

Internal Audit

Annual Audit Report 2016/17

Devon County Council
Audit Committee

June 2017



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.

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 annual report, to review and approve 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 2016/17 was presented and approved by the Audit Committee in March 2016. The following report and appendices set out the background to audit service provision; a review of work undertaken in 2016/17, 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 an annual report providing an opinion that can be used by the organisation to inform its governance statement. This report provides that opinion.

Expectations of the Audit Committee from this annual report

Audit Committee members are requested to consider:

- the assurance statement within this report;
- the basis of our opinion and the completion of audit work against the plan;
- the scope and ability of audit to complete the audit work;
- audit coverage and findings provided;
- the 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 1) and satisfy themselves from this assurance for signing the Annual Governance Statement.

Robert Hutchins
Head of Devon Audit Partnership

Opinion Statement

This statement of opinion is underpinned by:

Overall, based on work performed during 2016/17 and our experience from the current year progress and 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 will support Members in their consideration for signing the Annual Governance Statement see Appendix 1.

Internal Audit assesses whether key, and other, controls are operating satisfactorily within audit reviews, 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. Implementation of action plans is the responsibility of management yet may be reviewed during subsequent audits or as part of a specific follow-up process.

Directors have been provided with details of Internal Audit's opinion on each audit review to assist them with compilation of their individual annual governance assurance statements. If significant weaknesses have been identified in specific areas, these have been considered by the Authority in preparing its Annual Governance Statement which will accompany the published 2016/17 Statement of Accounts.

Work has been affected by notable planned changes early in the year for People and a number of Place audits were postponed. This has reduced planned assurance work, however we consider, based on this and previous years' work that the framework of control remains in operation. Further explanation is provided in the sections on Basis for Opinion, see Appendix 2.

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 were 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 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 & through to members.

Key risks are recorded in Risk Registers, allowing a co-ordinated & consistent approach to minimise exposure and to ensure objectives are met. Key changes are escalated through the Corporate Risk Management Group. Further development is planned to 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;
- Reviewing the tender evaluation processes for significant contracts within Place and People;
- Undertaking a benchmarking exercise and research into the provision of blue badge services by other local authorities, in particular how the appeals process is managed and if mobility assessments were conducted "in-house" or by a 3rd party;
- Supporting the Corporate Risk Management Group (CRMG) in developing, benchmarking and embedding the Council's risk management approach.

People

- Reviewing the tender evaluation process for a significant contract within People reviewing documents and models sent out to bidders;
- Providing advice and support to the project responsible for the re-running of the DILIS procurement exercise.

Place

- Providing support, challenge and advice to the Corporate Risk Management Group on an ongoing basis and on the development of the new risk database;
- Providing challenge, advice and best practice guidance on the schedule of rates, the evaluation model and general procurement and contract controls associated with the tender process for a new Highways Maintenance contract due to commence in April 2017;
- Continued audit presence on the Highways TMC Cost Monitoring Board to provide real time support and challenge as the Partnership strives to improve the efficiency of works under the Highways Contract and achieve savings through the target costing mechanism.

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 VAT team, Revenue and Babcock LDP highlighting issues on VAT and the use of online cash collection systems by schools;
- completion of a follow-up programme of reviews for 2016/17.

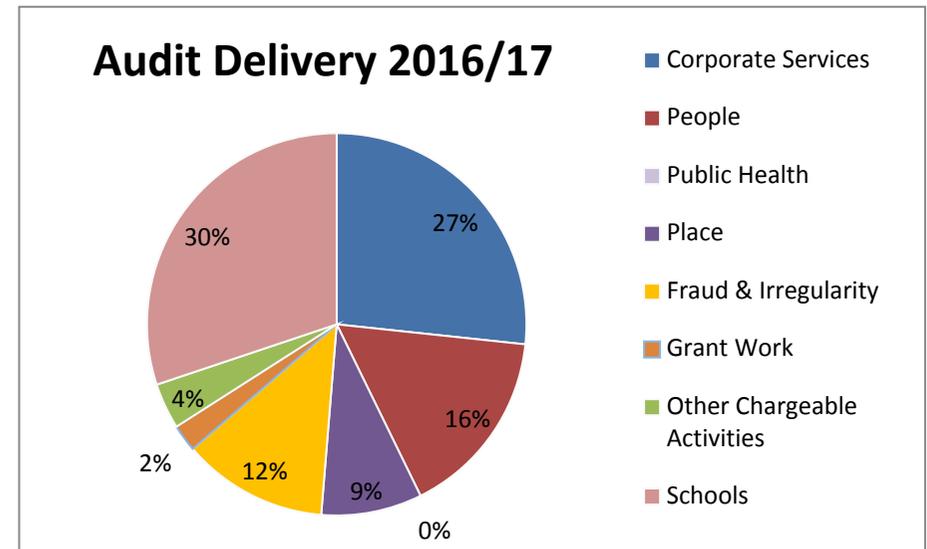
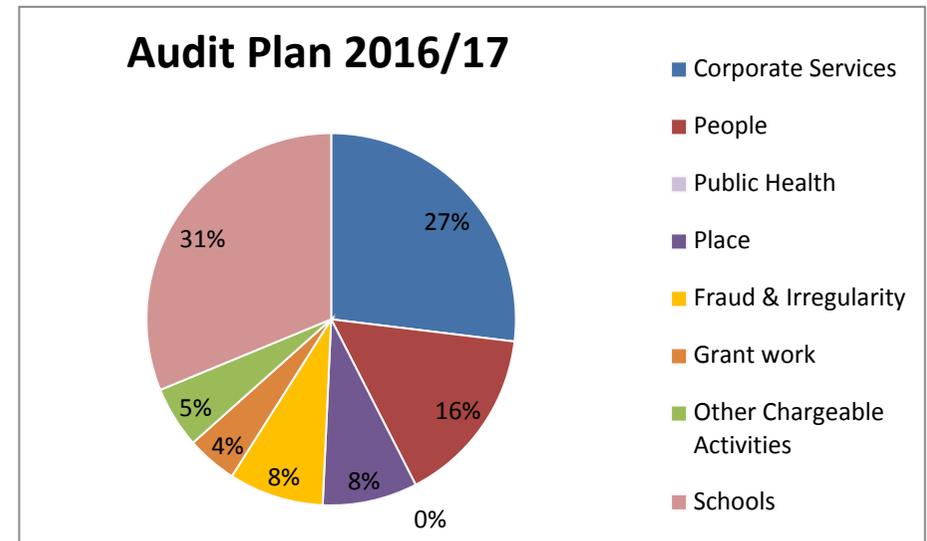
The culmination of this work has lifted the performance of these schools.

