

Internal Audit

Place Scrutiny – Internal Audit  
Annual Monitoring Report  
2014/15

Devon County Council

June 2015  
**Official**



Auditing for achievement

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

## Confidentiality and Disclosure Clause

This report is protectively marked in accordance with the National Protective Marking Scheme. 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

This report provides a summary of the performance against the internal audit plan for the 2014/15 financial year, highlighting the key areas of work undertaken and the assurance opinions given.

The key objectives of the Devon Audit Partnership (DAP) have been to provide assurance to the Director on the adequacy, security and effectiveness of the systems and controls operating within Place and to provide advice and assurance to managers and staff.

The Internal Audit plan for 2014/15 was presented to and approved by the Audit Committee in March 2014. The following report and appendices sets out the current position; reviews work undertaken in 2014/15 and provides an opinion on the overall adequacy and effectiveness of the Place service areas's internal control environment.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual report providing an opinion that can be used by the organisation to inform its governance statement. This report, when consolidated with those of other directorates, will provide that opinion.

Whilst it is the Audit Committee who are required to formally consider the assurance provided by our annual report, Scrutiny also have a key role in the Council's Governance Framework and we see that there is value to be added by working with and supporting Scrutiny in the overall provision of assurance to the Authority.

### **Expectations of the Place Scrutiny Committee from this annual report**

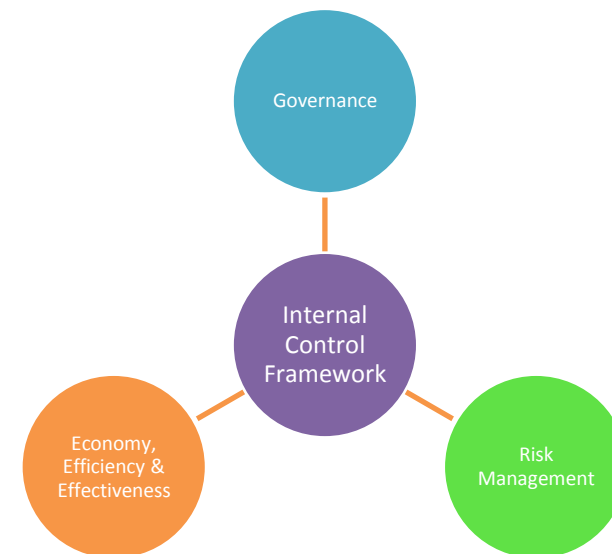
The members of the committee are requested to consider:

- the opinion statement within this report;
- the completion of audit work against the plan;
- the overall performance and customer satisfaction on audit delivery;
- consider how the assurances given support the work of the committee for assurance purposes.

# Audit Opinion

**Overall, and based on work performed during 2014/15 and that of our experience from the current year progress and previous years audit, Internal Audit is able to provide reasonable assurance that adequate controls are in place to control operations in the Place service area.**

This statement of opinion is underpinned by our consideration of :



Where weaknesses have been identified management have agreed these findings and have either agreed the recommendations or accepted the associated risks. Where management actions have been agreed, as appropriate we shall undertake follow up work to ensure that the identified risks have been mitigated

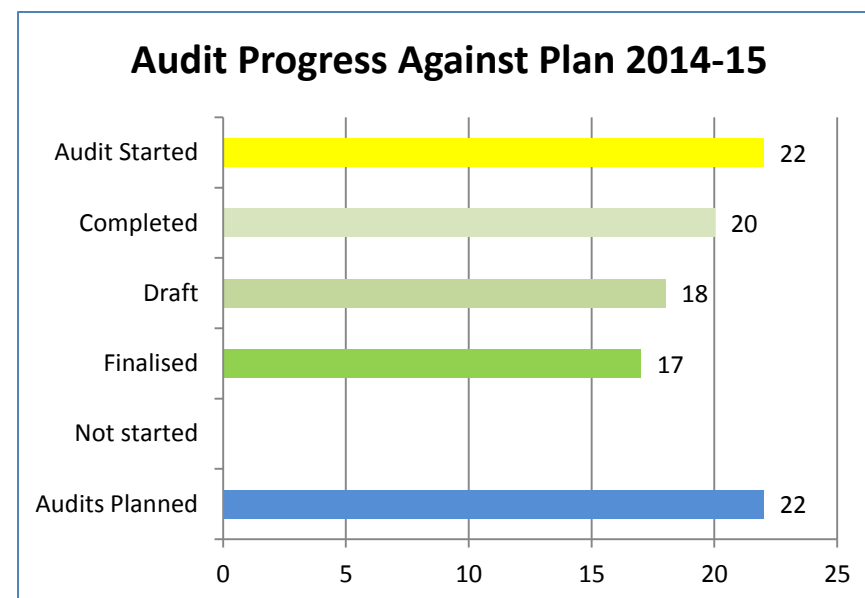
*(This opinion statement will provide Senior Management and Members with an indication of the direction of travel for their consideration for the Annual Governance Statement).*

