

Internal Audit

Half Year Report 2018/19

Devon County Council  
Audit Committee

November 2018



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**

The Audit Committee, under its Terms of Reference contained in Devon County Council's Constitution, is required to consider the Chief Internal Auditor's audit reports, to monitor and review the Internal Audit programme, and to monitor the progress and performance of Internal Audit.

The Accounts and Audit (Amendment) (England) Regulations 2015 introduced the requirement that all Authorities need to carry out an annual review of the effectiveness of their internal audit system and need to incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

The Internal Audit plan for 2018/19 was presented and approved by the Audit Committee in March 2018. The following report and appendices set out the background to audit service provision; reviews work undertaken to date in 2018/19 and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide a report providing an opinion that can be used by the organisation to inform its governance statement. This report provides a position statement at half year on the progress towards that opinion.

### **Expectations of the Audit Committee from this half year report**

Audit Committee members are requested to consider the:

- assurance statement within this report;
- completion of audit work against the plan;
- scope and ability of audit to complete the audit work;
- progress impact against strategic aims;
- audit coverage and findings provided;
- overall performance and customer satisfaction on audit delivery.

In review of the above the Audit Committee are required to consider the assurance provided alongside that of the Executive, Corporate Risk Management and external assurance including that of the External Auditor as part of the Governance Framework (see Appendix 2) and satisfy themselves from this assurance that the internal control framework continues to be maintained.

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

# Opinion Statement

This statement of opinion is underpinned by:

**Overall, based on work performed during 2018/19 and that of our experience from previous years audit, the Head of Internal Audit's Opinion is of 'Significant Assurance' on the adequacy and effectiveness of the Authority's internal control framework.**

*This opinion statement is in line with the definitions below and will provide Members with an indication of the direction of travel for their consideration of the Annual Governance Statement.*

The Authority's internal audit plan for the current year includes specific assurance, risk, governance and value-added reviews which, together with prior years audit work, provide a framework and background within which we are able to assess the Authority's control environment. These reviews have informed the Head of Internal Audit's Opinion on the internal control framework. Heads of Service have been provided with details of Internal Audit's opinion on each audit review carried out in 2018/19 to date. 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 2018/19.

In carrying out systems and other reviews, Internal Audit assesses whether key, and other, controls are operating satisfactorily within the area under review, and an opinion on the adequacy of controls is provided to management as part of the audit report. All final audit reports include an action plan which identifies responsible officers, and target dates, to address control issues identified during a review. Implementation of action plans rests with management and these are reviewed during subsequent audits or as part of a specific follow-up.

## Internal Control Framework

The control environment comprises the Council's policies, procedures and operational systems and processes in place to:

- Establish and monitor the achievement of the Council's objectives;
- Facilitate policy and decision making;
- Ensure the economical, effective and efficient use of resources;
- Ensure compliance with established policies, procedures, laws and regulations;
- Safeguard the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.

During the year, core financial and administrative systems are reviewed by Internal Audit either through specific reviews (e.g. debtors, creditors, payroll & Main Accounting) or generally in the reviews undertaken in respect of directorate systems. The Council's overall internal control framework has operated effectively during the year. Where internal audit work has highlighted instances of none or part compliance, none are understood to have had a material impact on the Authority's affairs.

## Risk Management

Risk management is utilised widely across the Council and monitored by officers and through to members. Key risks are recorded in Risk Registers, allowing a co-ordinated and consistent approach to minimise exposure and to ensure objectives are met. Devon Audit Partnership has taken a lead role in supporting and facilitating the process to further enhance and embed risk management.

## Governance Arrangements

Scrutiny Committees have sought audit assurance and are developing links with audit plans and progress reviews alongside their planned business. Governance arrangements are considered in audit of key areas including contracting and commissioning of services to ensure that the County Council's interests are protected.

## Performance Management

The strategy is key to the successful delivery of services and is established for 'business as usual' and transformation programmes. Reporting is made regularly to management, leadership and the Council should ensure effective management. This is of particular importance as the Council commissions and contracts new services.

Full Assurance	Risk management arrangements are properly established, effective and fully embedded, aligned to the risk appetite of the organisation. The systems and control framework mitigate exposure to risks identified & are being consistently applied in the areas reviewed.	Limited Assurance	Inadequate risk management arrangements and weaknesses in design, and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in a number of areas reviewed.
Significant Assurance	Risk management and the system of internal control are generally sound and designed to meet the organisation's objectives. However, some weaknesses in design and / or inconsistent application of controls do not mitigate all risks identified, putting the achievement of particular objectives at risk.	No Assurance	Risks are not mitigated and weaknesses in control, and /or consistent non-compliance with controls could result / has resulted in failure to achieve the organisation's objectives in the areas reviewed, to the extent that the resources of the Council may be at risk, and the ability to deliver the services may be adversely affected.

## Value Added

We know that it is important that the internal audit service seeks to "add value" whenever it can.

We believe internal audit activity has added value to the organisation and its stakeholders by:

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

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

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:

### Corporate Services

- Ongoing involvement in HR / Payroll system development projects ensuring that control issues are highlighted and resolved before implementation;
- Ongoing ad hoc advice provided to HR / Payroll relating to internal process controls, outside of system development projects;
- Cyber security and assurance upon IT processes supporting the Council's key financial systems; Assurance regarding the technical processes and solutions in place to maintain compliance with the requirements of the Government Cyber Essentials scheme.
- Process mapping on the apprenticeship levy to provide documented processes which the services can now adopt and maintain.

### Adult Care and Health

- Partaking in the Safeguarding Deep Dive review alongside social care practitioners, outcomes from which will inform the forthcoming peer review;
- Reviewing the Practice Quality Review process to provide assurance the process is embedded and making an impact.

### Children's Services

- Reviewing the Recruitment and Retention of Foster Carers and the possible identification of best practice through benchmarking and opportunities for improving processes and procedures.

### Schools

We have supported the School Information 'Dashboard' process by providing the internal audit view of the financial management of individual schools based on the most recent audit visit. The provision of internal audit's performance data provides a greater focus on schools causing concern in the wider control environment. This information is to be used in assessing overall status for schools through FIPS, vulnerable budget reviews and school improvement. The result of our input has been: -

- termly meetings with the Tax Compliance team, Revenue, and Babcock LDP highlighting issues on income and tax;
- attendance at Bursar briefings.