Audit Coverage and performance against plan

The pie charts right shows the breakdown of audit days planned by service area / type of audit support provided. The balance of work has varied during the year as can be seen from comparison with the second chart. Variations have been with full agreement of the client, key amongst these are People and Irregularity which are related and offset each other.

Appendix 4 to this report provides a summary of the audits undertaken during 2016/17, along with our assurance opinion. Where a “high” or “good” standard of audit opinion has been provided we can confirm that, overall, sound controls are in place to mitigate exposure to risks identified; where an opinion of “improvements required” has been provided then issues were identified during the audit process that required attention. We have provided a summary of some of the key issues reported that are being addressed by management. It should be pointed out that we are content that management are appropriately addressing these issues.

Appendix 5 shows the performance indicators for audit delivery in 2016/17 against the revised audit plan. It will be noticed that there was a small variation in the total number of audit days provided during the year. When we prepare our plans we make an educated assessment of the number of days that an audit is likely to take. When the fieldwork is actually completed there is inevitably a variance from the planned days. In addition we provide an allowance for work on areas such as fraud and corruption; in some years the requirement will exceed the planned budget and in others the need for our resource will be less than planned. It should also be noted that some audits required a richer mix of staff resource due to the complexity / sensitivity of the area under review.



Summary audit results

Corporate Services

In our opinion, and based upon our audit work completed during 2016/17, '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 are able to 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. Audit resources will continue to support ICT in the establishment and development of the new ICT Commissioning Model and in meeting the financial and technological challenges that lie ahead.

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

People

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.

Audit has been significantly involved in the review of a tender evaluation process where the award of a significant contract was previously challenged both by an unsuccessful bidder along with counter challenge by the successful bidder. The process is now complete; DAP staff have attended evaluator training events and attended all bid evaluation sessions to ensure consistency and fairness along with attendance at required software presentations and evaluations.

Poor safeguarding practice is a potential significant risk within this service area and Audit has again been asked to investigate a safeguarding scenario involving a large residential care home. Work undertaken has been lengthy, complex and involved. Following an initial visit to the

residential care home the provider's business bank account was reviewed in an attempt to reconcile residents funds held through seeking to identify and verify all sources of income for each client over a twelve month period. Internal control procedures and timely transfer of client funds was found to be significantly poor.

The review of Residential Care Bandings found delays in undertaking annual assessments leading to bandings being uplifted and backdated without further recourse to Panel. Non-compliance with the Scheme of Delegation was also found.

Any concerns identified through our work leading to recommendations for improvement are responded to positively by management.

Place

In our opinion, and based upon our audit work completed during 2016/17, and direct advice provided as 'Trusted Advisor' 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.

We are pleased to be able to report an assurance opinion of either good or high standard in the majority of reports completed during the year. The audit review of On Street Parking - Benefits Realisation found recovery of Penalty Charge Notices (PCNs) above the national average and a reduction in the number of spoiled PCNs suggesting generation of good quality PCNs.

Within a number of the audit reviews undertaken we have highlighted the need for either a strategy, protocol, or an enhancement to such. The need for a formal risk management strategy is a thread that is found within a number of the reviews undertaken.

Watching briefs included attendance at the Corporate Risk Management Group and the Highways Virtual Joint Venture (VJV) Term Maintenance Contract meetings.

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

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 related to the Schools Financial Value Standard (SFVS) including governance, business continuity and benchmarking;
- purchasing and procurement including reconciliation of the imprest account;
- financial controls around income collection and banking and the inventory records.

Although no schools were given an opinion of ‘improvements required’, specific areas were given this opinion and recommendations have been made to reduce risks and in other areas and are made to strengthen what are reliable procedures.

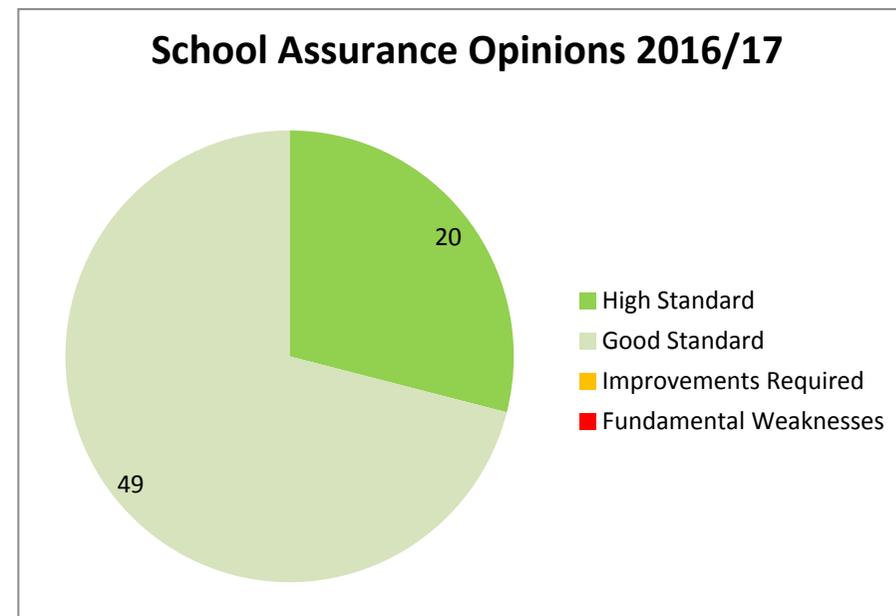
The plan was flexed to accommodate the changing landscape of the County’s maintained schools auditing 43 primary schools, 17 federations, 5 secondary schools and 4 special schools. In addition other work was commissioned by the Financial Intervention Panel for Schools for 5 follow ups.

As at year end (31st March 2017) 14 schools / federations had not submitted their SFVS self-assessment.

Summary:- Schools and the SFVS:-

- 137 met the expectations of the Standard;
- 50 met the expectations of the Standard ‘In Part’;
- 2 not met expectations of the Standard;
- 2 not submitted (exempted).

Submission of the annual signed SFVS self-assessment should be an embedded governing body procedure.



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.

Our focus in 2016/17 has been to support the latest NFI exercise (2016/17). Devon Audit Partnership co-ordinated the extraction of data from a variety of Council systems at the end of September 2016 and then uploaded these datasets to the NFI web application where they were subsequently matched against other local authority and government agency datasets. Output in the form of data matching reports were received back in January 2017 and DAP have since been co-ordinating and leading the review of the data matching reports and updating the NFI website with the results.

Proactive anti-fraud work has been undertaken during 2016/17. Fraud bulletins have been produced and published on DAP's website. Accounts payable data has been reviewed in order to identify duplicate payments. This work remains ongoing. A number of potential duplicate payments have been referred to the Payments team for confirmation and so far this has resulted in the recovery of approximately £3,500 of duplicate payments. This work will hopefully mean that NFI work will be easier as many of the matches will have already been reviewed and resolved.

