

Internal Audit

# Audit Committee November Monitoring Report 2021/22

Devon County Council

November 2021



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, Devon, Mid Devon, North Devon, Torridge, South Hams and West 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 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

This report provides a summary of the performance against the internal audit plan to date for the 2021/22 financial year, highlighting the key areas of work undertaken and summarising our main findings and recommendations aimed at improving controls where our work has been finalised.

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

The Internal Audit plan for 2021/22 was presented to, and approved by, the Audit Committee in February 2021. The following report and appendices set out the position to November 2021.

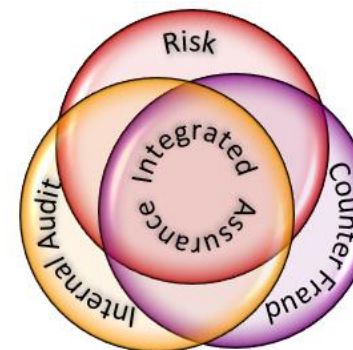
The Public Sector Internal Audit Standards require the Head of Internal Audit to prepare a report providing an opinion at the end of each year that can be used by the organisation to inform its governance statement, this report provides a position statement on the progress towards that.

The level of risk associated with each of the areas in Appendix 1 has been determined either from the Local Authority's Risk Register (LARR), or the Audit Needs Assessment (ANA) carried out at the planning phase. Where the audit was undertaken at the request of client it has not been risk assessed. Assurance and recommendations should be considered in light of these risk levels and the impact this has on achievement of corporate / service goals.

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

Members are requested to consider: -

- Current status if providing an assurance statement within this report.
- The completion of audit work against the plan.
- The scope and opportunity of audit to complete the audit work.
- Any audit findings provided.
- The overall performance and customer satisfaction on audit delivery.



In review of these the Audit Committee are required to consider the assurance provided alongside that of Corporate Risk Management and satisfy themselves from this assurance that the internal control framework continues to be maintained at an adequate level to mitigate risks and inform the Executive for governance requirements.

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

## Audit Assurance Statement

Overall, based on work performed to date during 21/22 and our experience from the previous year's audit, the Head of Internal Audit's Opinion is of **“Reasonable Assurance”** on the adequacy and effectiveness of the internal control framework within the County Council

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.

Leadership have been provided with details of Internal Audit's opinion on each audit review carried out in 2021/22. 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 Council in preparing its Annual Governance Statement for the Statement of Accounts for 2021/22.

### Covid 19 Statement

Due to the COVID 19 pandemic, its impact on the Council, the internal audit plan for the Council remains flexible to take account of the refocusing of service staff on COVID response activity. We will continue to offer advice and support as needed and aim to be flexible in supporting the Council at this ongoing challenging time.

### Internal Control Framework

The control environment comprises the Council's policies, procedures and operational systems including processes in place to establish and monitor the achievement of the Council's objectives; facilitate policy and decision making; ensure economical, effective and efficient use of resources, compliance with established policy, procedure, law and regulation; and safeguard the Council's assets and interests from losses. Core financial and administrative systems were reviewed by Internal Audit.

### Risk Management

Risk Management process at strategic and operational levels remain in place although ongoing review is required to improve the focus of risks to key business objectives and improve mitigation controls.

### Governance Arrangements

Governance arrangements have been considered in all our audits but with opportunities to improve consistency or alignment to business need. We will continue to review the improvements to governance and control arrangements in 2021/22.

### Performance Management

Performance is subject to monitoring at management level.

Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
Reasonable Assurance	<b>There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.</b>	No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

## DCC Internal Audit Plan 2021-22 (as agreed February 2021)

High Level Summary Audit Plan							
		Adult Care & Health	Children's Services	Communities, Public Health, Environment & Prosperity	Highways, Infrastructure Development and Waste	Strategic Risks and Projects	Client and Audit Governance
Prioritised Risk Areas		Care Assessments Financial Pressures - High Cost Panel Direct Payments Transitions Performance Monitoring Market Sufficiency	Care Entry Direct Payments Financial Pressures - SEND Performance Monitoring Schools SFVS	Covid-19 Health Inequalities Economy Active Devon Business Support – ERDF Funded Projects Partnerships	Street Lighting System  Highways Contract - transition - management & monitoring - effectiveness - financial reconciliation	Covid-19 – Learning and Recovery  Decision Making  Performance Monitoring – financial pressures  Climate Change  Business Continuity	Audit Committee  Corporate Governance  Follow Up Reviews  Client Service Support and Development (Head Accountants)  Audit Planning and Coordination  Contingency
	Adaptive Plan	<b>Unscheduled Resource, Options:</b> Workforce Integrated Care systems	<b>Unscheduled Resource, Options:</b> Public Health Nursing Safeguarding Transitions	<b>Unscheduled Resource, Options:</b> Careers Hub Roundswell Enterprise Centre Making it Local	<b>Unscheduled Resource, Options:</b> Charging model  Tree Management System	Partnership Management  3 <sup>rd</sup> Party Risk  Core Systems Replacement -Finest – CareFirst 6	Counter Fraud
Core Assurance	<b>Key Financial Systems (Material Systems)</b> - Payroll, Creditors, Debtors, Income Collection, Bank Reconciliation, Treasury Management, Main Accounting System Inc interface systems & reconciliations (NPS, , Finest System Admin, , Social Care Financial Assessments.						
	<b>Grants</b> - Increased resource allocation in 2021/22 for Covid-19, plus Transport, Troubled Families, Grants Out -Governance and monitoring						
	<b>Corporate Services</b> - Business Processes & Governance – Payroll & HR functions, Doing What Matters, Risk Register, Procurement, and other Related Bodies.						
	<b>ICT</b> – Cyber Security, Digitalisation Change Management, Remote Working, BCP & Disaster Recovery, Cloud Services.						