Senior Management have been provided with details of Internal Audit’s opinion on each audit review carried out in 2014/15. All audit reports include an action plan which identifies responsible officers, and target dates, to address control issues identified during a review. If significant weaknesses have been identified in specific areas, these will need to be considered by the Authority in preparing its Annual Governance Statement later in the year when preparing the Statement of Accounts for 2014/15.

## Progress Against Plan

This report compares the work carried out with the work that was planned through risk assessment, presents a summary of the audit work undertaken, includes an opinion on the adequacy and effectiveness of the Place service area’s internal control environment and summarises the performance of the Internal Audit function against its performance measures and other criteria. The bar chart right shows delivery of the plan against target. Progress during the year also included completion of work from 2013/14 necessarily spanning year end, undertaking follow up audits on areas where significant findings were made in the previous year and reporting to committee thereon, and progressing assignments in accordance with timescales agreed with management.

A table showing the status of planned audits and their associated reported executive summaries is contained at Appendix 1. In addition to this year’s planned work, consultancy and advice continues to be provided where required. Any changes made to plan have been subject to approval management approval and progress against plan is generally as expected.



## Progress Impact Assessment

Our audits completed to date this year, in the majority of areas, provide assurance that identified risks are being minimised or mitigated where appropriate.

As a result of the period of austerity, budget reductions have been required to set a budget within the reduced funding levels provided by Government in the financial settlement. Funding within Highways is focussed on keeping the network safe, but with the longest road network in England, this is becoming ever more challenging. It is essential that the systems the service relies on are efficient and effective in order for the service to drive the most value out of limited resources.

In support, work was undertaken around the Highways RMS Works Ordering System to ensure processes are lean and efficient, controls effective and proportionate and that the management information produced provide the necessary intelligence to support management of the service. The robustness of the claims process for the Bellwin Scheme was reviewed at the request of management as were highways insurance claims. The claims system was found to be very customer focused and recommendations were made around the adoption of an approach which would enable weak cases to be identified and sifted early on in the process to mitigate the risk to the Authority of unreasonable claims and reduce insurance costs.

Following the merger of the Devon and Somerset Trading Standards, DAP were asked to carry out a 'critical friend' review of the Strategic Intelligence Team who were developing the use of the Intelligence Operating Model (IOM) to target their work more effectively and an audit of the premises and systems used to hold seized goods and cash. Whilst the controls were operating to a good standard, variations in the systems used to record items seized and stored across the different facilities were identified and recommendations made to adopt one common approach across all locations.

## Value Added

Our internal audit activity has added value to the Place service area by:

- providing objective and relevant assurance;
- contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.

Our work has identified specific added value benefits in key areas and in mitigating key risks. Notable benefits have been reported in the following areas:

- providing assurance that there is evidence that the use of Impact Assessments in decision make processes is becoming more embedded across the organisation;
- continued support, advice and challenge on the contract management arrangements and the Financial Allocation Mechanism (FAM) relating to the South West Devon Waste Partnership, to ensure that the County Council's interests are protected. In addition, help in the development of audit and assurance;
- continued audit presence on the Highway TMC Cost Monitoring Board to provide real time support and challenge as the Partnership strives to improve the efficiency of works under the Highways Contract and achieve savings through the target costing mechanism;
- audit has continued to provide advice and support to the Corporate Risk Management Group (CRMG) and with agreement, has shared information from a partner organisation to support the benchmarking of risk activities;
- The Performance Management team are developing a new performance framework and one of the tasks has been to develop a way of presenting information in a more accessible format. DAP have provided support and advice during the year and will continue to do so in 15/16.

