



devon **audit** partnership

## Internal Audit Report

Follow Up Report on  
Areas Requiring  
Improvement

Devon County Council

*September 2015*



**Auditing for achievement**

## **Devon Audit Partnership**

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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](mailto:robert.hutchins@devonaudit.gov.uk)

## **Confidentiality and Disclosure Clause**

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This report is protectively marked in accordance with the government security classifications . 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

## **Introduction**

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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 2014/15, 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 practical, and the results from this process are contained in this report at Appendix A.

## **Assurance Statement**

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Our assurance opinion remains as reported in our Annual Audit Report 2014/15 as “reasonable assurance”.

## **Progress Impact Assessment**

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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 areas where progress is ongoing and some of these areas will be subject to further examination later in the year as part of our planned work or the issues raised have been taken into account in developments within the service area.

Changes in operational arrangements may result in previously agreed action plans becoming unnecessary. For example in relation to District Offer £20k Allocation where individual grants to districts has now ceased, although the effort made in establishing formal grant agreements under the new arrangements is acknowledged.

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.

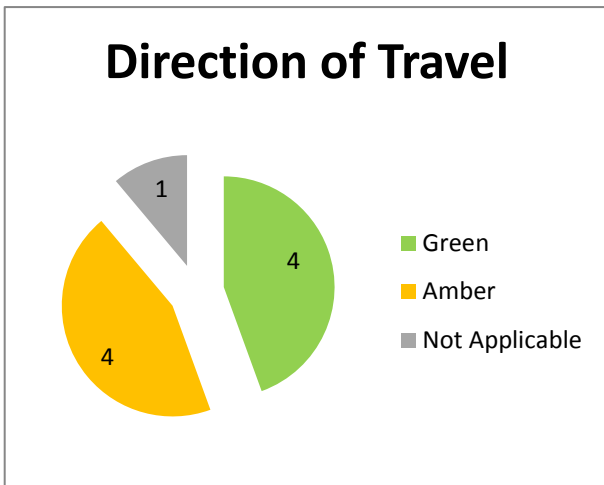
## Progress

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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.

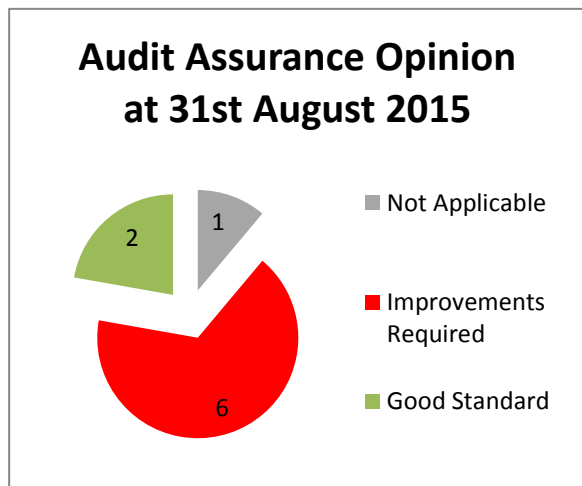
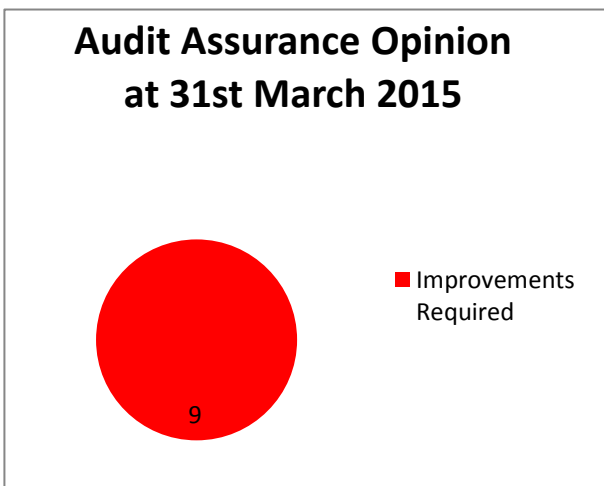
It should be noted that we were unable to provide an updated assurance opinion in relation to one area (District Offer) due to the significant change in arrangements resulting in previously agreed actions no longer being applicable. This area will be considered within our audit planning process for future years.