The elements proposed for audit for the coming year are those identified from the risk register and discussion with Senior Management. This overview is supported by the 'Adaptive Plan' (next page) audit reviews which will be subject of priority review with Service Leads through the year. Those highlighted are already identified as priority.

## Adaptive Plan – potential areas of review (Initial priorities/revised priorities)

### Corporate and Strategic

- Emergency Planning – Covid-19, Emergency Procedures.
- Business Continuity – Fit for purpose, updated, embedded, integration & governance.
- Crisis Preparedness – Lessons Learnt, Recovery.
- Climate Change, Risk vs Opportunity – How embedded is this within the decision-making process and business as usual?
- Third Party Risk – Outsourcing, Supply Chain, Sustainability.
- Partnership Management:
  - Control Framework.
  - Retained client functions.
  - Performance and contractual relationships.
- Corporate Priorities – Safety, Statutory Services, Legal, Economy.
- Corporate Plan/ Business Plans/Service Plans:
  - Council transformation programme(s).
  - Learning Authority, Recovery.
  - Benefits Realisation and Benchmarking (transformation plan)
- Governance – linked to organisational decision making.
- Corporate Information Management – DPA, is it embedded?
- Commissioning and Procurement
  - supplier resilience - monitoring
  - Contract awarding – getting it right
  - Compliance, Guidance and Support monitoring
  - EU Regulation change (Brexit)
- Coroners Service.
- HR – Workforce – temp recruitment, succession planning, Safeguarding – Covid-19

### Adult Care and Health

- Covid-19. **No longer a priority.**
- Care Assessment – operational practice
- Financial pressures – performance and monitoring, service cost and charging for individuals
- Provider ICT Assurance - Information governance. **No longer a priority**
- Workforce – safeguarding, professional practices – compliance and support.

- Market Sufficiency – impact of Covid-19 care home vacancies
- Demand Management.
- Integrated Care Systems – legislation change, structural changes, pooling of resource. **No longer a priority**
- Housing with Support Framework Specification & Tender
- Effective Replacement Care offer to avoid carer breakdown
- HomeFirst – Discharge to Assess Model
- Home is Best – including increasing community capacity
- Care Home Fee Model
- Imperatives – Liberty Protection Safeguards
- Short-term Services
- Community Mental Health Framework/S75/NDLC
- Direct Payments

### Children's Services

- Ofsted / Improvement Plans – performance.
- Eclipse System. – trusted advisor
- Eclipse – Where are we now?
- Safeguarding – How embedded is it
- Troubled Families (Grants).
- Public Health Nursing – impact of COVID-19 on engagement, data integrity and management systems.
- Demand Management.
- Education Support Services.
- Education – Academies and LA Statutory Duties retained.
- Adopt South West
- Direct Payments
- SEND – recovery plans, performance monitoring and financial pressure management (link to financial Pressures).

### Public Health

- Covid-19 – cross service strategy and engagement, BCP, Health Inequalities. **No longer a priority.**
- Population Health Management – trusted advisor
  - Prevention.
  - Support
  - Response
- Embedding Mental Health into Corporate Strategies
- Health Inequalities in Decision Making – use of equality impact assessment – strategic embeddedness

### Economy, Communities, Planning

- Climate Change
- Environment – Management and Response e.g. flooding.
- Economy

- - Support, Sustainability and Recovery – Covid-19.
  - Roundswell Enterprise Centre
  - Careers Hub
- Development Planning S106
- Business Support – How we deliver external funded projects
- Made in Devon
- Transport Services:
  - Statutory.
  - Contracted.
- Regulatory Compliance.
- Animal Health/Welfare.
- Partnerships - Highways Infrastructure Fund. **No longer a priority.**
- Communities
  - Clinically vulnerable (shielded) not in care – Lessons learnt. **No longer a priority.**

### Highways, Infrastructure Development & Waste

- Highways Management/Maintenance – efficiency, effectiveness and balanced charging model
- Waste
- Tree Management systems – management of Ash Dieback. **No longer a priority**
- Street Lighting System

### Digital Transformation & Business Support

- BCP and Disaster Recovery – integration with Service BCP
- ICT Strategies – New Roadmap
- Digitalisation – service operational change to work with new systems
- Vulnerability Management
- Cloud Service Management – commissioning and governance.
- Mobile/Remote Working – effect on internal control framework and information governance
- Scomis – Service Continuity – impacts of external client service provision.
- Partnership working – new contracts

## Progress Against Plan

The audit plan is a 'fluid plan' which ensures that we work with services to reaffirm audit priorities continuously throughout the year. The last 21 months working within the Covid environment demonstrated that our clients' priorities have changed as we moved through the phases of the pandemic.

Audit work for 2021-2022 was initially agreed in February 2021 and listed the areas of audit focus over the next financial year with several areas identified as a priority. Over the last nine months it is clear that a number of these priorities have changed, and we have been working closely with our clients to ensure that audit work still reflects the priorities of the Council.

It should also be noted that some directorates have still been working on 'Critical Covid Response Activity', and therefore at the request of the client audit work has not taken place in these areas as originally planned. We endeavour to ensure that sufficient coverage across the Council is maintained to ensure that we can provide an inclusive end of year annual assurance opinion.