Senior Management has found our engagement, support as a "trusted advisor" effective and constructive in these significantly changing times.

## Executive Summary – Audit Findings

In our opinion, and based upon our audit work completed during the 2014/15 ‘watching briefs’ and direct advice provided for on-going projects, we are able to report that internal controls continue to operate effectively and where recommendations for improvements have been made, action plans have been agreed with management.

DAP’s long association with this project continues. A Contract Manager was appointed during the year and we have been providing them with support and challenge on the contract management arrangements as well as participating in discussions on how the Financial Allocation Mechanism (FAM) will operate in practice. In addition, DAP have been developing a programme of audit and assurance checks and reporting that can be used by the Contract Manager and Internal Audit in the future.

DAP were able to certify that the Council had fulfilled its obligations with regard the submission of data and compilation of supporting evidence for the CRC Energy Efficiency Scheme Annual Certificate issued 31 July 2014.

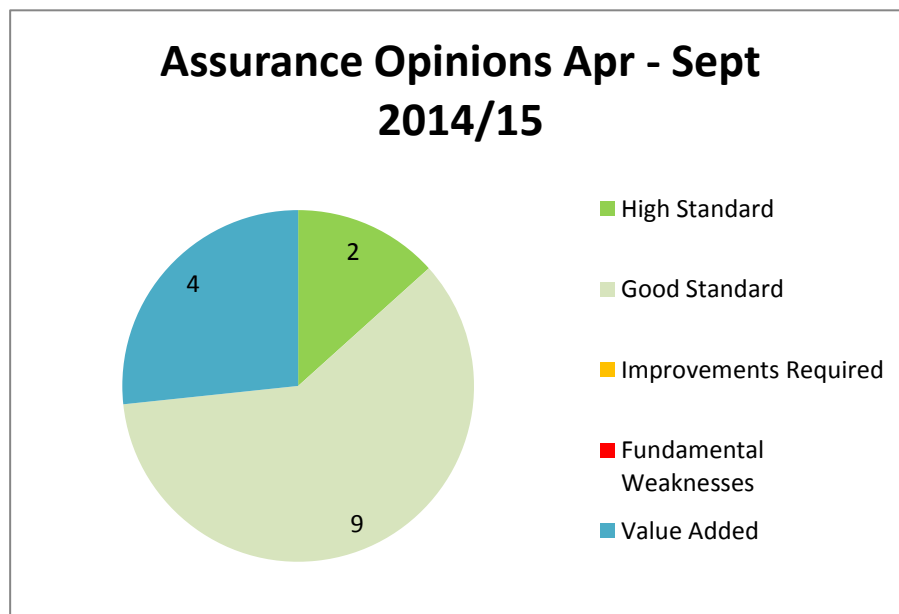
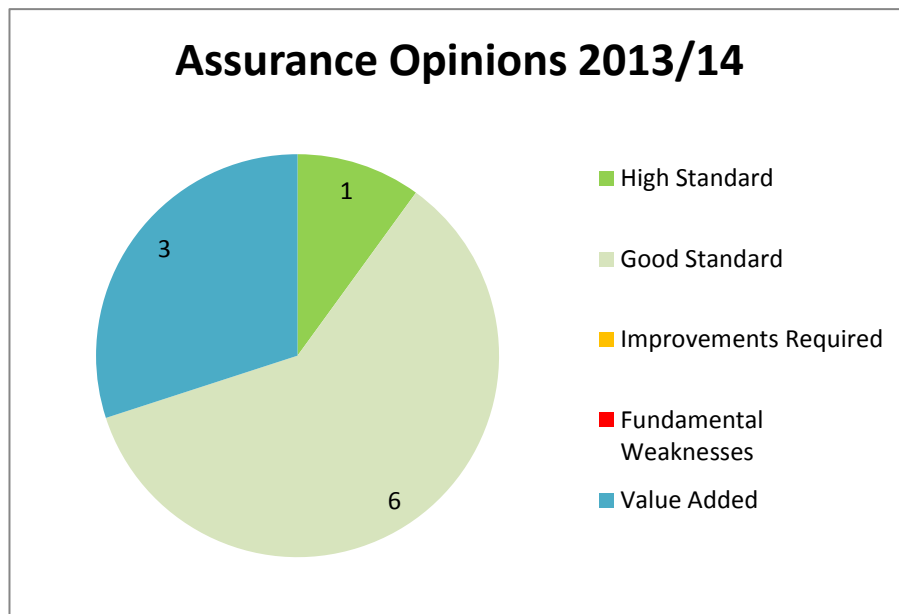
No significant concerns have been identified from our work and management have responded positively to our recommendations for improvement.

