ANA - Low	Improvements Required	Good Standard	Recommendations made to processes and procedures applicable to both finance and care management have been actioned mitigating risks previously identified.	

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.