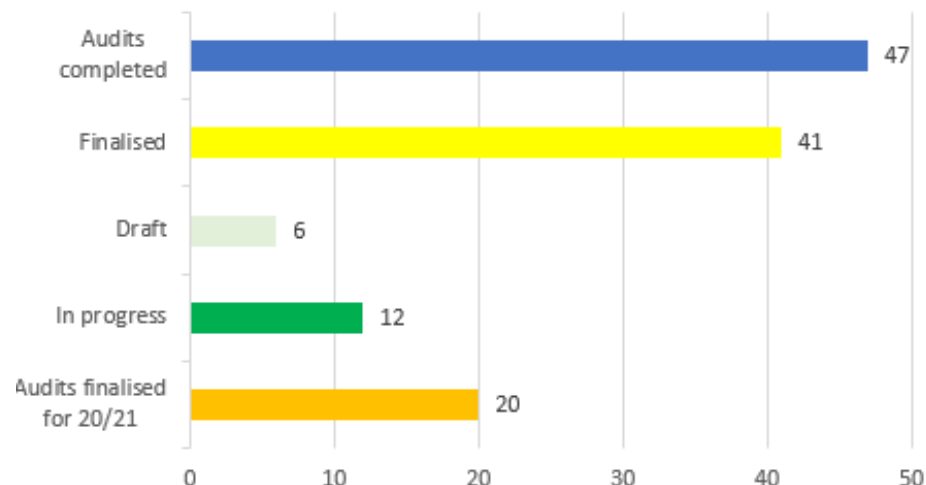
This report shows a progress summary to date (01/11/2021) via the number of audits started since 01st April 2021, audits completed which includes work carried over from 2021/22 and the number of audits currently in draft/final stage.

## Value Added

We know that it is important that the internal audit services seek to "add value" whenever it can. We obtained feedback from those audited during the year to date who considered we were able to add value by:

- Providing objective and relevant assurance.
- Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.

Audit Progress against Plan 2021/22



## Summary Audit Results

### Adult Care and Health

This is an area where limited work has taken place due to Covid-19 response. The Service has been working only on activity classed as 'Business Important A'.

Audit work on Direct Payments is a vital piece of work to ensure fraud risks are minimal and this is due to commence in December 2021. We are in the process of scoping some additional work to provide audit coverage in this area, however we anticipate further challenges may arise when attempting to complete audits in this area due to the onset of winter, and the pressure this will add to the service.

## **Communities, Public Health, Environment and Prosperity**

Priorities have changed in several areas over the last two - three months but we have three reviews are underway. Feedback on these will be provided at the next Audit Committee Meeting.

In respect of an update on a previous area of concern, being Learn Devon, Our initial audit concluded that the sub-contractor is in breach of their sub-contractual arrangements with Learn Devon subsequent to a presentation at the last Audit Committee and our work since, we can confirm that management have adequately implemented audit recommendations and therefore the risks have been mitigated to a satisfactory level.

## **Children's Services**

We are currently concluding high priority audit work on the areas of 'SEND – School Spend' and the Adoption Service. An update on these will be provided at the next Audit Committee meeting.

Audit work on the Direct Payments system used with the Children's Disability Service is underway following fraudulent activity earlier in the year. A review of systems and procedures is being undertaken to ensure that risks in relation to fraud and error are mitigated to a satisfactory level. In addition, a sample of Direct Payment cards in the Education sector are also being reviewed.

## **Material Systems**

Audit work on the material (Key Financial) system reviews is well underway and on target to be completed during quarter three. Work on Treasury Management and the Creditors system has been satisfactory with Substantial and Reasonable assurance opinions provided.

A further five material system reviews are in progress with audit testing well underway, we will update the committee on these in due course. We anticipate being able to complete our programme of audits in this area, with this core work strongly influencing our interim and annual opinion.

## **Digital Transformation and Business Support**

An audit on Change Management – Compliance with Internal Policy and Procedures was carried out and an opinion of Limited Assurance provided. The audit identified a significant number of areas where improvements to

the level of compliance with the expected internal guidelines/policy should be made. Due to the assurance rating this will be followed up as part of the 2022/23 Internal Audit Plan.

Further work in this area linked to Cyber/ICT and Technology is planned and this is another key area that informs the interim and annual assurance opinion.

## **Highways Infrastructure Development and Waste**

Follow-up work has been performed on Whole Life Asset Costs and we concluded that the management actions were implemented. The assurance opinion has therefore improved from Limited Assurance in 2019/20 to Reasonable Assurance in 2021/22.

In addition, a further follow-up review has taken place on Well Maintained Highways Infrastructure. Management have stated that the recommendations currently remain in progress. As such our audit opinion and level of assurance remains the same at Limited Assurance.

## **Corporate Services**

An Authority Wide audit review has taken place on Climate Change where Reasonable assurance has been provided. We can confirm that the Council has made a clear commitment to support Climate Change action and work towards being carbon neutral by 2030. There is a Carbon Reduction Plan and officers have already identified significant opportunities to reduce the impact of carbon emissions, as well as securing funding and grants to support some of the proposed actions.

Other activities in this area include a focus the Finest Replacement Project (DCC Finance System) where we have worked collaboratively with the project team to provide assurance on the project set up and initial project implementation.

Appendix 1 of this report details the assurance opinions for individual audits, for which definitions of the assurance opinion ratings are given in Appendix 2. Please refer to the reviews highlighted in **BLUE** as these are the additions made to the appendix since the previous Audit Committee Update Report.



## Investigations and Irregularities

During the first nine months of the 2021/22 financial year Devon Audit Partnership was made aware of 30 irregularities across the Council. Analysis of the types of investigation and the number undertaken is shown in the following table.