The culmination of this work will lift the performance of these schools.

## Progress against Plan

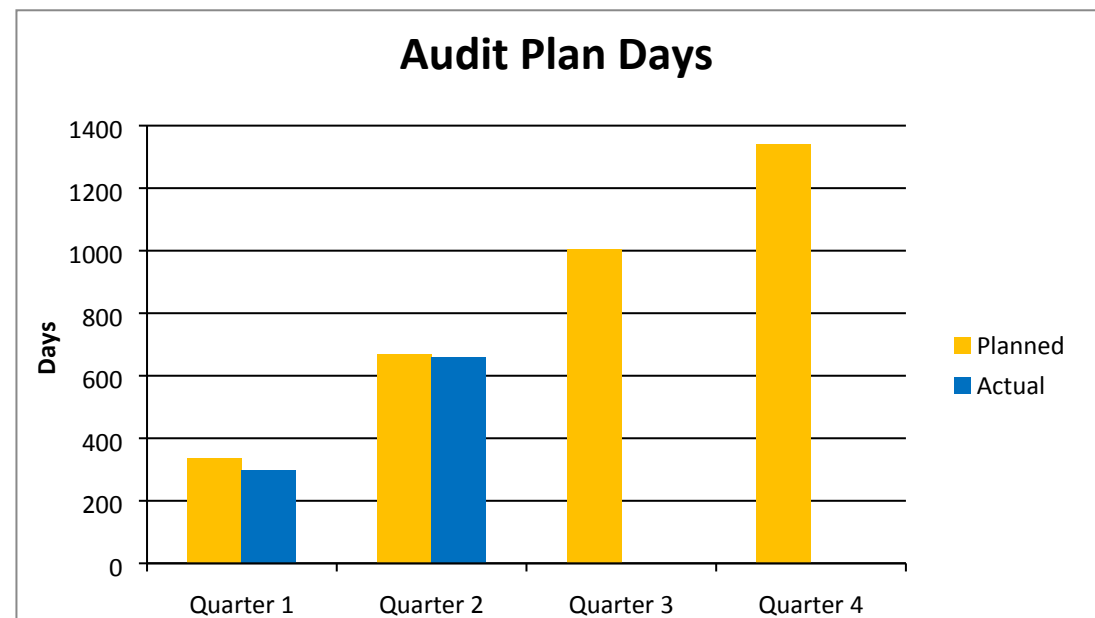
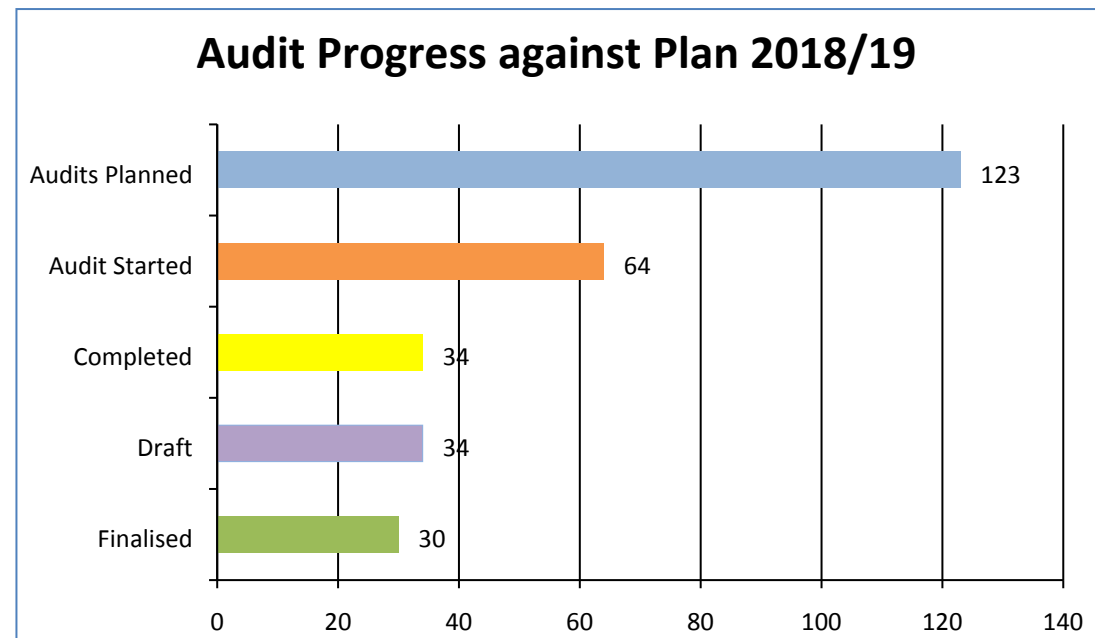
This report compares the work carried out with the work that was planned through risk assessment, presents a summary of the audit work undertaken, includes an opinion on the adequacy and effectiveness of the Authority's internal control environment and summarises the performance of the Internal Audit function against its performance measures and other criteria. The report outlines the level of assurance that we are able to provide, based on the internal audit work completed during the year. It gives:

- a comparison of internal audit activity during the year with that planned, placed in the context of internal audit need;
- a summary of significant fraud and irregularity investigations carried out during the year and anti-fraud arrangements; and
- a statement on the effectiveness of the system of internal control in meeting the Council's objectives.

The extent to which our work has been affected by changes to audit plans has been slightly more than expected as several social care reviews have been deferred until further towards year end. The level of irregularity work has been higher than anticipated which has had an impact on planned work within the first half year. The progress chart includes other audit work and performance reports issued in addition to the planned audits.

The bar charts right show the status of audit progress against plan and the audit days delivered against target planned. The charts demonstrate that progress is largely in line with expectations and that the number of audit days delivered is nearly on par with those planned.

Appendix 5 provides further performance information for the first six months of 2018/19.



## Summary audit results

### Corporate Services

In our opinion and based upon our audit work completed during 2018/19 'trusted partner' 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.

Based on audits completed and on indications from previous and on-going work, we can report that material systems controls have either been maintained, or improvements are being made to address previously identified weaknesses. Whilst a number of weaknesses exist, management are aware of these issues, and have either accepted the related risk, or are taking action to address them.