Examination of Member expense claims found areas that required addressing and these are being taken forward by Democratic Services & Scrutiny who will also further support Members through the provision of training in this area.

Irregularities - During 2016/17, Internal Audit has carried out or assisted in 19 investigations at Devon County Council. Analysis of the types of investigation and the number undertaken shows the following:-

Issue	Number
Theft	3
Theft from service user	2
Theft of IT equipment	1
Employee Conduct	1
Poor Procedures	3
Financial Irregularities	1
Irregularity Advice	6
IT Misuse	2

Examples of work undertaken include:-

Assisting in an employee conduct investigation regarding an employee incurring hire car charges for private use of a hired vehicle. The employee concerned has since left the authority. An invoice for £1,600 has been raised to reclaim expenditure inappropriately incurred. We facilitated discussion with management and the car hire company to improve processes and systems to prevent any future occurrences of this nature.

Raised through the DCC Whistleblowing Policy were allegations regarding education budgets and use of funds. Our review found no evidence suggesting deliberate wrongdoing or misleading action taken by DCC officers. Issues raised by the whistleblower suggested better understanding of spend was required however management have already identified such issues and, we understand, action is under way to address these concerns.

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 2017. 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 was reported to the Management Board in October 2016.

Performance Indicators

Overall, performance against the indicators has been very good with improvements made on the previous year (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.

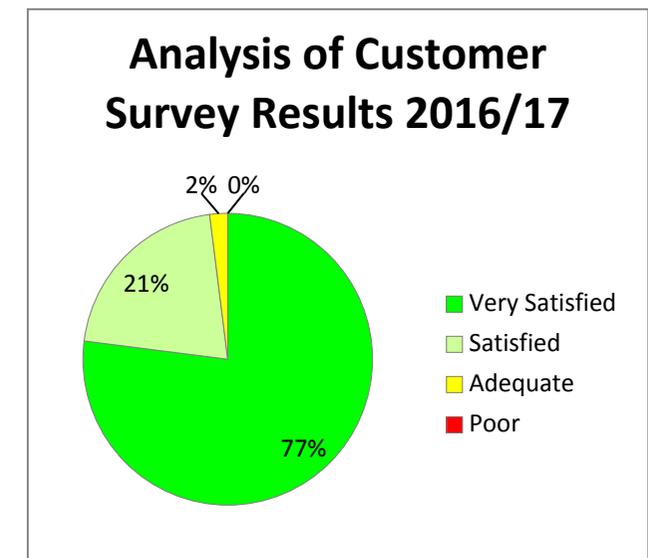
During the period we issued client survey forms with our final reports. The results of the surveys returned are, although low in number, very good and again are very positive. The overall result is very pleasing, with near 98% being "satisfied" or better across our services, see Appendix 6. It is very pleasing to report that our clients continue to rate the overall usefulness of the audit and the helpfulness of our auditors highly.

We have had some very complimentary feedback some of the specific examples include:-

'The opportunity to "think aloud" about the set-up of the operation and to reflect on the balance of project vs service governance was particularly helpful. The auditor's broad experience encompassing knowledge of district council housing operations was relevant and added value to the process.'

'Thank you so much again for your time; we're all very pleased with the outcomes and the recommendations are all both practical and achievable, mostly in the short to medium term. It was also very useful to undergo the risk register process with you and that gave us quite a bit to think about which should allow us to work much smarter and safer.'

Appendix 1 - Annual Governance Framework Assurance



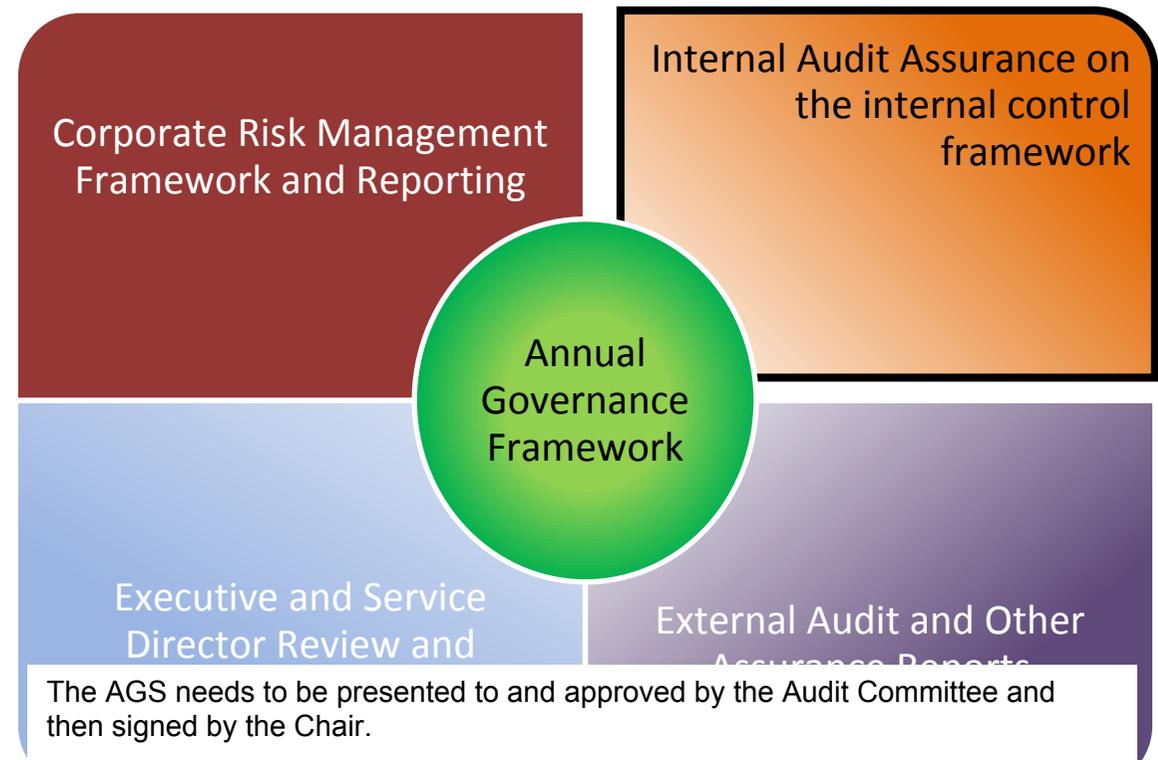
The conclusions of this report provide the internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.

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 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 2 - 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 the previous financial year. Although certain changes have been made from the plans originally agreed this has been due to changes in operational business needs and investigation work.

Work has been deferred to future years audit plans in consultation with the client and taking into account the related risk.