Fraud / Irregularity Summary		
Case classification	Number of cases	Summary Details
Theft / Loss of IT equipment	Three	The three cases relate to lost or stolen mobile phones.
Irregularity Advice	One	Notified by Adult Services of a woman convicted of Fraud by DWP - Identify if family has Direct Payments - This has been passed to the Fraud Team and the investigation is currently underway.
Poor Procedures	Twelve	These cases mainly referred to recording of data and incorrect invoicing by a provider of DCC.
Financial Irregularities	Two	Disabled Children's Service informed unusual payments being made on the Prepaid Financial Services cards. SEN funding for children not being used for the individuals intended.
Employee Conduct	One	Audit acted as a facilitator to request Carefirst Access Record in relation to a Security Incident that Information Governance Team is investigating.
Blue Badge Misuse	Eleven	Customer Services record instances where Blue Badge have been misused, these are passed to DAP and recorded.
There were four further reports which resulted in some form of investigation (Adult Health and Social Care), three related to a provider maintaining house account for clients and the fourth to a provider charging clients for commissioned care and not invoicing DCC directly. These were linked to the activities of staff within external care organisations, not Council staff.		

## Customer Value

### Public Sector Internal Audit Standards (PSIAS)

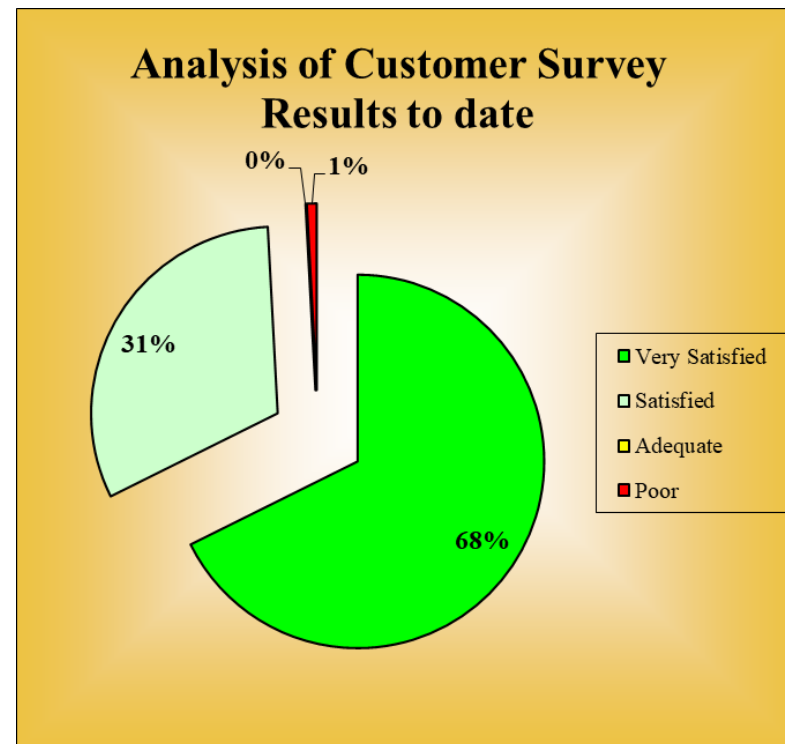
**Conformance** - Devon Audit Partnership conforms to the requirements of the PSIAS for its internal audit activity. The purpose, authority and responsibility of the internal audit activity is defined in our internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*.

Our internal audit charter was approved by senior management and the Audit Committee in February 2021. 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 operating in conformance with the standards (Late stet review underway). 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 are 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.






## Customer Service Excellence

DAP maintains accreditation by G4S Assessment Services of the CSE standard during the year. 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](#). The chart on the right of this page summarises the customer satisfaction results received to date during 2021/22.


## 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.

## Appendix 1 - Summary of audit reports and findings for 2021/22

Adult Social Care and Health			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
<b>The following audits from 2020/21 have been completed and finalised in 2021/22</b>			
Market Sufficiency	Reasonable Assurance	Reasonable Assurance was provided on the Market Sufficiency Statement (MSS). As Council only agreed in January 2020 to commission an annual MSS, the Adult Social Care Market Sufficiency Statement report in September 2020 has been the first annual statement. The MSS was created through a systematic approach including engaging with the social care teams in a very busy period. It is a succinct document detailing the impacts, risks and issues identified during a point of time during the Covid-19 emergency. It was also used to identify cross cutting themes to address, such as labour specific issues in the Social Care Market. The document sought and obtained Cabinet endorsement of the actions to address sufficiency, and to take account of the impact on the Social Care Market of Covid-19 as part of budget preparation. The other priority action was to lead a high-profile campaign to address the workforce issues related to social care.	
Care Assessments	Substantial Assurance	<p>This review was focused on data analysis and a limited volume of client sample testing; therefore, the report findings and conclusions should be considered against this restricted focus. Against the backdrop of such significant challenges from the pandemic it is very pleasing to be able to report that we have not identified significant issues in the management of the care assessment process.</p> <p>In relation to understating compliance with GDPR and the data held within the Carefirst system, OLM is ISO27001 accredited so this gives the Council a level of assurance that data is secure and that there were no immediate issues to address. However, during our review we found the Council's Data Protection and Cyber Security Team were not familiar with specific controls in relation to GDPR principals and Carefirst.</p>	
<b>The following audits on the 2021/22 audit plan have been finalised</b>			
Workforce External - Part 1 'Proud to Care Campaign'	Advisory piece of work Status: Final	An independent assessment of the most recent Proud to Care Campaigns was undertaken using a SWOT to highlight strengths, weaknesses, opportunities and threats to the recent campaigns.	