No significant concerns have been identified from our work to date, including that on grants, and management have responded positively to any recommendations for improvement.

### Adult Care and Health

In our opinion and based upon our audit work completed 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.

### Children's Services

As part of the review upon Recruitment and Retention of Foster Carers we undertook a benchmarking exercise with other local authorities. It is hoped that some of the initiatives and processes undertaken elsewhere will be considered by the team and best practice may be shared. The views of both newly approved and long-standing foster carers were sought; the findings from which will be shared both across the fostering service and children's social care.

### Communities, Public Health, Environment and Prosperity

The review of Active Devon found the financial control, risk management and governance frameworks all in place to be sound. Although with regard the risk management framework this was felt somewhat over complicated and recommendations have been made which may simplify the process.

### Highways, Infrastructure Development and Waste

The audit of Civil Parking Enforcement reviewed complaints received into the service against individual Civil Enforcement Officers. The number of complaints received has reduced and established processes are in place for the service to review and respond to complaints received. Interviews were undertaken with staff from across the service and the findings collated for senior management consideration.

### Schools

Our overall opinion is one of Good Standard. In general, the systems and controls in schools mitigate the risks identified in many areas. However, there are risks exposed in key areas which reduce overall assurance.

The key matters arising from the audits are the:

- specific areas relating to the Schools Financial Value Standard (SFVS) including governance.

With regard to the 2017/18 Schools Financial Value Standard the nine schools who had not submitted their SFVS self-assessment by 31 March 2018 sent in their self-assessment prior to the Chief Finance Officer's statement being submitted to the Department for Education in May 2018.

The schools audit plan is under constant scrutiny with a reducing number of schools submitting applications to become academies as part of multi academy trusts.



## 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.

#### NFI

Work coordinating both the fair processing notices and extraction of the various datasets required for the 2018/19 NFI exercise has taken place. Staff, retired LGPS members in receipt of pension, and suppliers have been made aware of the exercise as is required by statute. Notices have been placed upon payslips, newsletters and the DCC website to inform people that the exercise is taking place. The various datasets required have been extracted on the relevant date and uploaded to the NFI website. Output in the form of data matching reports will be available in late January 2019 to allow subsequent review and investigation.

#### Proactive anti-fraud work

Various pieces of proactive anti-fraud work have been undertaken during the first six months of the 2017/18 financial year: -

Review of the '2016/17 Accounts Payable Data' was undertaken in 2017/18 to identify any duplicate payments. This work is now fully complete, and we can now report recovery of a further £8,534 (having previously reported recovery of £35,134).

In the first six months of 2018/19 we have reviewed the '2017/18 Accounts Payable Data' for duplicate payments. Three batches of queries have been referred to the Payments team; the first batch has been investigated and as a result recovery of £5,439 of duplicate payments has been made. We are awaiting the outcome of investigations into the second and third batches (11 potential duplicate payments).

A sample of Supplier VAT Registration Numbers from the 'April 2018 Published over £500 Payments' were reviewed. We found several invalid VAT numbers stored upon the Finest finance system against current suppliers and referred them to the VAT Team. As a result, Finest has now been updated to reflect the necessary amendments: amendment of VAT numbers, update of VAT numbers, deletion of VAT numbers as no longer valid (VAT status changed to 'N'). In certain instances, creditors have been asked to advise of the date of de-registration and upon receipt of this information a check will be undertaken to ensure no VAT has been over-reclaimed.

#### Irregularities

During the first six months of the 2018/19 financial year, Internal Audit has carried out or assisted in 16 investigations at Devon County Council. Analysis of the types of investigation and the number undertaken shows the following: -

Issue	Number
Bribery & Corruption	1
Employee Conduct	7
Financial Irregularity	1
IT Misuse	1
Irreg Advice	1
Theft / Loss of IT Equipment	5



## Customer Value

### Conformance with Public Sector Internal Audit Standards (PSIAS)

**Conformance** - Devon Audit Partnership conforms to the requirements of the PSIAS for its internal audit activity. The purpose, authority and responsibility of the internal audit activity is defined in our internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. Our internal audit charter was approved by senior management and the Audit Committee in March 2018. This is supported through DAP self-assessment of conformance with Public Sector Internal Audit Standards & Local Government Application note.

**Quality Assessment** - through external assessment December 2016 'DAP is considered to be operating in conformance with the standards'. External Assessment provides independent assurance against the Institute of Internal Auditors (IIA) Quality Assessment & Public Sector Internal Audit Standards (PSIAS). The Head of Devon Audit Partnership also maintains a quality assessment process which includes review by audit managers of all audit work. The quality assessment process and improvement is supported by a development programme.

**Improvement Programme** - DAP maintains a rolling development plan of improvements to the service and customers. All recommendations of the external assessment of PSIAS and quality assurance were included in this development plan and have been completed. This will be further embedded with revision of our internal quality process through peer review. Our development plan is regularly updated and a status report is to be reported to the Management Board in October 2018.

### Performance Indicators

Overall, performance against the indicators has been very good with improvements made (see Appendix 5). We are aware that some of our draft and final reports were not issued to the customer within the agreed timeframes (15 working days for draft report and 10 working days for final report). We continue to review where performance in this area can be improved.

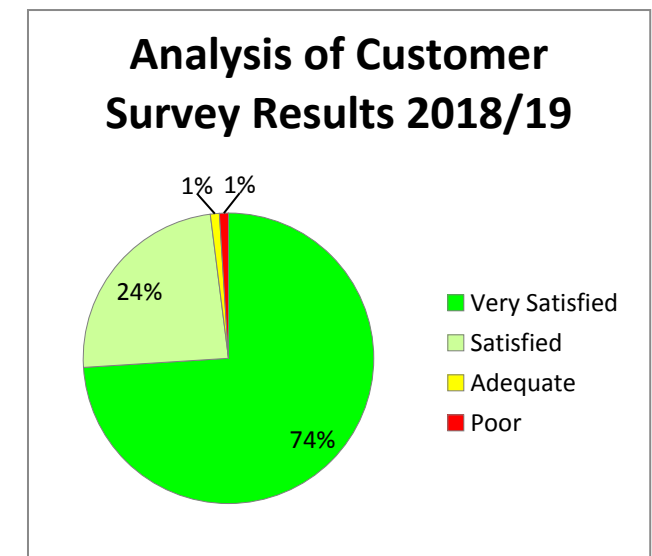
### Customer Service Excellence

DAP has been successful in re-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 98% being "satisfied" or better across our services, see Appendix 6. 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.