In addition, three 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 this instance the original assurance opinion remains. For these 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**

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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 necessarily 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 appreciate that the risk is identified, recognised and management will resolve the issue as and when opportunities arise.

Appendix A of this report sets out the audits at the end of 2014/15 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**

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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 2014/15 presented to the Committee in June 2015.

**Robert Hutchins**  
**Head of Audit Partnership**

## Process

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For each service area where an overall audit opinion of “improvements required” was provided at the end of 2014/15 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 Up and Findings 2014/15


### 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



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 2015	Updated Audit Assurance Opinion as at 31 August 2015		
<b>Corporate Services - Finance</b>					
Capital Programme	ANA - High	Improvements Required	Improvements Required	<p>Training has now been provided (via Bursars meetings) to school staff responsible for capital / revenue coding, to ensure those staff responsible for the classification decisions are now clear on the relevant definitions, and how to apply them to specific purchases.</p> <p>Procedural guidance to assist schools in correctly allocating expenditure to capital or revenue is due to be updated by the end of September 2015. Pending review of this, Audit should then be able to update the assurance opinion to Good Standard.</p>	



Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2015	Updated Audit Assurance Opinion as at 31 August 2015	Commentary and residual risk	
Charging for Care Team (Corporate Services) / Care Management (People) - Client Contributions - Non Residential Services	ANA - High	Improvements Required	Improvements Required	<p>Our original audit identified that financial assessments were not up to date or completed in all cases. This resulted from issues in relation to incomplete or absent referrals from Care Management, implementation of policy, sufficiency of the CareFirst system to prompt review actions and produce exception reporting, a lack of random sampling of financial assessments and inconsistent return of signed assessments from clients which, collectively, could result in incorrect contributions from client for their care package.</p> <p>Changes to the referral process effective from July 2015 have introduced a number of changes to assist care management staff. The 'My Assessment' form cannot be closed without the financial assessment referral required question being answered. We understand that this should resolve the concerns around ensuring every client has an up to date financial assessment. Charging for Care Team have access to clients benefit records held by the Department of Work and Pensions which it uses to confirm benefit income, other income and in certain cases capital held by the client mitigating any risks. A rolling review programme will be implemented to ensure service users charges are reviewed at least annually in accordance with the Care Act. This should ensure that all historic assessments are reviewed in the next twelve months.</p> <p>Further control mitigation is planned with Audit and Care Management staff to explore alternate performance reporting systems.</p>	



Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2015	Updated Audit Assurance Opinion as at 31 August 2015	Commentary and residual risk	
<b>Corporate Services - Human Resources</b>					
Payroll	ANA - Medium	Improvements Required	Improvements Required	<p>There has been good progress, and the control framework is considered sound, with one exception, although there are a number of recommendations which remain outstanding at this time.</p> <p>In terms of the main area of risk, the planned self-service project has been put on hold whilst resources are being used on the Children's Services development of Prism, and the HR Change programme. This has meant that amendments to individual payroll records are still not being checked for the appropriate authorisations before being processed. It is this that has led to the improvements required classification.</p> <p>As was the case in the 2014-15 report, we have no concerns in relation to the clearance of new suspense account entries which are reconciled on a timely basis.</p> <p>However, work remains ongoing to clear some old year balances for a number of suspense accounts. A decision will be reached in September as to whether these old balances warrant further review or can be written back. Associated procedural documentation is due to be completed by December.</p>	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
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<b>Corporate Services - IT Audit</b>					
ICT Audit – Service Strategy	ANA- High Client Request	Improvements Required	Improvements Required **	<p>The original review focused on the development of the future ICT strategy for DCC, which at the time of the audit was yet to be fully documented and implemented. The review concluded that the proposals closely mirrored certain strengths of ITIL (industry best practice) and provided a schedule of critical success factors (CSF). The most important of these is obtaining wider corporate buy-in and understanding of what ICT offers as a vehicle for transformational change.</p> <p>A new ICT strategy document has been completed and approved by CLT. The obtaining of wider corporate 'buy-in' for the new strategic approach is, we understand, being managed and the ICT Strategic Commissioning Manager is working with the Head of Services for Communities to help deliver overall cultural changes. Furthermore, it is anticipated that this approach will help to promote ICT as a positive enabler for change. **A second formal audit is planned for the third quarter of this year and progress against CSF's will be reviewed where it is hoped that this years audit review will deliver an opinion of 'good standard'.</p>	
<b>Public Health</b>					
District Offer £20k Allocation	Client Request	Improvements Required	N/A	Further to receipt of the audit report individual grants to Districts has now ceased and a new funding arrangement has been put in place. £80k has been allocated for collaborative working across all Districts. The new arrangement has involved working with the Districts to agree priorities and issuing a formal grant agreement with specification to the assigned project lead.	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
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<b>People</b>					
Adoption Services	ANA - Low	Improvements Required	Good Standard	<p>The audit found non-compliance with policies and procedures. A number of Children Looked After case records included information in relation to the new identity or address of the child, allowing pre and post adoption identity to be linked.</p> <p>Children Adoption paper files were incomplete to some degree; mainly relating to absence of information on the matching process and also Later Life Letters.</p> <p>Inconsistencies were found in paperwork filing; some TRIMMED and filed within the child's care management record, some filed in a paper file. Examples found of the same record held in both places and some circumstances where key information was not in either.</p> <p>Management have used the findings from the audit report to action the changes required.</p>	
Children Missing in Education	ANA - Medium	Improvements Required	Good Standard	<p>Responding to the audit report management have produced a robust action plan and introduced significant improvements leading to increased confidence in the data received. A significant reduction in the initial number of potential CME requiring further investigation has occurred.</p> <p>CME steering group has been restricted. A variety of CME documents have been produced; schools made aware via a variety of methods. Higher quality timely information now available; data within report more timely leading to more efficient and effective follow up. Situation recognised as very high priority, corresponding to allocation of resources made.</p>	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
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PLUSS	In year request	Improvements Required	Improvements Required	<p>Our original report of December 2013 identified, an ineffective ordering and order tracking system – the ‘prescriber’ having minimal information re stock levels and deliveries. From sample testing of deliveries a number of issues, including significant numbers of incomplete deliveries to satellite stores due to ‘Simple Aid to Daily Living’ equipment items being out of stock at time of order, resulted in reorders at a higher delivery priority and cost.</p> <p>Some report recommendations, including order confirmation, have now been implemented within the existing contract with PLUSS. The key recommendations of our report on stock availability, stock management, delivery and associated costs were included in the specification for the new Devon Independent Living Integrated Service (DILIS). However, the contract tender process has been delayed and has now to be retendered. Key risks remain unmitigated but will be subject to further review by management.</p>	
Information and Advice Service	LTP Request	Improvements Required	Improvements Required**	<p>The current Public Information and Advice Strategy still requires updating and should outline how information and advice services relating to care will be commissioned by Devon County Council.</p> <p>It is recognised that the commissioning of this service has not been co-ordinated across the Council. DCC should continue to work with all key partners to develop a joined-up commissioning strategy for the provision of information and advice to the public. The Devon Community Directory is of limited use to staff as it is not always up to date and the information can be unreliable. Many users have developed or have access to an alternative information source.</p> <p>** DCC commissioned from the Local Government Association a Peer Challenge of Adult Social Care, their report issued in July</p>	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
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				2015 reviewing the area of Information and Advice strategy and delivery, highlighted a range of concerns from carers covering a number of issues, the 'draft strategy' still requiring completion and from case file audit seeing 'limited evidence that helpful information was always given in the right format'	

## 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 Government Security Classifications

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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.
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.