The Appendix 1 details the assurance opinions for individual audits for which the definitions of the assurance opinion ratings are given in Appendix 2.

### Key Risks / Issues

To reduce the £800K operational deficit for the Civil Parking Enforcement (CPE) element of the Decriminalised Parking Service, the On-street CPE which was carried out by the eight District and City Councils working under agency arrangements on behalf of the County Council, was brought back ‘in-house’ from 1 April 2014. A review of this service area is nearing completion.

The Corporate Risk Management Group (CRMG) is working effectively to embed risk management so that the Corporate Risk Register is fluid and reflects ongoing risk identification, management and reduction. Internal Audit has continued to provide advice and support to the CRMG and with agreement, has shared information from a partner organisation to support the benchmarking of risk activities. These activities along with a quarterly review by CLT will ensure that the risk register reflects not only priorities but also emergent risks and opportunities.



## Fraud Prevention and Detection

### Fraud Prevention and Detection and the National Fraud Initiative

Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. The former Audit Commission runs a national data matching exercise (National Fraud Initiative - NFI) every two years. For the 2014/15 exercise, Internal Audit co-ordinated the extract of relevant datasets as defined by the Audit Commission, from a range of County Council systems. Place Directorate supplied their datasets relating to Residents Parking Permits and Concessionary Travel. These were uploaded onto the NFI secure website. The subsequent matching reports were received back from the Audit Commission at the end of January 2015 and these are currently being examined either by Internal Audit or provided to relevant departments for their investigation.

**Irregularities** – During 2014/15, Internal Audit carried out, or assisted in eight irregularity investigations within the Place service area. Analysis of the types of investigation and the number undertaken shows the following:-

Issue	Number
IT Misuse	3
Employee Conduct	3
Thefts	2

## Customer Value

### Customer Service Excellence

DAP maintains accreditation by G4S Assessment Services of the CSE standard during the year.

During the period we issued client survey forms with our final reports. The results of the surveys returned are, although low in number, very good and again are very positive. The overall result is very pleasing, with near 99% being "satisfied" or better across our services. It is very pleasing to report that our clients continue to rate the overall usefulness of the audit and the helpfulness of our auditors highly.

Comments received included:

“The recommendations are helpful and I am keen that Corporate Leadership Team (CLT) have the opportunity to consider them and any subsequent responses or actions we wish to put in place”.

“The planning and conduct of the report was informative and allowed for some self reflection on processes. Useful to confirm some areas for improvement and prompted us to progress action in them”.