### Added Value

We have had some very complimentary feedback of where our team have been able to add value to the Council these may be found upon our webpage.



## Appendix 1 - Summary of audit reports and findings for 2018/19







### 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 Assurance 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.

## CORPORATE SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
<b>Corporate Services - Finance</b>			
Bank Reconciliation Risk / ANA - Medium	Good Standard Status: Final	Report now "finalised". Summary details provided at June Audit Committee: please refer to that report for details.	
Creditors Risk / ANA - Medium	Good Standard Status: Final	Report now "finalised". Summary details provided at June Audit Committee: please refer to that report for details.	
Debtors Risk / ANA - Medium	Good Standard Status: Final	Report now "finalised". Summary details provided at June Audit Committee: please refer to that report for details.	
Finest System Administration Risk / ANA - Low	Good Standard Status: Final	Report now "finalised". Summary details provided at June Audit Committee: please refer to that report for details.	
Main Accounting System Risk / ANA - Medium	Good Standard Status: Final	Report now "finalised". Summary details provided at June Audit Committee: please refer to that report for details.	
Payroll Risk / ANA - High	Good Standard Status: Draft	The processes introduced, via quarterly retrospective checking of the authoriser of a sample of new starter, change and leaver forms, remain a good temporary control until the new online system of automated authorisation is in place. This does not fully mitigate the risks but does limit the risk of inappropriate payments being made. Previous issues in relation to clearing historic balances on some suspense accounts continues to show significant improvement.	
Tax Compliance Forum Risk / ANA - Client Request	Value Added Status: Ongoing	The Group discusses HMRC 'hot topics' and their implications on the authority and the impact of organisational and systems changes on tax compliance. No significant unmitigated risks have been identified to date.	N/A

## CORPORATE SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Payment Gateway Project Risk / ANA - Low	Status: Ongoing	We continue to provide support to the Payment Gateway Project. We have undertaken a review of Project Management and system controls through a system walkthrough and have more recently reviewed the system end to end testing. The project has suffered significant delays for various reasons, the latest delay being related to an error in system functionality, identified through end to end testing, which Civica are required to resolve prior to go live.	N/A
Grants x 7 Risk / ANA: n/a	Certified Status: Complete	Grants certified without amendment - Active Devon, Bus Subsidy, Learn Devon, Local Growth Fund, Local Transport Capital Block Funding, NPIF (Exeter & Eastern Growth and Main Street, Sherford) and Targeted Family Support Programme.	N/A

The following audit is currently in progress:

Accounting for VAT (Education & Learning) (Risk / ANA - Medium)

It is anticipated that the report will be issued & agreed in the third quarter of 2018/19. No issues of major concern have been identified from our fieldwork to date.

The following audits are not due to commence until the second half of 2018/19

Bank Reconciliation (Risk / ANA - Medium)

Debtors / Debt Recovery (Risk / ANA - Medium)

Fixed Assets Register (Risk / ANA - Low)

Main Accounting System (Risk / ANA - Medium)

Treasury Management (Risk / ANA - Low)

Creditors (Risk / ANA - Medium)

Finest System Administration (Risk / ANA - Low)

Income Collection (Risk / ANA - Medium)


Payroll (Risk / ANA - High)

Business Rate Retention (Risk / ANA - Medium)




Debt Mapping (Risk / ANA - Medium)

Client Finance Services (Risk / ANA - Medium)

### Corporate Services - Human Resources

Apprenticeship Levy Risk / ANA - Low	Good Standard Status: Draft	<p>The Council are actively monitoring uptake to the scheme and reported progress to Central Government in September 2018. Use of the scheme is being encouraged by the apprenticeship team and senior management and this is highlighted by the recent addition of a trial training package for current staff on leadership and management.</p> <p>The Council are not currently achieving the targets that have been set by Central Government. These have been reported in the annual report to central government along with explanations/reasons for usage below target.</p>	
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**CORPORATE SERVICES**

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		Financial projections are likely to change in future due to a number of variables, which include uptake of the scheme, payroll costs, and also potential use of the Apprenticeship levy transfer. Therefore, we would encourage the HR service to undergo more regular projections in future, pending the development of the forecasting tools currently provided in the Government portal. This may also help to identify where actions are required at an early stage and would help to inform decisions made on use of the levy.	
Consultants / Interims and employment status Risk / ANA - Medium	Good Standard Status: Final	Assurance was reported in last year's annual report; please refer to that report for details.	
HRMS Project - Procurement & Implementation Risk / ANA - High	Added Value Status: Ongoing	Audit continues in a Project Assurance role during 2018/19 with attention being paid to the system implementation phases.	N/A
Off Payroll Working 17/18 Risk / ANA - Low	Improvements Required Status: Final	Assurance was reported in last year's annual report; please refer to that report for details.	
Relocation Allowances / Expenses Risk / ANA - Medium	Good Standard Status: Draft	<p>We have found the policy to be adequate and in line with HMRC rules. We have compared the policy to HMRC guidelines and other organisations policies and feel that there is scope for further improvement to make certain elements and requirements clearer.</p> <p>In light of the implementation of a new HR Payroll system there is scope to consider how relocation allowances can be better managed via this new system in the future. We understand that new electronic forms are being created to claim relocation allowances.</p>	

The following audits are currently in progress: -  
 General Data Protection Regulations (Risk / ANA - Medium)  
 Health & Safety Governance (Risk / ANA - Medium)



It is anticipated that the reports will be issued and agreed in the third quarter of 2018/19. No issues of major concern have been identified from our fieldwork to date.