The scope of our audit work this year has not been too 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 2016/17, including those audits carried forward from 2015/16;

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 3 - 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.



Appendix 4 - Summary of audit reports and findings for 2016/17

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		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
Corporate Services - Finance			
Bank Reconciliation Risk / ANA: ANA - Low	Good Standard Status: Draft	Reconciliations for the Council's four main bank accounts have been effectively undertaken throughout the year, and independently authorised; though we note that authorisations have not been as prompt as procedures require.	
Creditors Risk / ANA: ANA - Medium	Good Standard Status: Draft	As was the case last year, with the exception of low value payments relating to general claims and one time creditors, we have no significant concerns in relation to the operation of key controls within the creditors system. The introduction of P2P has mitigated a number of previous control weaknesses, for example lack of use of the GRN function in Finest; however the challenge is now to prevent officers bypassing its use and continuing to either raise orders on Finest, raise general claims, or make inappropriate use of the one time creditors function.	
Debtors / Debt Recovery Risk / ANA: ANA - Medium	Good Standard Status: Draft	Debtor processes are operating effectively within a reasonably sound control environment. A number of minor issues have been identified in relation to management of the system itself, however given the modest user base, related risks are not considered significant.	
Finest System administration Risk / ANA: ANA - Low	Good Standard Status: Final	Controls within the Finest system are generally designed to prevent unauthorised access, and detect errors, omissions or other inappropriate amendments. Some weaknesses do exist particularly in relation to segregation of duty, but the resultant risks have been accepted by management due to the business need and resource constraints. There were some recommendations that have required re-reporting due to agreed action being postponed pending implementation of the Council's P2P (Purchase to Payment) project, and these are now expected to be addressed in the coming months.	

CORPORATE SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Income Collection Risk / ANA: ANA - Medium	Good Standard Status: Final	<p>As has been the case for a number of years, income collection and allocation processes are operating effectively within a reasonably sound overall control environment. Transactions are uniquely identified within the system and reconciliation processes ensure that income is completely and accurately recorded in Finest.</p> <p>We note that there is a 'Payment Gateway' project underway that will impact Income Collection in due course; and an additional project to migrate intranet information, including that relating to Revenues and Payments, to a new website. Once these projects are complete, it is hoped that a number of the issues identified will be resolved, and this has been referred to within the recommendation updates.</p>	
Main Accounting System Risk / ANA: ANA - Medium	Good Standard Status: Final	<p>The main accounting system is being operated within a reasonably sound overall control environment.</p> <p>There are some areas where consideration and implementation of additional measures would enhance the existing control framework, and recommendations have been made accordingly. These include alignment of procedural guidance, consistency across the directorates in relation to budget virements, independent authorisation of journals under £200k, and more timely clearance of suspense.</p>	
Treasury Management Risk / ANA: ANA - Low	High Standard Status: Final	<p>Testing has found that the control environment for both the Council's funds and the Pension Fund remains sufficiently robust in relation to the inherent risks present and only a small number of minor recommendations have been made.</p> <p>Approved procedures are in place, and our review found that these had been adhered to in terms of both placing an investment, and taking out short term borrowing.</p> <p>Reconciliations between Logotech and the main accounting system for both the Council's funds and the Pension Fund are undertaken monthly and were found to be effective.</p> <p>Performance targets are monitored appropriately and the latest reported information shows no areas of concern.</p>	
Grants x 9 Risk / ANA: n/a	Certified Status: Complete	<p>Grants certified without amendment - Local Transport Capital Block Funding, Additional Highways Maintenance Funding, Local Growth Fund, Careers and Enterprise, Social Care, Skills Funding Agency, Active Devon, and Targeted Family Support Programme.</p> <p>Grant preparedness prior to External Audit - Homes and Community Agency Funding.</p>	N/A

CORPORATE SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Accounting for VAT in Partnerships Risk / ANA: ANA - Medium	Improvements Required Status: Final	Detailed VAT guidance material is in place in respect of partnership working, and this is kept up to date following changes to HMRC guidance. Processes and guidance are also in place in respect of requirements and accounting arrangements for entering into partnership working; however they would benefit from being consolidated, updated and linked to the VAT guidance. We are unable to provide assurance at this time in relation to compliance with DCC partnership working processes due to inconsistent record keeping in respect of formal partnership agreement documentation. As a result, similarly, we are unable to confirm whether VAT has been accurately recorded and accounted for in all cases. Existing monitoring and recording processes would be improved with greater involvement of the VAT team in the early stages of new / renewed partnership arrangements, and in establishing a complete record of all existing partnerships.	
Debt Mapping Risk / ANA: ANA - High	Good Standard Status: Final	A number of areas were identified where debt recovery was found to be outside the control framework operated by the central Revenue and Payments Team. In the largest area, alternative controls are deemed to be adequate. Although there are others where this does not seem to be the case, they are not sufficiently significant or numerous to present a risk of ineffective debt recovery across the Council as a whole; hence the overall opinion of 'Good Standard'. As well as making specific recommendations in relation to the above, we have also recommended that management consider a more in depth mapping exercise of their income streams, as our review has been limited to the information we could obtain during the audit period.	
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
<p>The following audits have either been cancelled by the client as they are no longer required, or deferred until 2017/18:-</p> <ul style="list-style-type: none"> Fixed Asset Register (ANA - Low) Use of new Budgeting System (ANA - Medium) Non Residential Financial Assessments (Charging for Care — Client Contributions) Grants - Local Sustainable Transport Fund allocations - A2E, Rural Growth Network, Dartmoor Granite & Gears, Flood Resilience Community Pathfinder 			
Corporate Services - Human Resources			
Payroll Risk / ANA: ANA - High	Good Standard Status: Final	New processes have been introduced this year both in relation to reviewing the causes of overpayments and taking appropriate action and to ensure that amendments made to the payroll system are appropriate. The latter process involves quarterly, retrospective checking of the authoriser of a sample of new starter, change and leaver forms; and is a temporary control that we understand will be in operation until the new	