**Adult Social Care and Health**

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Workforce External - Part 2 'Love Care Programme'	Advisory piece of work Status: Final	An independent assessment of the Love Care Programme was undertaken using a SWOT to highlight strengths, weaknesses, opportunities and threats to the Programme. We provided some Findings/recommendations as part of the analysis.	

**Audit follow-up reviews are currently in progress and it is anticipated that updated reports will be issued and agreed in the third quarter of 2021/22.**

- CHC – Audit rated as 'Improvements Required'. Follow-up work planned for Nov 2021 – currently in progress.
- Community Equipment Budget – Audit rated as 'Fundamental Weaknesses'. Currently undertaking follow-up work in this area and will provide a verbal update at the November Committee meeting.




**Non-planned audit time:**

- Direct Payments – Investigation into systems and procedures due to fraud work in Children’s Services. Full audit in this area is planned for November/December 2021.


**Communities, Public Health, Environment and Prosperity (CoPHEP)**

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

**The following audits from 2020/21 have been completed and finalised in 2021/22**

Learn Devon (Extra work (Funded) Client Request	No Assurance Status: Final	Our audit has concluded that the sub-contractor is in breach of their sub-contractual arrangements with Learn Devon, where key required documentation and learner records have not been provided on request at the time of the audit, nor had been forthcoming in previous years when requested by Learn Devon. Audit has concluded that there is a systemic problem of ongoing poor practice and Learn Devon need to take urgent and appropriate action to address these issues, including considering whether the contract should continue or be terminated.	
Active Devon	Advisory piece of work Status: Final	Overall, we considered the governance arrangements (including risk management processes) to be reasonable for this partnership arrangement and there is a good relationship between both organisations. We do consider there is potential to undertake further collaborative work, and in particular, supporting the citizens of Devon in response to this current Pandemic (Recovery).	
Post 16 Transitions (Careers South West)	Reasonable Assurance	Reasonable governance arrangements are in place in support of new the contract with the CSW Group Ltd. The revised governance structure should allow for monitoring and oversight of this	

**Communities, Public Health, Environment and Prosperity (CoPHEP)**

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
	Status: Final	contract and new roles have been defined under formal Terms of Reference and Articles of Association.	
Learn Devon – Follow-Up	Reasonable Assurance Status - Final	Council Officers have provided updates regarding the agreed management actions to improve the controls and reduce the level of risk. Audit testing has been performed and progress is satisfactory. The audit opinion has been lifted from No Assurance to Reasonable Assurance.	


**Audit follow-up reviews are currently in progress and it is anticipated that updated reports will be issued and agreed in the third quarter of 2021/22.**

- Post 16 - Transitions (contract) – Audit rated as ‘Reasonable Assurance’ with one high risk to follow-up. Follow-up work agreed to take place in November 2021 – in progress.

**Children’s Services**

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

**The following audits on the 2021/22 audit plan have been finalised**

Eclipse Review - Where are we now?	Advisory piece of work Status: Final	<p>At the time of system implementation (Nov 2016) DCC Children’s Services did not have a current documented, detailed system specification of requirements for managing children in care; such a document has still not been prepared. The initial business case that was prepared set out “a top 10” of high-level requirements. We do not consider these requirements were sufficient to appropriately facilitate the discussion and resulting decision that the IT solution would adequately meet the services requirements.</p> <p>A significant number of issues and change requests regarding system functionality have been logged during implementation and post go live. The level of change requests, particularly post ‘go live’, would seem significant and not desirable. However, it is difficult to say if this was ‘unreasonable’. A lack of specification, and the level to which Carefirst has been changed to meet DCC’s needs, combined with the lack of classroom training, is likely to have contributed to the high level seen.</p> <p>We have not been able to identify a comprehensive documented evaluation, completed by the service, of the implemented system in relation to how it meets the services requirements. Such an evaluation will allow the Service to identify and formally capture whether Eclipse meets the services requirements and clarify any outstanding functionality.</p>	
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**Children's Services**

		<p>The large number of changes to Eclipse and associated processes indicates that the system and local processes were not sufficiently aligned and developed at the point of Go Live. We consider that DCC would have benefitted from a higher level of investment in the data migration aspect of the implementation.</p> <p>Currently, no risk register is maintained in relation to Eclipse (Children's Social Care Management System) and its ongoing use and development. This could result in associated risks not being adequately managed.</p>	
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**Audit follow-up reviews are currently in progress and it is anticipated that updated reports will be issued and agreed in the third quarter of 2021/22.**

- Hiring Consultants - Audit rated as 'Limited Assurance'. Audit work not yet undertaken as delayed by client and we are linking with the Chief Officer of Children's Services to make progress.
- Continuing Health Care and S117 Aftercare – Audit rated as 'Improvements Required'. Follow-up work is due to commence Nov/Dec 2021.



**Non-planned audit time:**





- Direct Payments – investigation into systems and procedures due to fraud work in Children's Services. Audit work currently in progress.