**CORPORATE SERVICES**


Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance

The following audits are not due to commence until the second half of 2018/19: -  
 Business Continuity Planning (BCP) - Registrars (Risk / ANA - Medium)  
 Cyber non-technical (Risk / ANA - Medium)  
 HR SLAs (Risk / ANA - Medium)

**Digital Transformation and Business Support**

Adoption and Change Programme Risk / ANA - Medium	Improvements Required  Status: Final	<p>At present the key risk to the programme is a lack of funding beyond November 2018. The current programme is planned to end in May 2020. However, there is currently only funding in place to fund the staff of the Adoption and Change Programme Team until the end of November 2018.</p> <p>It is understood that this was implemented with the expectation that the Office 365 part of the programme would be completed. However, given that the programme extends beyond the available funding we would conclude that adequate funding was not fully secured from the outset. This is considered a key weakness in the planning. We would advise that all programmes or projects should only be approved where adequate funding to ensure completion is secured from the outset, or agreed milestones and/or outcomes are agreed at the outset in order to meet requirements for further funding.</p> <p>We have reviewed the current draft business case, Programme Risk Register and current key performance indicators (KPI's) and other metrics and provided advice on how these elements can be improved in order to support the business case for required additional funding to complete the programme and possibly extend it beyond Office 365.</p>	
CareFirst (OLM) Risk / ANA - Critical	Improvements Required  Status: Final	<p>Based on information provided to us, we consider the hosting arrangement with OLM to be currently delivering the benefits which were identified in the business case.</p> <p>The hosting arrangement with OLM is not a simple hosting service and has become complex in relation to the number of OLM projects that remain ongoing. It includes a managed element and OLM is moving its products/services to this model and so it is difficult to make decisions or assessments as to whether an individual element of the services is of value.</p>	

**CORPORATE SERVICES**



Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		<p>Therefore, to truly evaluate the value the market needs to be tested via a procurement exercise. It would be prudent to undertake such an exercise prior to end of year 3 of the contract to see if it is of value to continue with current arrangements. Due to the complexity of the suite of services from OLM and the interdependencies any expenditure decisions should be considered as part of the whole programme.</p> <p>The original risks remain albeit that they are managed differently, which in itself brings new risks. The Authority is reliant on OLM and now need to manage the contracts as a commissioning authority and ensure all agreed service deliverables are received and maintain a high level of oversight and due diligence.</p> <p>Cloud security is a shared responsibility between the provider and the client. We have made a number of observations where we feel improvements could be made to improve the level of assurance obtained from OLM.</p>	
Scomis Contract Management Risk / ANA - Medium	Improvements Required  Status: Draft	<p>The budget management aspect of contract management is reasonably effective.</p> <p>Officers with contract management responsibility are in the main appropriate for the role. Methods for managing contracts vary between officers, and therefore linked to the need for a defined framework, there is also opportunity to support this with a formal training mechanism to ensure consistency in operational practices.</p>	

The following audit is currently in progress: -  
Scomis Resource Planning (Risk / ANA - Medium)

The following audits are not due to commence until the second half of 2018/19: -  
Key Financial Systems (ICT elements) (Risk / ANA - High)  
Procurement (Risk / ANA - Medium)  
Purposeful Systems (Risk / ANA - Medium)

The audit review of ICT Continuity and Disaster Recovery (Risk / ANA - High) has been cancelled by the client.

**ADULT CARE AND HEALTH**

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Practice Quality Review Risk / ANA - Low	Added Value Status: Draft	<p>Practice quality reviews carried out by managers, review quality of practice across the whole Adult Care service. It is not a statutory requirement but has been implemented to help achieve continuous service improvement.</p> <p>A new assessment framework has been implemented in CareFirst, and a revised PQR questionnaire introduced. Managers consider the revised PQR process to be improved and the questionnaires more clearly aligned to the key principles of the Care Act. However, despite these positive comments the completion rates by managers has dropped since the change came into effect. Against a target completion rate of 80%, the overall completion rate was 42% over the last 12 months (best performing locality East (49%), lowest performing locality North (33%). The main contributory factors towards this remain: time pressures, workload and PQRs not prioritised.</p>	
Safeguarding Risk / ANA - Medium	Added Value Status: Final	<p>Internal Audit joined with a group of social care practitioners and NHS staff to undertake a Safeguarding 'deep dive' audit. Four groups were formed, and each allocated a specific task. Following completion of work involving file reviews, interviews / discussions and analysis each group reported back and provided recommendations for improvement.</p> <p>The group to which Internal Audit were assigned made recommendations relating to: -</p> <ul style="list-style-type: none"> <li>• ease of access to guidance;</li> <li>• review of content and structure of safeguarding training to include more around safeguarding process;</li> <li>• locality team managers giving higher priority to providing safeguarding support and during supervision; and</li> <li>• organisations needing to look at current workloads, time pressures and conflicts to enable the necessary support to be put in place.</li> </ul> <p>Following receipt of feedback from all groups an action plan has been compiled. Outcomes from the 'deep dive' and resulting action plan will be used to inform the forthcoming peer review.</p>	
Technology Enabled Care and Support (TECS) - formerly Assistive Technology Risk / ANA - Medium	Improvements Required Status: Draft	A lack of evidence was seen in either 'Millflow' (ordering system used by Millbrook (equipment supplier) under the DILIS contract) or 'CareFirst' (CF) to support the clinical reasoning for the TEC equipment being ordered, including risk, and person-centred outcomes.	



**ADULT CARE AND HEALTH**

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		<p>Prescribers are required to complete an assessment in CF along with a 'referral form' for Millbrook detailing client needs, risk and outcomes. However, of the cases reviewed, referral forms were not found for the majority. Little evidence was found in CareFirst due to the absence of assessments or information in observation notes. In the absence of this key evidence we are unable to confirm client eligibility to receive TECS and there is an increased risk of incorrect prescribing, resulting in unmet social care outcomes. Following issue of TECS equipment there is absence of a formal review process to ensure that it works and meets the outcomes and thereby minimising the risk of mis-prescribing.</p> <p>A new assessment form has very recently been designed; it is understood this requires completion enabling generation of an order in 'Millflow' and so should improve the control issue identified.</p>	


The following review is currently in progress: -  
 Implementation of new Care Homes Fees Model (Risk / ANA - Medium)

It is anticipated that the report will be issued and agreed in the third quarter of 2018/19. No issues of major concern have been identified from our fieldwork to date.