CORPORATE SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		online system of automated authorisation is in place. Although not fully mitigated, this temporary control does limit the risk of inappropriate payments being made, and we are pleased to provide a 'Good Standard' opinion this year as a result. We do, however, note that that previous issues in relation to clearing historic balances on some suspense accounts have still not been fully addressed, and we have made a recommendation accordingly.	
HR - Absence Management & Recording Risk / ANA: ANA - Medium	Improvements Required Status: Final	Absence management policies and procedures were found to be comprehensive and current. Although we did not identify any unnecessary or duplicate processes in the current procedures operated by Payroll, we did identify opportunity for improvement in the control environment and potential efficiency gains through greater automation of the process, which could be achieved from system changes which would require resource commitment outside of HR.	
HR - Maintenance of Work Structure Risk / ANA: Client request	Good Standard Status: Final	Prism work structures were found to be effectively managed and maintained by the HR One Structures team supported by documented internal processes and effective monitoring controls.	
HR - Consultants Follow Up Risk / ANA: Client request	Improvements Required Status: Final	There is a comprehensive policy which guides Managers to consider the value in hiring a Consultant or Interim Manager. However, the Policy is still not being followed in the majority of instances and there is a lack of policing or penalty for non-compliance. In most instances there was a perceived haste to the requirement and a belief that the available expertise is limited and thus an awareness of suitable candidates is often pursued outside of procurement arrangements. This creates an unacceptable risk to the Authority and requires prompt action.	
Management of Agency Workers Risk / ANA: Client request	Good Standard Status: Final	<p>It appears that a management list had been created of agency social workers. Due to the time that has passed it is difficult to determine exactly why the list was created and by whom. However, we can confirm that the list has been destroyed and no further copies have been identified.</p> <p>A HR Advisor is currently reviewing processes for managing issues with social workers to provide improved guidance for managers to follow. From this the aim will be to introduce set practices for dealing with issues as they arise for all social workers including agency staff, and ensuring that where necessary the issue is recorded and the employee made aware of this for future referencing.</p>	

CORPORATE SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
HR - Ex employee records - Phase 2 Risk / ANA: Client request	Improvements Required Status: Final	<p>Interviews with Senior Management and staff has revealed that knowledge of the Data Protection Act and its requirements in relation to holding personal data without the subjects knowledge is generally well known and carefully considered, especially in relation to areas where vulnerable children or adults are involved or where we have joint working/outsourcing arrangements.</p> <p>However, the policy has not been updated since 2013 and intranet links to new starters induction checklists no longer work.</p> <p>It is also felt that monitoring of training could be significantly improved to ensure that all new starters complete training and also to ensure that all employees renew their training every two years as per policy.</p>	
Payroll - Re-enrolment Risk / ANA: Medium	Good Standard Status: Final	<p>Re-enrolment was found to be accurately declared. An arising query by the Pensions Regulator regarding the inclusion of a school that was expected to make a separate return resulted in an amendment and re-submission of the corrected data. The method followed was generally effective, however a step in the process resulted in employee pension deductions not be taken for April 2016; this was identified by Payroll and the deductions corrected in May 2016, and the associated payrun procedures updated to prevent recurrence.</p> <p>The process of first re-enrolment was effectively managed by a project team and included appropriate and evidenced user acceptance testing, the production of procedure documents, effective communication of the changes, and maintenance of records to support the implementation of the system and process change. Process and related controls were found to be generally robust and we can confirm that re-enrolment requirements have been met and that affected employee pension contributions were accurately deducted.</p>	

The following audits have either been cancelled by the client as they are no longer required, or deferred until 2017/18:-

- Payroll - Dispensations (Client request)
- Payroll - Online Adjustments (ANA - Medium)
- Teachers' Pensions Return (Client request)

CORPORATE SERVICES

Risk Area / Audit Entity		Audit Report	
		Assurance opinion	Residual Risk / Audit Comment
Corporate Services - Business Strategy and Support			
Information Governance including PSN Risk / ANA: ANA - High	Added Value Status: Final	On-going support and advice has been provided, including the provision of support for individual business areas in respect of information governance queries. Work has commenced to collaborate more closely with the Information Governance Team in order to support their agendas wherever appropriate and ensure consistency in delivering key messages.	
Blue Badge Appeals & Complaints Process Risk / ANA: Client request	Added Value Status: Final	Audit carried out a benchmarking exercise to ascertain how a number of similar local authorities administered blue badge applications and appeals with particular attention on the provision of Independent Mobility Assessment. A number of observations and considerations were subsequently reported to management.	
Procurement - Review of Selected Tender Evaluation Exercises Risk / ANA: Client request	Added Value Status: Final	<p>DAP has continued its involvement in the letting of a new Highways Maintenance Contract, providing support and challenge to both Devon and Plymouth Councils at the various stages of the procurement. This culminated in the receipt and evaluation of final bids and Audit provided independent assurance in the lead up to bid submission and during the evaluation of these bids. Audit were present at moderation sessions and conducting validation of evaluation scores, pricing models and “relative merits”, to ensure that a consistent and fair approach was followed throughout.</p> <p>Audit has had involvement in the preparation of DILIS tender documentation issued to prospective bidders and the subsequent evaluation of submitted tenders. DAP reviewed a number of key documents and spreadsheets used within the procurement process and identified a number of amendments required. Audit was in attendance at evaluator training and present at all bid moderation sessions to ensure consistency and fairness.</p>	
HRMS Project - Procurement & Implementation Risk / ANA: Client request	Added Value Status: Ongoing	We have provided support and challenge as the Council embarked on the procurement and implementation of a replacement HR and Payroll system. This included attendance at Working Group meetings as system requirements were drawn up followed by the drafting and issuing of tender documents. Audit will continue in a Project Assurance role during 2017/18 with particular attention paid to the tender evaluation and subsequent system implementation phases.	N/A
<p>The following audits have either been cancelled by the client as they are no longer required, or deferred until 2017/18:-</p> <ul style="list-style-type: none"> Strategic - Ethics & Culture (ANA - Medium) Strategic - Review of Contract Management: Strategy and Process (ANA - High) Finance - Financial Performance of Commercial Enterprises (Client request) 		<ul style="list-style-type: none"> Procurement - Resilience of significant/strategic suppliers to ensure service provision in face of Public Sector cuts (ANA - High) Procurement - Governance protocols in relation to contract award procedures and contract lifecycle (ANA - High) 	