**Material Systems**

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

**The following audits from 2020/21 have been completed and finalised in 2021/22**

Debtors / Debt Recovery	Reasonable Assurance Status: Final	Overall, we found that the corporate debtor processes are operating well and within a reasonably sound control environment. Our main findings relate to the absence of review of errors that have occurred during the interface between Finest and ASH records, and the gap in action/ information recorded against a number of aged debts, potentially impacting the ability of the local Authority to recover income/debt due.	
Bank Reconciliation	Reasonable Assurance Status: Final	<p>The control framework for bank reconciliations is considered to remain sound and effective. Access to the online banking system is carefully managed, with bank accounts reconciliations reviewed and authorised promptly on a monthly basis.</p> <p>There are, however, 16 officers with the ability to authorise payments. It is recognised that a sufficient number of authorisers is required for business continuity purposes. A larger number of authorisers carries an increased risk of fraudulent activity/weakness and we recommend that a review of authorised payments is carried out to ensure that only necessary officers have the ability to authorise payments.</p>	

Material Systems			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Creditors	Limited Assurance Status: Final	<p>We consider that overall, there are reasonable controls applied to creditor processes including the P2P system and creditor entity records. The key challenge reported links to the level of outstanding open purchase orders, which has previously been highlighted as a significant issue during the reporting of the 2019/20 audits and remains an issue.</p> <p>Work has been undertaken by the Finance Service to reduce the level of outstanding orders, but it remains high. This increases the risk of fraud and error (including duplicate payment) and if not resolved, this will also become an issue when the Authority replaces the existing accounting system. Root cause analysis and correction by wider DCC Service Areas in conjunction with Finance officers has been started and has addressed many older orders, continuation of this activity is essential to ensure that the position is not perpetuated, and that it does not create unnecessary work when implementing a new Finance System.</p> <p>In respect of Covid response the Authority has applied a number of temporary financial policy changes, and which are considered to be appropriate and in line with national guidance.</p>	
Income Collection	Limited Assurance Status: Final	The control framework is generally sound, and income is identified and collected in an appropriate manner. The main issue identified from this review links to a high level of suspense transactions, which has increased during 2020/21 to nearly £1 million and represents a further increase in comparison to last year.	
Main Accounting System	Reasonable Assurance Status: Final	The control framework for the main accounting system (Finest) remains generally sound and effectively operated. However, last year's Audit review of outstanding order lines in Finest identified a sum of £112 million, with £19 million being in respect of previous financial years which have been rolled forward on a year-by-year basis. This affects current budgets and forecasting, and future accounting commitments. Action was subsequently directed to address the issue and progress has been made in reducing the sums involved. However, this remains a major problem area with current figures respectively at £123 million, with £13 million being in respect of previous financial years. The impact on assurance has been reflected in the creditors report.	
<b>The following audits on the 2021/22 audit plan have been finalised</b>			
Treasury Management	Substantial Assurance Status: Final	The control framework in place for Treasury Management remains sound, is effective and implemented by experienced staff. Procedures are in place for key processes, and these have been reviewed and updated.	



<b>Creditors</b>	Reasonable Assurance Status: Final	Based on our review of the key system controls within FINEST, P2P and payment feeder systems we conclude that generally orders and payments made by the Council are effectively controlled.	
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Pleased to report that audit testing/draft report status is in place for a further five key financial system reviews. A further update will be provided at the next Audit Committee meeting.

### Digital Transformation & Business Support


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

**The following audits on the 2021/21 have been completed and finalised in 2021/22**



Cyber Security	Reasonable Assurance Status: Final	<p>ScoMIS has ISO27001 accreditation for its Information Security Management System and this includes the services provided to Devon County Council (DCC). ISO27001 certification demonstrates that the organisation has invested in the people, processes, and technology (e.g., tools and systems) to protect the organisation’s data, providing an independent, expert assessment of whether data is sufficiently protected.</p> <p>At present the DCC Perimeter/Firewall is not subject to regular periodic 3rd party penetration testing and so is not benefiting from scheduled regular analysis help uncover new security weaknesses and prevent opportunities to exploit vulnerabilities. Regarding aspects of the IT Infrastructure, vulnerability testing regularly undertaken with regard to aspects of the IT Infrastructure, however, at present there is no procedure to identify and centrally record this activity, which would also give oversight to the SIRO of the ongoing vulnerability (including Penetration Testing).</p>	
GDPR - Follow up	Improvements Required Status: Final	<p>The Council has recently reviewed Data Protection Policy, and all associated policies to ensure these are compliant with GDPR. The current policy remains in 'Draft' though it has been openly published and is available to all staff and members. We would encourage the Council to ensure that roles and responsibilities for Data Protection are clearly referenced within this policy and supporting policies as actions will be required by staff and other relevant 3rd parties, in order to comply with the GDPR requirements. This would include the ongoing management and review of information assets which include personal data.</p> <p>The Council has a central information asset register, though this record has not been subject to regular review since it was originally implemented in 2015/16. The DPO is aware of this, however, GDPR requires organisations to demonstrate their compliance with data protection and the asset register is a key component of this. We would encourage the Council to develop more effective processes for recording and reviewing information assets. During discussions with the DPO it was</p>	




**Digital Transformation & Business Support**

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		<p>evident that the Council does not currently have a process for identifying when a PIA/DPIA is required. The DPO has acknowledged that developing a screening process (as recommended by ICO) would be useful in order to identify where an assessment is required in future.</p> <p>On review of a sample of privacy impact assessments, we found that risks and controls had not been well articulated. Risk Management is an important management tool to support services in planning their activities (strategic) and identifying risks in delivering their services (operational).</p>	
Procurement	Reasonable Assurance Status: Final	There has been significant disruption in procurement activity and further work will be needed to review procurement plans including timing and resources. There has been reasonable governance applied in responding to the Pandemic, including direct contract awards, contract exemptions and supplier relief processes.	