The following audits are not due to commence until the second half of 2018/19:

- Autism (Risk / ANA - High);
- Continuing Health Care (Risk / ANA - Medium)
- Deprivation of Liberty Safeguards (DoLS) (Risk / ANA - Low)
- Devon Partnership Trust (Risk / ANA - Medium)
- Direct Payments (Risk / ANA - Medium)
- Disabilities (Risk / ANA - Medium)
- Market Capacity (Risk / ANA - Medium)
- Models of Care (Risk / ANA - Medium)
- Section 117 Mental Health (Risk / ANA - Medium)
- Working with District Councils on Accommodation and Housing (Risk / ANA - Medium)

**CHILDREN'S SERVICES**

<b>CHILDREN'S SERVICES</b>			
<b>Risk Area / Audit Entity</b>	<b>Audit Report</b>		
	<b>Assurance opinion</b>	<b>Residual Risk / Audit Comment</b>	<b>Direction of Travel Assurance</b>
Recruitment and Retention of Foster Carers (Risk / ANA - Medium)	Added Value Status: Final	Benchmarking with other authorities was undertaken to ascertain the recruitment and retention processes they adopt for their foster carers. Discussion took place with newly approved DCC foster carers and also those of long standing to understand their experience and viewpoint on their individual foster care journeys alongside their perception of the benefits and drawbacks of being a DCC foster carer. The findings from this review will be shared across both the fostering service and children's social work.	
Early Help for Families Grant (Troubled Families)	Certified Status: Complete	DAP have verified and certified four claims to date this financial year.	N/A
Schools Financial Value Standards (SFVS)	N/A	SFVS Dedicated Schools Grant Chief Finance Office assurance statement for 2017/18 submitted to the Department for Education.	N/A



The following reviews are not due to commence until the second half of 2018/19: -

- Care Leavers (Risk / ANA - High)
- Early Help (Risk / ANA - High)
- Early Years Provision (Risk / ANA - High)
- Fostering Services (Risk / ANA - Medium)
- Homelessness in 16/17 year olds (Risk / ANA - Low)

**COMMUNITIES, PUBLIC HEALTH, ENVIRONMENT AND PROSPERITY**

<b>COMMUNITIES, PUBLIC HEALTH, ENVIRONMENT AND PROSPERITY</b>			
<b>Risk Area / Audit Entity</b>	<b>Audit Report</b>		
	<b>Assurance opinion</b>	<b>Residual Risk / Audit Comment</b>	<b>Direction of Travel Assurance</b>

## COMMUNITIES, PUBLIC HEALTH, ENVIRONMENT AND PROSPERITY

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Active Devon Risk / ANA - Low	Good Standard Status: Final	<p>The financial control framework was found to be sound with all transactions correctly authorised and adherence to both the scheme of delegation and financial regulations.</p> <p>The risk management framework for Active Devon was found to be sound, but was felt to be over complicated, and some recommendations have been made which should assist with simplifying the process.</p>	
Trading Standards - Complaint Allocation and investigation Process Risk / ANA - Low	Good Standard Status: Draft	<p>The Devon, Somerset and Torbay Trading Standards Service is currently in the process of restructuring and has just completed a consultation period which ran until the end of August 2018. The Service has experienced considerable change for several years prior to this following the joining together of Devon and Somerset Trading Standards departments in 2013 and then Torbay also joining in 2017. It is therefore much to the credit of the Department as a whole that the services provided to consumers and businesses are considered to be professional and well regarded during these periods of significant change.</p>	

The following audits are currently in progress: -  
 Channel & Prevent (Risk / ANA - Medium)  
 Gypsies & Travellers (Risk / ANA - Medium)


It is anticipated that the reports will be issued and agreed in the third quarter of the 2018/19 financial year. No issues of major concern have been identified from our fieldwork to date.

The following audits are not due to commence until the second half of 2018/19: -  
 A Procurement Framework for Economic Analysis (Risk / ANA - Medium)  
 Economic Analysis Contract (Risk / ANA - Medium)  
 Public Health - Nursing Services (Risk / ANA - Medium)  
 Road Safety Strategy (Risk / ANA - Medium)  
 Trading Standards (Risk / ANA - Medium)

The review of the Sustainable Procurement Policy detailed within the original 2018/19 Plan is no longer required.

## HIGHWAYS, INFRASTRUCTURE DEVELOPMENT AND WASTE

Risk Area / Audit Entity	Audit Report
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	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Civil Parking Enforcement Risk / ANA - Medium	Good Standard Status: Final	<p>The focus of this review was upon complaints received into the service. The service has recognised the need to review current working arrangements. This included obtaining feedback from officers within the service within the recent 'Away Day' and as part of this Internal Audit review.</p> <p>We reviewed a sample of complaints made against individual Civil Enforcement Officers (CEO's) in the last two financial years. The number of complaints has reduced since the service transferred in 2014 with the service receiving a low volume of Stage 2 complaints in the last two financial years.</p> <p>Overall, we found there were established processes to enable the service to review and respond to complaints. However, we were unable to find evidence to support that individual complaints relating to officer conduct had been discussed with relevant CEOs as part of their monthly performance reviews.</p> <p>We were asked to review the current processes for the issue of Resident Parking permits, including review of the recent audit(s) (DIP checking) which has been undertaken by the Processing team. We found no significant issues identified in the review of the current arrangements.</p>	

The following audits are currently in progress: -  
 Failure to maintain C class and Unclassified roads effectively (Risk / ANA - Medium)  
 Footway Maintenance (Risk / ANA - Medium)  
 Primary School Build (Risk / ANA - Medium)

It is anticipated that the reports will be issued and agreed in the third quarter of the 2018/19 financial year. No issues of major concern have been identified from our fieldwork to date.