CORPORATE SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Corporate Services - IT Audit			
CareFirst 6 (ACS) Corporate Business ANA - Critical	Improvements Required Status: Final	The identification of formal governance structures to administer, maintain and develop social care business solutions, and key interdependencies, is required to better safeguard both information and financial assets. As the way in which adults and children's social care is delivered it is important that there is clear ownership of the often highly sensitive data assets and the business solutions that hold them. Weaknesses in password quality, Children's Services user training and, CareFirst user groups and profiles, all undermine data security and highlight potential cultural weaknesses with regard to data security awareness. Internal Audit to engage with both social care services in order to attempt to address these issues.	
Service Strategy - Critical Success Factors and Technical Roadmap ANA - High	Added Value Status: Ongoing	The Roadmap is being delivered through ICT as it's been pre-agreed through consultation with Business leadership teams prior to commencing work and this is now considered by the ICT Strategic Commissioning Manager as now being effectively delivered. As the commissioning model embeds, it can be difficult to balance between empowering business areas to have appropriate ownership of projects and ensuring that ICT Commissioning service has appropriate end to end input. Internal Audit will continue to monitor progress during 2017/18 to ensure that the value of the commissioning model is being fully realised and that all risks are being appropriately mitigated. This will include risks such as those represented by silo'd projects and failure to realise the benefits of the ICT Road Map and strategic plans such as the "One Plan".	
Data Security - NPS Follow-up ANA - Client Request	Improvements Required Status: Final	Some remedial actions have been completed. The main area of concern remains the lack of regular penetration testing conducted in respect of the data centre within which the NPS C2 solution is hosted. This and other less significant risks are to be discussed with the DCC Management in order that appropriate mitigating actions are identified or, that it is agreed that the level of risk is acceptable in respect of operational requirements.	
CareFirst 16/17 ANA - High	Improvements Required Status: Ongoing	The identification of formal governance structures to administer, maintain and develop social care business solutions, and key interdependencies, is required to better safeguard both information and financial assets. As the way in which adults and children's social care is delivered it is important that there is clear ownership of the often highly sensitive data assets and the business solutions that hold them. Weaknesses in password quality, Children's Services user training and, CareFirst user groups and profiles, all undermine data security and highlight potential cultural	

CORPORATE SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		weaknesses with regard to data security awareness. Internal Audit have had preliminary meetings regarding the Eclipse Project and are performing a review of project governance before engaging further with the Eclipse project team in order to attempt to foster improvements within the new system. The Corporate Information Governance Team could also play a key role in improving asset ownership within the social care area.	
Service Operation - Processes (Incident & Problem) Risk / ANA: Client request	Good Standard Status: Ongoing	Work was undertaken to explore why and where incidents were occurring and further identify how they could be reduced or problems identified earlier. A manual review of incident data was undertaken within ICT Service Desk, but it is planned that Internal Audit will use the data analytical tool "Idea" to examine incident records as a whole in order to maximise potential to identify potential areas of improvement.	
Cyber Security Risk / ANA: Client request	Good Standard Status: Draft	The Council's controls across the six areas highlighted by the "Cyber Essentials" scheme published by the National Cyber Security Centre (NCSC) are generally sound. The council is a member of the Cyber-Security Information Sharing Partnership (CiSP) operated by NCSC which provides a service that monitors the council's network traffic in real time and reports any issues for investigation. Further mitigation is needed on assurance to be able to restore key business systems and of testing effectiveness of business continuity.	 *
IT Material Systems Risk / ANA: Client request	Good Standard Status: Draft	The Council's compliance and organisational controls are generally sound in terms of security policies, licencing and compliance with PSN requirements. Work to consolidate all of its software records into a single resource known as the Definitive Software Inventory is currently on hold pending the rollout of Windows 10 but we understand that it will be resumed when reassigned staff become available following the completion of the rollout project. Operational availability of material systems is sufficiently protected by the resilience built into the Council's computing infrastructure and the pro-active monitoring of traffic travelling over it. Further mitigation is needed on assurance to be able to restore key business systems.	 *

The following audits have either been cancelled by the client as they are no longer required, or deferred until 2017/18:-

- Service Operation - Processes (Incident & Problem) (ANA - High)

- Service Design - Detailing how to deliver the service (ANA - Critical)
- Incident Management (Client Request)

PEOPLE			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Residential Care Banding Risk/ANA: ANA - High	Improvements Required Status: Final	<p>Monitoring expenditure levels since the introduction of the new two banded system has shown greater levels of enhanced care have been awarded leading to an increase of £1.5m in expenditure. This is possibly due for several reasons:-</p> <ul style="list-style-type: none"> • Increased numbers of clients being assessed as enhanced; • In House services being transferred to commissioning on ceasing operations with the closure of DCC residential and nursing homes, resulting in exceptional payments being made; • Non Banded Residential care where payments for out of area placements are set at that Authority's rate which may be higher than DCC's rate; • Assessment delays, resulting in substantial amounts being backdated for many months. This was due to a delay in implementing an uplift to the fees culminating in backdating of fees to April 2014; • The Panel process for reviewing and agreeing expenditure all residential and nursing placements is not operating consistently across all areas due to a lack of formal procedures. It has also been identified that not all residential and nursing placements are going to Panel. <p>Timely assessments are crucial to ensuring that a client's needs are assessed at least once a year. Delays were found in undertaking yearly assessments which have led to bandings being uplifted and backdated without further recourse to Panel.</p> <p>Joint Agency Managers authorise against the Scheme of Delegation which is not reflected in CareFirst.</p> <p>All residential and nursing care placements should go before an area panel for further agreement of the banding and assessment. If additional help is needed the panel could consider awarding a market premium or using a targeted payment for specific areas of need. It was found that the panels had no clear terms of reference and that crucially not all residential and nursing care clients cases were put before the panel. Documentation regarding panel decisions, minutes and approvals were not located in the majority of the sample tested.</p>	
Residential / Nursing Commissioning Arrangements Risk/ANA: ANA - Client request	Improvements Required Status: Draft	<p>Despite the new scheme which consolidated care bandings into two types, standard and enhanced, there remain within Banded Care a number of service agreements (106) in use which relate to old agreements which have not moved over to new packages.</p> <p>The weekly monitoring report completed by Finance focuses on the 2,602 clients with Banded Care, with weekly costs of £1,004,736 and thus does not provide the full picture of agreements and costings.</p> <p>We were unable to locate up to date policies/procedures for the use of Targeted Support, Market Premiums and Exceptional Payments.</p> <p>We understand Market Premiums are not to be used for clients who reside outside of Devon,</p>	