**The following audits on the 2021/22 audit plan have been finalised**


ICT - ICT429 BCP & DR Project - Attendance at Workshops	Advisory piece of work Status: Final	<p>The Council should have in place fully defined Business Continuity Plan's (BCP), including at both an overall council level and departmental. These should clearly identify the risks which the council requires ICT to mitigate against. Once in place, ICT will be better placed to fully define the ICT Business Continuity Planning (BCP) &amp; Disaster Recovery (DR) plans and identify any costs associated with this.</p> <p>ICT have a number of mitigating controls in place in relation to individual application failures and ICT infrastructure outages but the mitigating controls in relation to significant loss of ICT staff and major disaster incidents, which have the potential to affect all council services have yet to be fully defined.</p> <p>Senior Officers in both ICT Commissioning and Scomis recognise that the current ICT BCP and DR plans are not currently adequate. ICT Commissioning has recently commissioned a project (ICT429) whereby they have engaged an external Consultant. A series of workshops were held by the Consultant with ICT Officers to review the current arrangements/capabilities, and to provide a high-level assessment with recommendations on how to improve. The project is part of the "discovery phase" which will lead to subsequent projects to develop the BCP and DR capabilities.</p>	
ICT – Change Management – Compliance with Internal Policy and Procedures	Limited Assurance Status: Final	A significant number of areas have been identified where based on the sample we reviewed, improvements to the level of compliance with the expected internal guidelines/policy should be made. The internal guidelines/policy and MyScomis generally provide the framework and opportunity, if complied with, to reduce the risks associated with making changes.	

**Digital Transformation & Business Support**

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
<b>Audit follow-up reviews completed</b>			
ICT Data Storage 19/20 - Follow Up	Improvements Required / Limited Assurance  Status: Final	Officers have provided updates regarding the agreed management actions to improve the controls and reduce the level of risk associated with the Councils data storage arrangements. Management have stated that there is intention to complete the management actions, but progress has been delayed largely due to the pandemic. As such our audit opinion and level of assurance remains the same.	

**Highways, Infrastructure Development and Waste Services**

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
<b>The following audits from 2020/21 have been completed and finalised in 2021/22</b>			
Maintenance Contract- KPI's	Limited Assurance  Status: Final	The KPI's have not been subject to regular review since the start of the contract. We found the service had undertaken a reasonable approach in revising the KPI's in this financial year though these changes were not reflected within the contract at the time of review.	
Whole Life Assets Costs – Follow-Up	Reasonable Assurance	Management actions have been implemented and agreed by Devon Audit Partnership. The assurance opinion has improved from Limited Assurance in 2019/20 to Reasonable Assurance in 2021/22.	
Highways – Well maintained highways infrastructure – Follow-Up	Improvements Required  Status - Final	Officers have provided updates regarding the agreed management actions to improve the controls and reduce the level of risk. Management have stated that the recommendations currently remain in progress and as such our audit opinion and level of assurance remains the same.	

Corporate Services			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
<b>The following audits on the 2021/22 audit plan have been finalised</b>			
Coroners Service	Limited Assurance Status: Draft	There is no formal contractual agreement in place for this service provision. We consider that the host authority is administering a critical service on behalf of DCC, and therefore both parties could be exposed to unnecessary risks should there be any problems in the quality of the work provided by the host authority.	
Climate Change	Reasonable Assurance Status: Final	The Council has made a clear commitment to support Climate Change action by its commitment to become carbon neutral by 2030. It has released a Carbon Reduction Plan and has already identified significant opportunities to reduce the impact of carbon emissions and has secured funding and grants supporting some of the actions. A clear governance structure is in place, with climate change action being monitored by the Environmental Performance Board (EPB) which then reports to Cabinet and Full Board through the Corporate Infrastructure and Regulatory Services Scrutiny Committee.	

Grant Claims Certified		
Grant Name	Audit Report	
	Grant Certification	Audit Comment – if applicable
Local Growth Fund 2019/20 & 2020/21	Grant Certification without amendment	
Active Devon (including Engaging Rural Macros)	Grant Certification without amendment	Substantial Assurance. Opportunity for Active Devon risks to be included in Devon RM Power BI reporting
Travel Demand Management	Grant Certification without amendment	
Engaging Rural Macros (audited as part of Active Devon)	Grant Certification without amendment	
Supported Families Programme April	Grant certification without amendment	
Supported Families Programme May	Grant certification without amendment	
Supported Families Programme June	Grant certification without amendment	

Grant Claims Certified		
Grant Name	Audit Report	
	Grant Certification	Audit Comment – if applicable
Supported Families Programme July	Grant certification without amendment	
Supported Families Programme Aug	Grant certification without amendment	
Supported Families Programme Sept	Grant certification without amendment	
Supported Families Programme Oct	Grant certification without amendment	
Home to School Transport	Grant certification without amendment	
Growth Deal – Digital Accelerator Programme	Grant certification without amendment	

## Appendix 8 - Definitions

### Definitions of Audit Assurance Opinion Levels

Assurance	Definition
Substantial Assurance	A sound system of governance, risk management and control exist across the organisation, with internal controls operating effectively and being consistently applied to support the achievement of strategic and operational objectives.
Reasonable Assurance	There are generally sound systems of governance, risk management and control exist across the organisation, with internal controls operating effectively and being consistently applied to support the achievement of strategic and operational objectives.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified across the organisation. Improvement is required to the system of governance, risk management and control to effectively manage risks and ensure that strategic and operational objectives can be achieved.
No Assurance	Immediate action is required to address fundamental control gaps, weaknesses or issues of non-compliance identified across the organisation. The system of governance, risk management and control are inadequate to effectively manage risk to the achievement of strategic and operational objectives.