The following audits are not due to commence until the second half of 2018/19: -  
 Exeter EFW Plant (Risk / ANA - Medium)  
 Infrastructure (Risk / ANA - Critical)  
 Highways (Risk / ANA - Critical)  
 Collaboration with Others (Risk / ANA - Low)

## Appendix 2 - Annual Governance Framework Assurance

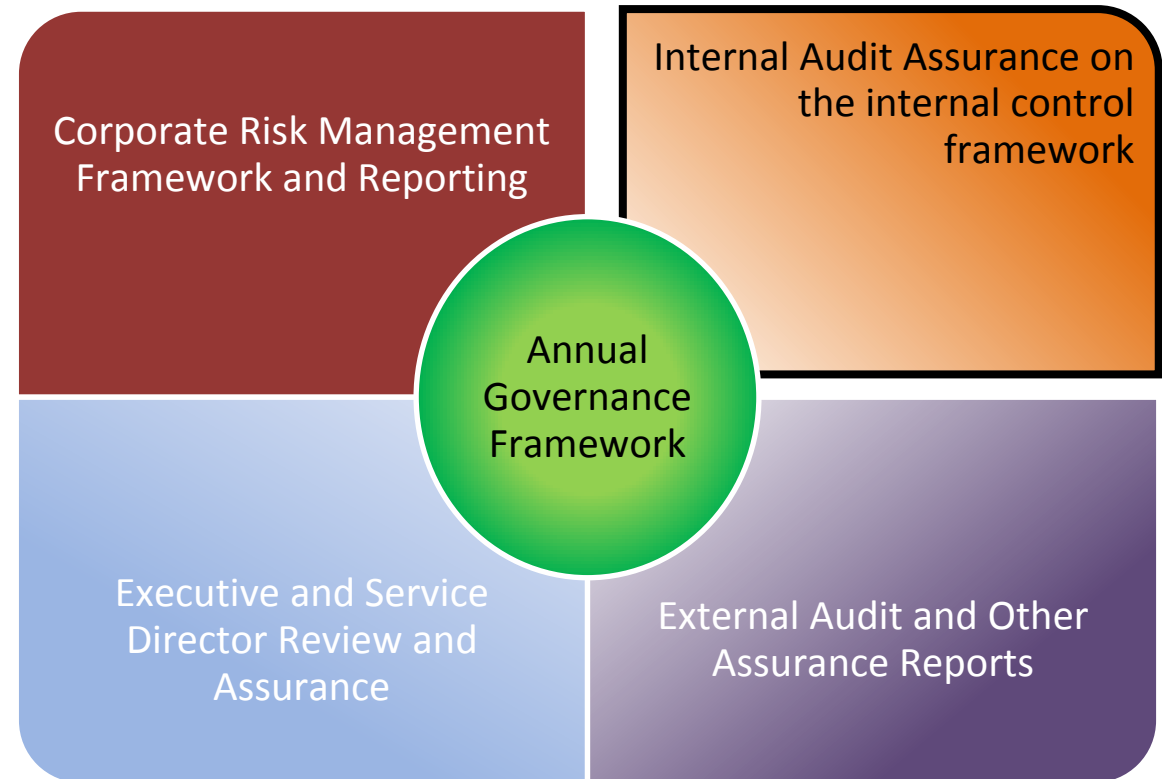
***The conclusions of this half year report and the annual report provide the internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.***

The Annual Governance Statement provides assurance that: -

- the Authority's policies have been complied with in practice;
- high quality services are delivered efficiently and effectively;
- ethical standards are met;
- laws and regulations are complied with;
- processes are adhered to;
- performance statements are accurate.

The statement relates to the governance system as it is applied during the year for the accounts that it accompanies. It should: -

- be prepared by senior management and signed by the Chief Executive and Chair of the Audit Committee;
- highlight significant events or developments in the year;
- acknowledge the responsibility on management to ensure good governance;
- indicate the level of assurance that systems and processes can provide;
- provide a narrative on the process that has been followed to ensure that the governance arrangements remain effective. This will include comment upon: -
  - the Authority;
  - Audit Committee;
  - Risk Management;
  - Internal Audit;
  - Other reviews / assurance;
- Provide confirmation that the Authority complies with CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. If not, a statement is required stating how other arrangements provide the same level of assurance.



The AGS needs to be presented to and approved by the Audit Committee and then signed by the Chair.

The Committee should satisfy themselves, from the assurances provided by the Corporate Risk Management Group, Executive and Internal Audit that the statement meets statutory requirements and that the management team endorse the content.

## Appendix 3 - Basis for Opinion

The Chief Internal Auditor is required to provide the Council with an opinion on the adequacy and effectiveness of its accounting records and its system of internal control in the Council. In giving our opinion, it should be noted that this assurance can never be absolute. The most that the internal audit service can do is to provide reasonable assurance, formed from risk-based reviews and sample testing, of the framework of governance, risk management and control.

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 Authority's internal control environment; and summarises the performance of the Internal Audit function against its performance measures and other criteria. The report outlines the level of assurance that we are able to provide, based on the internal audit work completed during the year. It gives:

- a statement on the effectiveness of the system of internal control in meeting the Council's objectives;
- a comparison of internal audit activity during the year with that planned;
- a summary of the results of audit activity and;
- a summary of significant fraud and irregularity investigations carried out during the year and anti-fraud arrangements.

The extent to which our work has been affected by changes to audit plans has not been as notable this year as in previous financial years. Although certain changes have been made from the plans originally agreed this has been due to changes in operational business needs.

The scope of our audit work to date within this year has not been adversely affected as a consequence of investigatory works required to be undertaken and does not reduce the level of assurance that we are able to offer.

In assessing the level of assurance to be given the following have been taken into account:

all audits completed during 2018/19, including those audits carried forward from 2017/18;

any follow up action taken in respect of audits from previous periods;

any significant recommendations not accepted by management and the consequent risks;

the quality of internal audit's performance;

the proportion of the Council's audit need that has been covered to date;

the extent to which resource constraints may limit this ability to meet the full audit needs of the Council;

any limitations that may have been placed on the scope of internal audit.

## Appendix 4 - Audit Authority

### Service Provision

The Internal Audit (IA) Service for Devon County Council is delivered by the Devon Audit Partnership (DAP). This is a shared service arrangement between Devon County Council, Torbay Council and Plymouth City Council constituted under section 20 of the Local Government Act 2000. The Partnership undertakes an objective programme of audits to ensure that there are sound and adequate internal controls in place across the whole of the Council. It also ensures that the Council's assets and interests are accounted for and safeguarded from error, fraud, waste, poor value for money or other losses.

### Regulatory Role

There are two principal pieces of legislation that impact upon internal audit in local authorities:

- **Section 5 of the Accounts and Audit Regulations (England) Regulations 2015** which states that ".....a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance....."
- **Section 151 of the Local Government Act 1972**, which requires every local authority to make arrangements for the proper administration of its financial affairs.