PEOPLE			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		analysis identified 14 clients residing outside of Devon for whom a market premium is paid.	
Devon Independent Living Integrated Service (DILIS) Risk/ANA: ANA - High, Client request	Value Added Status: Final	DAP reviewed a number of key spreadsheets used within the procurement process for this particular contract and identified a number of amendments required. Discussions were held with both the Project Manager and Procurement and Audit were present at evaluator training and bid evaluation sessions to ensure consistency and fairness.	
DAPH / DASH / SHAD Devon Association of Primary Headteachers Risk/ANA: ANA - Client Request	Good Standard Status: Final	With the ever changing landscape of the membership of the Association between maintained and academy schools, the Executive Committee has started to look at alternative service delivery vehicles for the Association. This could mean that the Association moves away from the financial umbrella of the County Council but this raises significant issues on financial management and procedures. Based on this review of the last four years' accounts, additional expenditure would be incurred by the Core Activities.	
Devon Schools Phase Associations Risk/ANA: ANA - High	Improvements Required Status: Final	There is a lacking of consistency in the areas covered by the Constitutions as the recommendations made in the April 2013 internal audit report have not been implemented. The Terms of Reference suggest that each Association has their own finance policy, based on the document provided to the maintained schools. Apart from DAPH, the other Associations do not have a finance policy but reliance has been placed on the details contained in their respective Constitutions. The Associations all operate the recording of their financial transactions differently. The School Associations are managed through the County Council systems whilst the Governor Association is outside these systems. The four Associations provided financial information on a periodic basis and produce a form of accounts at 31 March each year. The balances being carried forward by DASH and DAG at 31 March 2016 are considered to be excessively high.	
High Cost Child Placements Risk/ANA: ANA - Client Request	Improvements Required Status: Final	Overall, the key elements for a workable and enforceable system are in place, but these have not always been complied with. There will always be "exceptional circumstances" but these should be few in number. Our report makes a number of recommendations aimed at further improving processes, and, in particular, these are around Court Directed placements, ongoing training for staff and capturing approval information on the CareFirst system.	
Mapleton RCH Risk/ANA: ANA - Client Request	Good Standard Status: Final	We identified a small number of areas where definite improvements can be made as current control measures are ineffective at reducing risk to an acceptable level. In particular, improvements are required in the areas of:- <ul style="list-style-type: none"> • Stock control - including security, record keeping, monitoring and reporting; • Inventory - a complete and up to date inventory should be maintained in accordance with the Authority's procedures. 	

PEOPLE			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Children with Disabilities Risk/ANA: ANA - Medium, Client Request	Good Standard Status: Draft	CWD are monitoring levels of expenditure and are aware there are a number of C/YPs with costs above the nominal maximum levels. Management are aware Key Workers are using the Primary School version of the Resource Allocation Questionnaire to assess children under 7, instead of the Devon Assessment Framework (DAF) tool developed, as they find this provides a better indication of needs. The area manager has acknowledged Panel Procedures need to be updated to reflect current procedures.	
Contract Monitoring LW@H Risk/ANA: ANA - Client Request	Status: Ongoing	Fieldwork commenced.	
Quality Assurance & Improvement Team (QAIT) Risk/ANA: ANA - Client Request	Status: Ongoing	Fieldwork commenced.	
Resource Allocation System (RAS) Risk/ANA: ANA - Client Request	Status: Ongoing	Fieldwork commenced.	
Schools Financial Value Standards (SFVS) Statutory ANA - Low	Good Standard Status: Final	SFVS Dedicated Schools Grant Chief Finance Office assurance statement for 2016/17 submitted to the Department for Education.	

PLACE			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Highways Term Maintenance Contract - Payment Mechanism review Risk / ANA: ANA - LARR, Client request	High Standard Status: Final	Based on limited testing undertaken assurance was obtained that the systems and processes reviewed were working correctly. Assurance can be provided that the Traffic Management Unit's costs have been derived from the accounting system and calculated to show the charge being made under this contract.	
Economy and Enterprise Risk Registers Risk / ANA: ANA - Medium	Value Added Status: Final	Facilitation of and discussion at risk workshops.	
MIL & REAL Local Action Group Programmes Risk / ANA: ANA - Client request	Good Standard Status: Final	Presently there is a low level of take up in respect of the REAL (Rural Enterprise and Local Lives) scheme with approximately £1m of budget still available to fund local projects mainly within the Mid Devon area. The Programme Lead and the Executive Board (REAL) have identified this as a concern and plan to publicise the scheme more widely within the near future through a promotional strategy.	
Community Impact Support Scheme Risk / ANA: ANA - Client request	High Standard Status: Final	Conflict of Interest: The Economic Development team do not currently record business interests in line with DCC guidance on declaration of business and pecuniary interests. To ensure high standards of probity and transparency all staff must declare any business/pecuniary interests. Verification of income projections: From testing undertaken it was evident some applicants were reliant on achieving higher levels of income/sales to fund the project(s). However we were unable to find further evidence to support / verify their income / sales figures had been provided to the Panel. We suggest further evidence should be obtained to verify income projections should the scheme continue to operate.	
On Street Parking - Benefits Realisation Risk / ANA: ANA - Client request	Good Standard Status: Final	Review of data held by the Council upon complaints along with assaults made against individual CEOs both show a drop in numbers since the service returned 'in-house'. No formal Parking Strategy has yet been developed which may help in setting longer term goals for the service. Developing a longer term business strategy would also ensure the service has a better understanding of itself and where it is now. Use of formal KPIs would help to provide further assurance to Senior Management and Council members that the service is performing in line with their expectations.	

PLACE			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
TMC Highways - VJV Contract Risk / ANA: ANA - LARR, Client request	Value Added Status: Ongoing	Attendance at the monthly meetings to provide independent and objective advice and input as required to the discussions between management and contractor.	
New Highways Contract - Support for new Contract Risk / ANA: ANA - LARR, Client request	Value Added Status: Final	Provision of support within the procurement process, maintained contact with the relevant officers throughout; advisory role.	
Risk Management Risk / ANA: ANA - LARR, Medium	Improvements Required Status: Draft	<p>Our audit concluded that there has been a lack of leadership on risk management. The current lead officer for risk management has developed reporting arrangements, but does not "lead" on the identification of risk, or in the control of such risks.</p> <p>The Corporate Risk Management Group (CRMG) has seen a number of recent changes in personnel and currently does not possess extensive knowledge or experience of risk management, hence risk registers prepared are often lacking in the way risks are described and reported.</p> <p>Concern has been raised by the CRMG regarding the roles and responsibilities of Member Committees. The Risk Management Policy should recognise a clear distinction between the Risk Management responsibilities for the Audit Committee and that for Scrutiny Committees.</p> <p>In conducting Internal Audit reviews it was evident that some service areas have not been recording risk in either a service or the central risk register. In order to embed Risk Management, the Council should ensure that there are clear systems in place to manage all Strategic and Operational Risk and this includes risks associated in working with 3rd parties.</p> <p>The current Risk Management policy includes a number of different risk categories, including corporate risk. However, best practice guidance suggests that the Council should focus on two main categories of risk (Strategic and Operational). The Council should recognise the distinction between these two categories as both types of risk are likely to be managed differently in terms of ownership, review and reporting.</p>	
Libraries - Effectiveness of Monitoring and Controls	Good Standard	At present Libraries Unlimited (LU) and DCC have not agreed a Risk Management Strategy, though we understand that LU does have internal procedures to manage risk including the use of a risk register. We have suggested to both parties, that a joint risk management strategy could be developed and shared.	