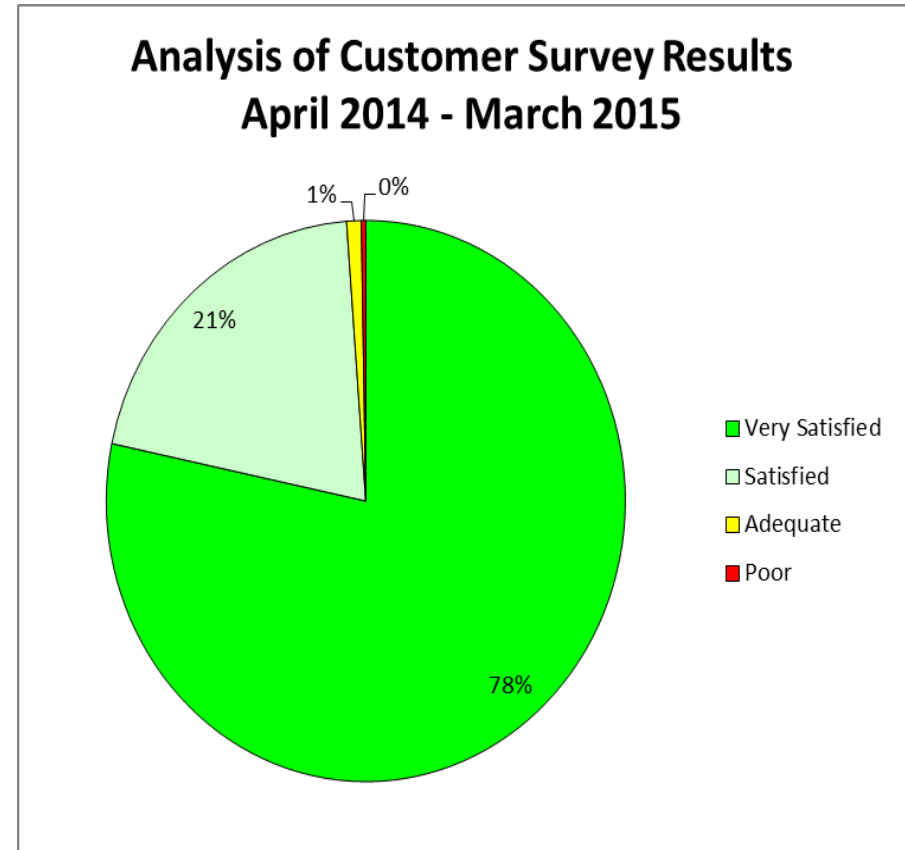
### Inherent Limitations

The opinions contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed.

### Acknowledgements

We would like to express our thanks and appreciation to all those who provided support and assistance during the course of the audits.

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







## Appendix 1 – Summary of audit reports and findings for 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

### Assurance Progress Key

Green – action plan agreed with client for delivery over an appropriate timescale;  
 Amber – agreement of action plan delayed or we are aware progress is hindered;  
 Red – action plan not agreed or we are aware progress on key risks is not being made.  
 \* report recently issued, assurance progress is of managers feedback at debrief meeting.

PLACE					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Comments	
<b>Services for Communities</b>					
Identification of Spend – Com & Vol Sector Orgs	Client Request	Complete	Value Added	Using data analysis software, Internal Audit provided support to the service area regarding spend against pre-identified organisations.	N/A
Impact Assessments Review	Client request	Draft	Good Standard	The review found good progress in developing and embedding the use of Impact Assessments in decision make processes and from October 2013, Impact Assessment’s have been uploaded and made available on line at <a href="https://new.devon.gov.uk/impact">https://new.devon.gov.uk/impact</a> providing openness and transparency.	
Performance Management	ANA – High, Client Request	On-Going	Not Applicable	The Performance Management team are developing a new framework for reporting performance in light of the Council’s new Vision, “Better Together: Devon 2014-2020”. DAP have provided support and advice during the year and will continue to do so in 15/16.	N/A
Trading Standards - Strategic Intelligence	ANA - Medium	Final	Good Standard	The merging of two services with different cultures combined with the introduction of IOM are significant challenges. Management along with the rest of the team must take credit for the actions taken to date to embed the new arrangements to such a degree that we have been able to provide an audit opinion of “Good Standard” so early into the partnership.	

