Internal Audit Report

Follow Up Report on Areas Requiring Improvement

Devon County Council

November 2018

Auditing for achievement

Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay and Devon councils. We aim to be recognised as a high quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at
robert.hutchins@devonaudit.gov.uk

Confidentiality and Disclosure Clause

This report is protectively marked in accordance with the 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

At the May 2018 Audit Committee, Members were provided with the Annual Internal Audit report for the Council. Appendix 1 of that report provided a summary of the audits undertaken during 2017/18, 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 "improvements 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.

This report updates the Audit Committee on the "improvements required" areas highlighted in Appendix 1 of the 2017/18 Annual Audit Report (May 2018). 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

Our assurance opinion remains as reported in our Annual Audit Report 2017/18 as 'significant assurance'.

Progress Impact Assessment

The progress made in some areas means the previously identified risks are being minimised or mitigated where appropriate. However the level of progress made in certain action plans means a number of the risks previously identified and highlighted to management continue to remain.

Improvements in the areas affecting operational and strategic risks are progressing. There remains several areas where progress is ongoing and as yet risks have not been fully mitigated or we are not in a position to provide assurance that they have. Some of these areas (eg Off Payroll Working) will be subject to further examination later in the year as part of our planned work.

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

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.

In addition, two 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

Direction of Travel
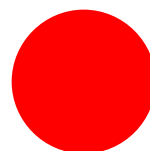

- 2 Green
- 4 Amber
- Not Applicable
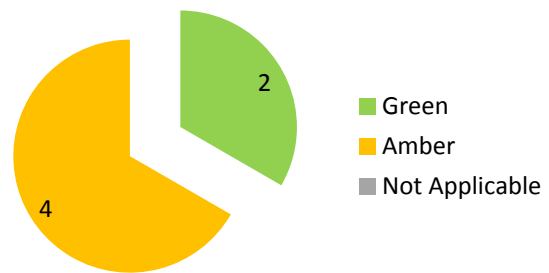
Audit Assurance 2017/18 Opinions at 31st March 2018

- Improvements Required

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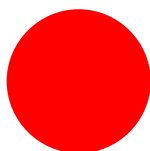
Audit Assurance 2017/18 Opinions at 31st August 2018

- Not Applicable
- Improvements Required
- Good Standard

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Internal Audit Coverage and Results

Overall we can report that progress is being made against the agreed recommendations following our initial audit and this is shown in the direction of travel chart above and in Appendix A of this report. A significant number of opinions remain unchanged at this time although this does not 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 when opportunities arise.

Appendix A of this report details those audits at the end of 2017/18 identified as 'improvements required'. The appendix shows the current (updated) assurance opinion following our follow up work, and a 'direction of travel'. We have also provided some more detailed commentary on progress being made. Appendix B provides a definition of the assurance opinion categories.

Annual Governance Statement

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

These should be considered along with the conclusions from the Annual Audit Report 2018/19 to be presented to Audit Committee in May 2019.

Robert Hutchins
Head of Audit Partnership

Process

For each service area where an overall audit opinion of "improvements required" was provided at the end of 2017/18 we sought to undertake a follow up review. The follow up review provides 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 '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.

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 'low' priority recommendations we required written confirmation that the action had been enacted upon, or an update on the progress being made.

Following the completion of our review we considered the progress made against 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 2017/18

Risk Assessment Key

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

Direction of Travel - Key

Green - action plan implemented or being implemented within agreed timescales;
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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 2018	Updated Audit Assurance Opinion as at 31 August 2018		
Corporate Services - Human Resources					
Off Payroll Working	ANA - Low	Improvements Required	Improvements Required	Many of the completion dates for the agreed recommendations are in the final quarter of 2018/19 and thus cannot be followed up at this time. A final follow-up review will be completed during April 2019 and a full report issued at that time. In the meantime a working group has been established and held their first meeting. The intention is to gain additional representation from across the council and this is being sought. The authority have approved a new post, Senior Payroll Compliance Specialist, who will be responsible for overseeing Off Payroll Working regulations within DCC. This post will also be responsible for ensuring that recommendations are implemented.	