### Professional Guidelines

We work to professional guidelines which govern the scope, standards and conduct of Internal Audit as set down in the Public Sector Internal Audit Standards (PSIAS).

DAP through external assessment demonstrates that it meets the PSIAS.

Our Internal Audit Manual provides the method of work and Internal Audit works to and with the policies, procedures, rules and regulations established by the Authority. These include standing orders, schemes of delegation, financial regulations, conditions of service, anti-fraud and corruption strategies, fraud prevention procedures and codes of conduct, amongst others.



Internal Audit Strategy sets out how the service will be provided and the Internal Audit Charter describes the purpose, authority and principal responsibilities of the audit function.



## Appendix 5 - Performance Indicators

There are no national Performance Indicators in existence for Internal Audit, but the Partnership does monitor the following Local Performance Indicators LPIs:

<i>Local Performance Indicator (LPI)</i>	<i>2016/17</i>	<i>2016/17</i>	<i>2017/18</i>	<i>2017/18</i>	<i>2018/19</i>	<i>2018/19</i>
	<b>Target</b>	<b>Actual</b>	<b>Target</b>	<b>Actual</b>	<b>Target</b>	<b>Six Month Actual</b>
Percentage of Audit Plan Commenced (Inc. Schools)	100%	97%	100%	100%	100%	50%
Percentage of Audit Plan Completed (Inc. Schools)	93%	92%	93%	91%	93%	36%
Actual Audit Days as % of planned (Inc. Schools)	95%	107%	95%	99%	95%	49%
Percentage of fundamental / material systems reviewed annually	100%	100%	100%	100%	100%	On target
Percentage of chargeable time	65%	70%	65%	71%	65%	70%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	97%	90%	98%	90%	98%
Draft Reports produced within target number of days (currently 15 days)	90%	89%	90%	89%	90%	93%
Final reports produced within target number of days (currently 10 days)	90%	97%	90%	97%	90%	96%
Average level of sickness absence (DAP as a whole)	2%	3.2%	2%	4%	2%	1.4%
Percentage of staff turnover (DAP as a whole)	5%	21%	5%	11%	5%	3.3%
Out-turn within budget	Yes	Yes	Yes	Yes	Yes	Yes

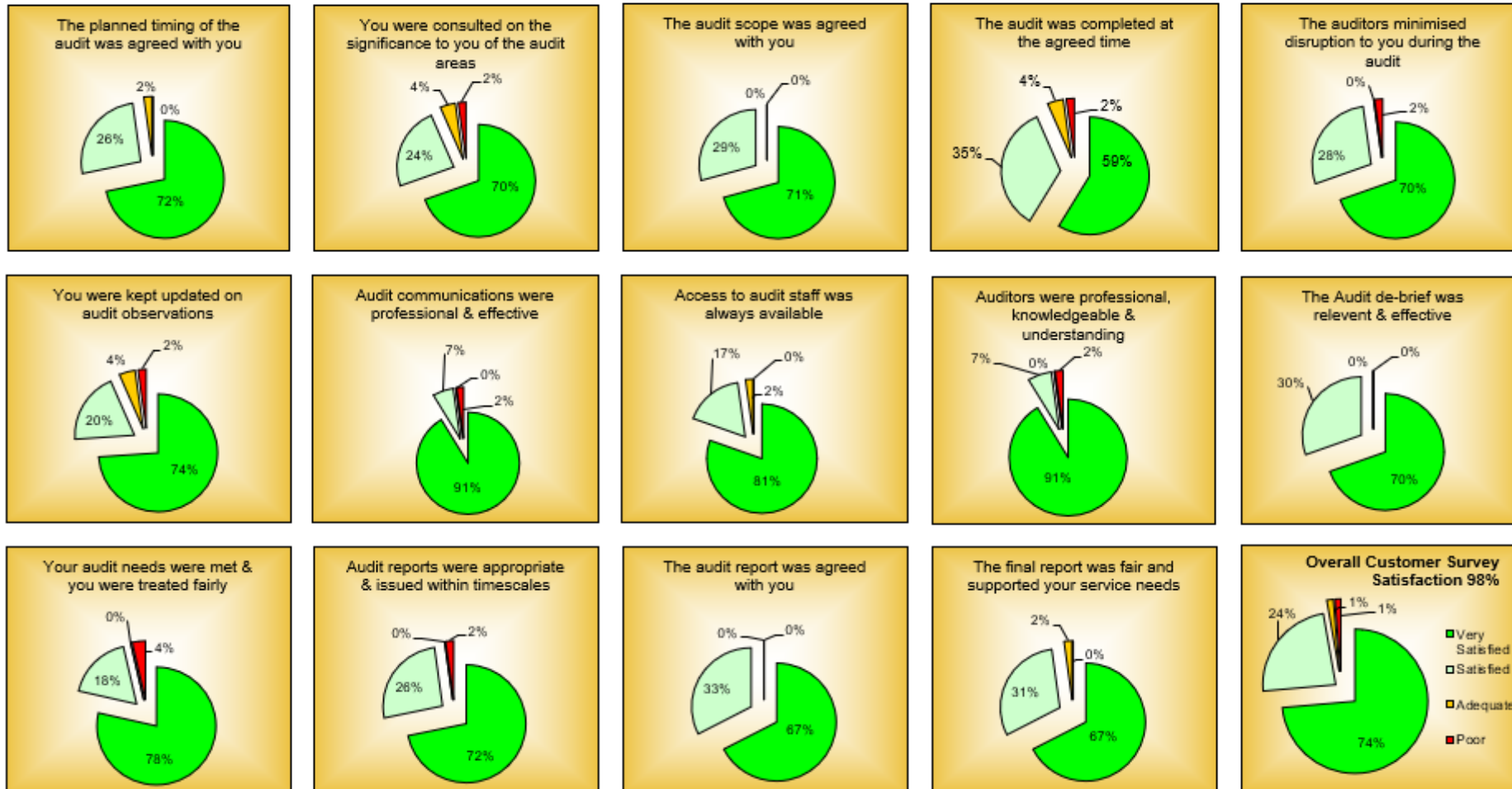
## Appendix 6 - Customer Service Excellence

### Customer Survey Results April 2018 - September 2018

#### Customer Survey Results April 2018 - October 2018

The charts below show a summary of

46 responses received.



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