#### 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)

### Definition of Recommendation Priority

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.
Opportunity	A recommendation to drive operational improvement which may enable efficiency savings to be realised, capacity to be created, support opportunity for commercialisation / income generation or improve customer experience. These recommendations do not feed into the assurance control environment.

#### Direction of Travel Indicators

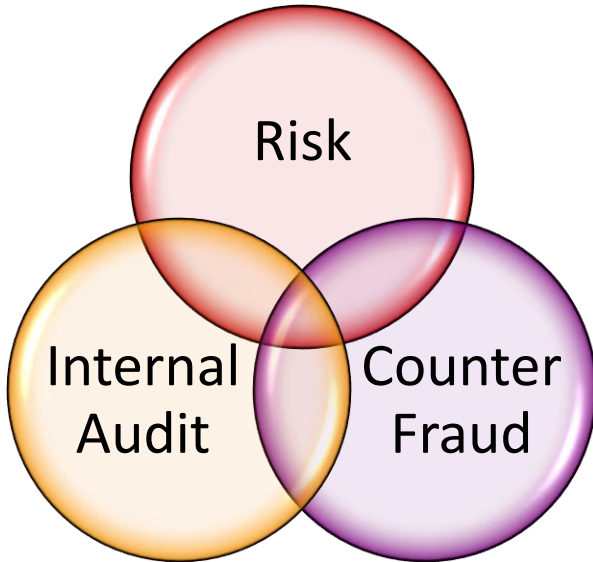
Indicator	Definitions
	No Progress has been made. The action plan is not being progressed at this time; actions remain outstanding.
	Progress has been made but further work is required. The action plan is being progressed though some actions are outside of agreed timescales or have stalled.
	Good Progress has/is being made. Good Progress has continued.

## Appendix 3 – Audit Authority



## Our Vision

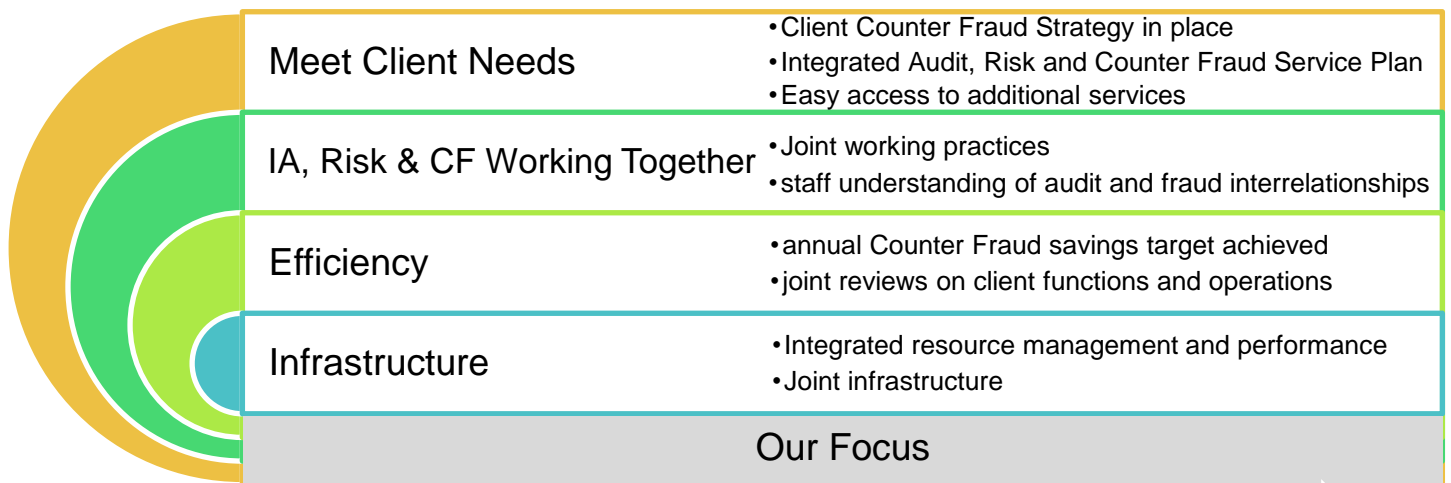
To be a leading provider of internal audit, counter fraud, risk management and other assurance services to public and not-for-profit organisations in the South West and beyond.



### Operational delivery

- CFT to co-ordinate / undertake irregularities work coming through the audit plan
- Potential irregularities are triaged to fraud or audit for review
- Proactive fraud work e.g. NFI, developing delivery plan at client level
- Investigation work to be completed jointly (where appropriate) to progress possible fraud review and strengthen internal control frameworks
- Audit scoping to include counter fraud input
- Three-way liaison confirming risk and control
- Integrated reporting to be delivered on a case basis

## Our Goals



## Client Services

- Counter Fraud Strategy with each client
- Regular client liaison Mtgs.
- POC access to additional integrated services
- CF Service plan with each client for both pro-active and re-active services
- Joint Partner CF work e.g. SPD
- Client training on Fraud Awareness

### IA, Risk & CF Working Together

- Joint Working Practices
- Joint scoping of audit and Irregs
- CF Risk Assessment Review - CIFAS
- Joint IA, Risk & CF plan
- Pro-active **Prevention** work
- Pro-active **Detection** work
- Effective **Investigation**
- NFI work co-ordinated by CFT

### Efficiency

- Savings Plan £55k by year three
- Restructure of PCC Team work plan (releasing resources)
- Joint working practices
- Single Point of Contact for Fraud and Irregs

### Infrastructure

- Budget - Costcentre focused
- Laptops for CFT
- ICT Platform & common network access
- Data Sharing Agreements updated
- Terms and Conditions review

**Integration**