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 2018	Updated Audit Assurance Opinion as at 31 August 2018		
Corporate Services - Digital Transformation and Business Support					
Corporate Information Cyber Security	ANA - Critical	Improvements Required	Improvements Required	The audit is structured around three key areas, Policy Framework; Personal Accountability and Education and Awareness. It is pleasing to note that progress has been made within each of these areas. The Information Governance Manager and Information & Cyber Security Manager are continuing to progress completion of the cyber security framework. Work is in progress to produce a data protection and cyber security plan, which will link to the Cyber Security Policy and work continues to develop and publish a Cyber Security website. Although there has clearly been progress, from a risk perspective, as the policies and plans are not yet fully in place or embedded, the overall audit opinion remains at Improvements Required at this stage.	
Adult Care and Health					
Forecasting future spend adult social care transitions	ANA - Low	Improvements Required	Improvements Required	Around half of the recommendations made and agreed have been completed, whilst work upon the others remains ongoing in accordance with timescales detailed. Based upon management responses received the direction of travel is positive.	

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 2018	Updated Audit Assurance Opinion as at 31 August 2018		
Children's Services					
Legal Care Proceeedings	ANA - Medium	Improvements Required	Improvements Required	Successful Care Proceedings require Legal and Social Care staff to work closely together in order to produce reliable, high quality, evidence that can be used in a court setting. It is noted that there have been some improvements to the systems and processes employed but that work in other areas remains on-going. Overall the direction of travel is positive, a fact supported by a number of improvements such as: • Review and update of social care Practice Standards, which are published online and are available to relevant staff; • Migration to new DCC intranet has led to obsolete procedures being removed; • Introduction of more robust QC checks and additional training in respect of parenting assessments; Although new Practice Standards establish the importance of timeliness, this remains an issue with the Legal Team often receiving information late. An area that has deteriorated relates to the number of cases that exceeded the 26 week time limit for resolution. We acknowledge this is often due to factors outside the authority's control, such as the availability of court dates and the need to appoint expert witnesses in more complex cases, but we further recommend that management ensure that performance in this area continues to be monitored and improved.	⬆G

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 2018	Updated Audit Assurance Opinion as at 31 August 2018		
Placement Stability	ANA - Medium	Improvements Required	Improvements Required	A final follow-up review will be completed during April 2019 and a full report issued at that time.	↗
Communities, Public Health, Environment and Prosperity					
Learn Devon - Enrolment Process	ANA - Medium	Improvements Required	Improvements Required	**Overview** Good progress has been made in implementing many of the original recommendations.However, some recommendations have yet to be fully implemented due to technical difficulties or because they are part of longer term projects. In such cases we have been assured that progress is being made and revised target dates have been specified. **Data Protection** Risk of data protection breaches has reduced due to a number of factors including a move to a new software platform with better log in security along with improved management of system users. Regarding processing of card payments a documented procedure (previously absent) has now been circulated to all offices. **Contractors** Risks associated with management of contractors include financial loss and reputational damage and this is an area where improvements have been made. A dedicated SharePoint page is now used to hold a copy of all contracts. Ensuring all contracts clearly specify the relationship with the provider, as either a Data Processor or Data Controller, work	↗

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 2018	Updated Audit Assurance Opinion as at 31 August 2018		
				remains on-going. Liaison is taking place with Information Governance to ensure best practice is followed going forward. Introduction of a tendering process by which contractors may be appointed remains outstanding; however, the procurement team consider this to be a low risk issue due to other mitigating factors. **Systems and Processes** Storage and retention of service user records was problematic with missing or incomplete records not uncommon. Although we did not have direct access to the 'Trim' document management system during our follow up, management have asserted that improvements have been made. A review conducted of how the system was used resulted in further training and guidance for centre staff. System users reported a number of issues with the EBS software used at the time of the audit, including crashes, lack of licences, printing issues and reporting functionality. A planned migration to a Remote Desktop Server version of the software has now been implemented. This, along with other system developments is understood to have alleviated many of the problems previously encountered by system users. The need to redevelop and modernise the Learn Devon website was seen as a high risk area. We note the service is making good progress towards the development of an upgraded website; however, this has yet to go live.	

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

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.