PLACE					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Comments	
Trading Standards – Property and Evidence	ANA - High	Final	Good Standard	Controls were found to operate to a good standard and will be further enhanced once a standardised approach is embedded across the different sites. Seized cash was found to be managed and accounted for in compliance with the Proceeds of Crime Act (POCA).	
<b>Highways Capital Development &amp; Waste Management</b>					
Build Environments – St Leonards Primary	Client Request	Final	Value Added	Lessons learnt relating to the building project covering Phase 1 of the refurbishment and extension of St Leonard’s Primary School were identified at the request of the Head of Built Environments. The conclusions from our work mirror for the most part those which resulted from the Project Post Implementation Review.	
Highways Deep Dive	Client Request	Completed	Value Added	Audit resource was provided for the Highways Deep Dive Project Team.	N/A
Waste Recycling Centres	ANA - High	Final	High Standard		
Highways VJV Partnership	ANA - High	Ongoing	Not Applicable	Continued audit presence is provided on the Devon Highway TMC Cost Monitoring Board to provide real time support and challenge as the Partnership strives to improve the efficiency of works under the Highways Contract and achieve savings through the target costing mechanism.	N/A
Waste PFI	ANA - High	On-Going	Value Added	A Contract Manager was appointed during the year and DAP have been providing them with support and challenge on the contract management arrangements as well as participating in discussions on how the Financial Allocation Mechanism (FAM) will operate in practice.	

PLACE					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Comments	
Tree Management	ANA - High	Final	Good Standard	An assurance opinion of "Good Standard" is given in respect of overall governance and the use of business systems utilised by the Highways Team. There could be opportunity to explore closer working arrangements with the Corporate Tree Team.	
Highways Claims System	Client Request	Final	Good Standard	Current procedures and controls minimise the risk of unreasonable claims whilst providing statutory defence and fair route to redress. The process has been further strengthened this year with greater information being sought from the claimant and using the calculation of condition to pay a more appropriate amount.	
RMS Works Ordering System	Client Request	Final	Good Standard	<p>The system is used by both the Client and the Contractor, to manage the ordering, completion and payment of highways works and provide sufficient management information that will enable effective strategic and operational decisions to be taken.</p> <p>With the move to the new I-Ways system, management will be able to use the findings from the audit report to ensure controls remain effective.</p>	
Optimisation of Bellwin	ANA - High	Final	Good Standard	<p>A robust process has been developed for identifying and recording eligible expenditure associated with appropriate emergency incidents. In June 2014 the Council submitted a successful claim for emergency financial assistance under the Bellwin Scheme for £789k.</p> <p>The robust, joint challenge process by Highways and Finance should continue to ensure that only eligible and demonstrable expenditure is included in any future claim thus mitigating the risk of challenge and non-payment by Department of Communities and Local Government.</p>	


**PLACE**

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Comments	
Civil Parking Enforcement	ANA - High	In progress		A review is in progress, no issues of major concern have been identified from our fieldwork to date.	

The following reviews were subsequently not required by Client:

- Capital Development Programme - capital monitoring of projects (ANA - High)
- Waste Management - Deep Dive (ANA – High)

**Planning, Transportation and Environment**

Climate Change – Carbon Reduction Commitment	Statutory Requirement	Completed	Certified	No issues identified	
Local Transport Plan (Progress Review)	ANA - High	Draft	High Standard	<p>The Strategic Planning teams at Devon County and Torbay Councils have jointly developed shared Local Transport Plans 2006-2011 (LTP2), and 2011-26 (LTP3), that have been produced to a high standard, both in scope and detail. There was close and effective internal interworking at strategic and operational level within both Councils, with an open two way dialogue, that contributes to the effective and timely delivery of planned transportation works and initiatives.</p> <p>Both Councils have achieved significant success in obtaining new sources of funding which is channelled largely through the Heart of the South West Local Enterprise Partnership (LEP).</p>	
Flood Response Follow-Up	ANA - High	Final	Good Standard	Since the initial audit review undertaken in 2013/14 the Devon Local Flood Risk Strategy has been finalised and a final report issued by the Flooding Task Group set up by Place Scrutiny in March 2014. Both of these documents have been reviewed and	

**PLACE**

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Comments	
				are considered to have further strengthened the Council's flood response arrangements.	

The following reviews were subsequently not required by Client.

- Public Transport Co-ordination - impact of changes on transport use (ANA - High)
- Transport - Deep Dive (ANA - High)

**Economy and Enterprise**

Connecting Devon & Somerset (assurance re BT Contract)	ANA – Medium Client Request	In progress			
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## Appendix 2 – Definitions

### Definitions of Audit Assurance Opinion Levels

### Confidentiality under the National Protective Marking Scheme

Assurance	Definition	Marking	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.	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.
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.	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.
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.	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.
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.	Secret and 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.