PLACE			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Risk / ANA: ANA - Medium	Status: Final	LU is required to implement a disaster recovery plan for the library service. This has not been implemented. We have suggested to both parties, that it would be good practice to ensure both Business Continuity and Disaster Recovery Plans are developed in future.	
Syrian Vulnerable Person Scheme Risk / ANA: ANA - Client request	Good Standard Status: Final	<p>There are a number of risks associated with this project and the project team should look to ensure these are managed through a formal risk management strategy.</p> <p>Data Sharing Protocol: The Project Lead has recognised the need for a formal data sharing protocol to be in place. At the time of the audit a formal agreement had been drafted but had not been shared / approved by all of the agencies participating in the project.</p> <p>Communications Strategy: The Project Lead is keen to implement a Communications Strategy as it was evident there are a number of interested parties which have varying power and influence over the project who must be kept informed on operational matters and general progress of the project.</p>	
Attendance at CRMG (Corporate Risk Management Group) Risk / ANA: ANA - Client request	Value Added Status: Ongoing	<p>CRMG continues to embed risk management across the organisation.</p> <p>Internal Audit providing advice and support to the CRMG.</p>	
Trading Standards: BWC Central Hub Risk / ANA: ANA - Client request	Good Standard Status: Final	Under the local scheme, we estimated that approximately 25% of the membership had not been paid in this financial year. Under the national scheme, the Operational team should look to ensure that adequate debt recovery procedures are in place to ensure membership fees are collected timely as this could have an impact in the service being able to deliver the business plan in future years.	
Town and Parish Fund Risk / ANA: Client request	Good Standard Status: Final	The Town and Parish funds were found to be effectively managed by DCC in relation to the support and guidance provided to District Councils, and feedback relating to District Councils' experience of working with DCC in relation to the operation of the scheme was largely positive.	

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 LPI's:

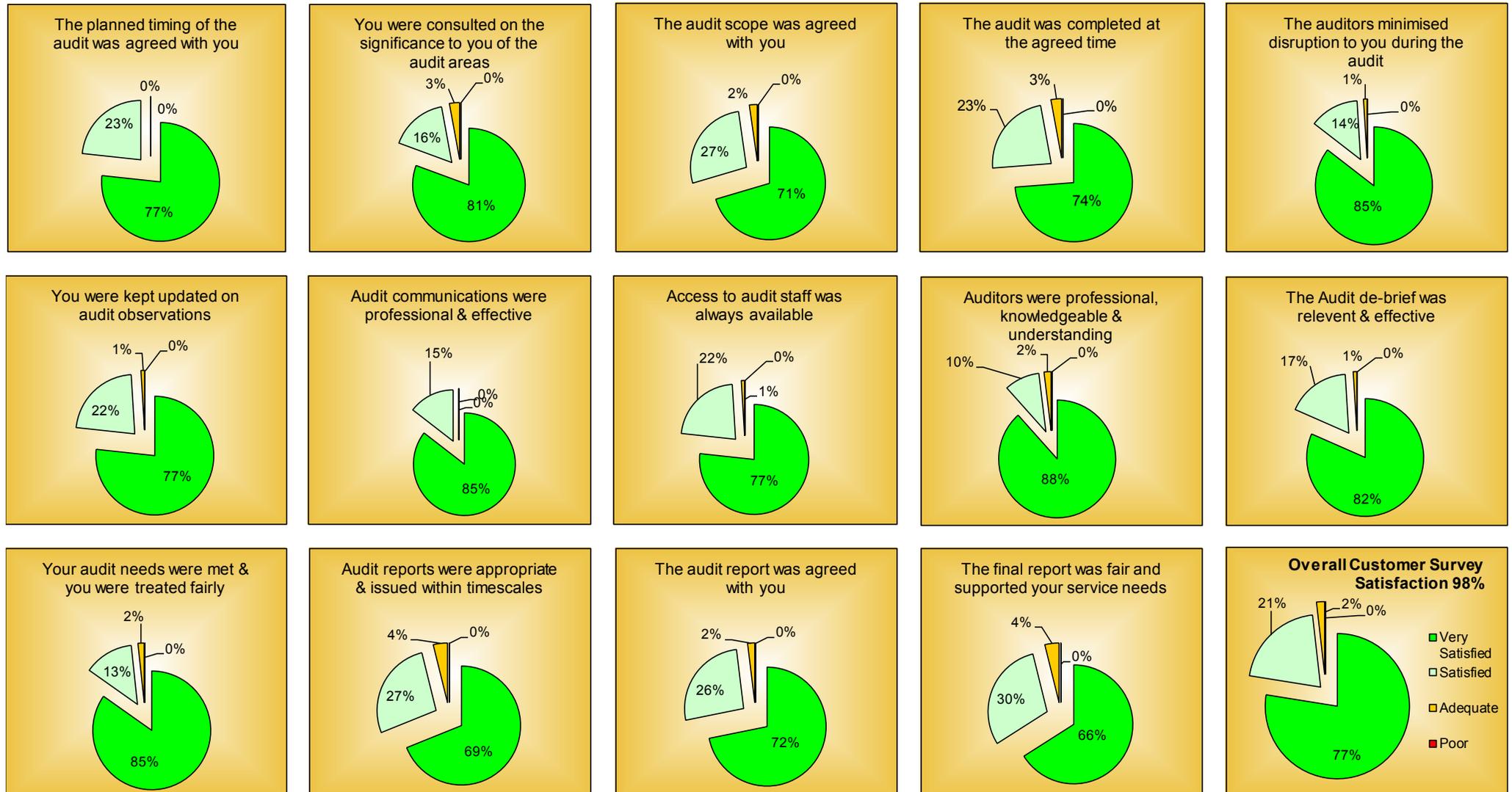
Local Performance Indicator (LPI)	2015/16	2015/16	2016/17	2016/17
	Target	Actual	Target	Actual
Percentage of Audit plan Commenced (Inc. Schools)	100%	100%	100%	97%
Percentage of Audit plan Completed (Inc. Schools)	93%	97%	93%	92%
Actual Audit Days as percentage of planned (Inc. Schools)	95%	101%	95%	107%
Percentage of fundamental / material systems reviewed annually	100%	100%	100%	100%
Percentage of chargeable time	65%	69%	65%	70%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	99%	90%	97%
Draft Reports produced within target number of days (currently 15 days)	90%	87%	90%	89%
Final reports produced within target number of days (currently 10 days)	90%	94%	90%	97%
Average level of sickness absence (DAP as a whole)	2%	2%	2%	3.2%
Percentage of staff turnover (DAP as a whole)	5%	5%	5%	21%
Out-turn within budget	Yes	Yes	Yes	Yes

Overall, performance against the indicators has been very good and has maintained improvement on 2015/16 in relation to the issue of draft and final reports to the customer within the agreed timeframes.

Appendix 6 - Customer Service Excellence

Customer Survey Results April - March 2017

The charts below show a summary of 103 responses received.



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