

Internal Audit

Internal Audit Progress Report 2020-21

Plymouth City Council
Audit & Governance Committee

September 2020

Official

Robert Hutchins
Head of Audit Partnership



Auditing for achievement

Introduction

This report provides a summary of performance in the year up to 17 August 2020 against the internal audit plan for the 2020/21 financial year, highlighting the key areas of work undertaken and summarising our main findings and audit opinions. The key objectives of the Devon Audit Partnership (DAP) are to provide assurance to the Audit and Governance Committee, Section 151 Officer (Service Director for Finance) and senior management on the adequacy and security of the systems and controls operating within the Council and to provide advice and assurance to managers and staff.

Covid-19 has presented considerable operational challenges to the Council which has inevitably introduced some different risks. It is therefore essential that we work with management and “flex” the plan as appropriate to ensure that the work we deliver has the correct focus to enable us to support the Council through these difficult times and provide an annual assurance opinion at the end of 2020/21.

The level of risk associated with each of the areas in Appendix A has been determined either from the Local Authority’s Strategic / Operational Risk Register (LARR), or the Audit Needs Assessment (ANA). 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.

Review of Audit Coverage

There are challenges in completing the 2020/21 audit plan in our traditional manner and we have developed different practices to enable us to deliver our assurance. This includes confirmation of key controls, remote testing wherever possible of these controls (so as not to disturb / disrupt operational staff) and using data analytics generated from system data. This approach was discussed and agreed with the S151 officer and the DAP Management Board prior to bringing a report to the July meeting of the Audit and Governance Committee.

Overall, good progress has been made in the year to date with work in the period up to 17 August 2020 including completion of any work carried forward from 2019/20. All final audit reports include an action plan which identifies responsible officers, and target dates to any address control issues or recommendations for efficiencies identified during each review. Implementation of action plans are reviewed during subsequent audits or as part of a specific follow-up process.

A summary of Internal Audit’s opinion on the individual reviews that have been carried out or concluded for the period from 1 April 2020 is included in Appendix A.

Assurance Opinion and Extract Executive Summaries – up to 17 August 20

Risk Assessment Key

ANA - Audit Needs Assessment risk level

Client Request - no risk assessment information available

Risk Area / Audit Entity	Assurance Opinion	Residual Risk / Audit Comment
Customer and Corporate / Finance		
Core Assurance – Key Financial System		
<p>The key financial reviews will be commenced in the second half of 20/21</p> <ul style="list-style-type: none"> • Civica Financials: <ul style="list-style-type: none"> ❖ Creditors ANA - High ❖ Main Accounting ANA - High ❖ Debtors ANA – Medium ❖ Cash / Bank Receipting System ANA - High • Payroll ANA - High • Academy Revs & Bens: <ul style="list-style-type: none"> ❖ Housing Benefits ANA - High ❖ Council Tax ANA - Medium ❖ Business Rates (NNDR) ANA – Low • Treasury Management ANA – Medium • Material Systems – System Admin ANA - High 		
Core Assurance - Other		
CoreHR System Implementation ANA – High Client Request	Status: On-going	<p>Internal Audit have monitored Delt’s CoreHR project during the last two quarters of 2019/20 during which period it was observed that whilst there were known issues with the solution, project management and governance were of a good standard. Where required, work around solutions have been created and are currently being tested and evolved as part of the ‘Parallel Runs’ used to compare pay cycle outputs from the outgoing iTrent solution with those produced by CoreHR.</p> <p>We have commenced work to review the Parallel Run testing undertaken by Delt and will provide assurance during this phase and report any major concerns as, and if, they arise. Penetration Testing has been completed by a certified and accredited testing company with no ‘critical’ or ‘high’ risk issues identified.</p>
Health & Safety Follow-Up (Street Services) Client Request	Improvements Required Status: Draft	<p>All improvement works requested in our December 2019 internal audit report, have been addressed. We have undertaken some follow-up work that concentrated on key areas such as the use of the HAV VECS calculator and the establishment of electronic personnel files which contain health surveillance information on Hand Arm Vibration. Changes in staff and the Covid-19 pandemic lockdown have impacted progress in developing the effectiveness of the</p>

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		administrative procedures. There is a time limited action plan in place to respond to the recommendations, overseen by the Service Director in Street Services. The HSW Annual Report for 2019-20 provides further detail.
Health & Safety Follow-Up (Bereavement Service & Mt Edgecumbe Country Park) Client Request	Status: In Progress	All improvement works requested in our December 2019 internal audit report, have been addressed. Plans are in place to undertake follow up audits within the Bereavement Service and Mount Edgecumbe Country Park to review any further progress made.
Housing Benefit Overpayments – Potential Impact on Recovery Following Migration to Universal Credits	Value Added Status: Draft	<p>At the end of May 2020, the Council had circa 1500 cases where overpayments were being recovered direct from ongoing Housing Benefits (HB). Most of these cases relate to working age customers, and therefore likely that the majority will in due course migrate to Universal Credits (UC). As subsidy payments have been received from the DWP in respect of these overpayments, following migration to UC the historic debt will remain with the Council. Potential mitigations to be discussed with Revenues & Benefits include:</p> <ul style="list-style-type: none"> • Undertaking a more detailed profiling exercise to identify the extent of financial risk; • Consider pre-empting the migration process by attempting to make alternative arrangements with appropriate debtors; • Consider whether an attachment to benefit request (where relevant cases migrate to UC) should be the initial action undertaken within the recovery process or whether other recovery methods should be attempted first.
Purchasing Cards	Status: In Progress	<p>Areas being considered within this review include:</p> <ul style="list-style-type: none"> • Compliance with Contract Standing Orders, policies and procedures; • Card usage and retention of supporting evidence; • Appropriateness of purchases; • Approval process and monitoring.
Information Asset Management Client Request	Added Value Status: Draft	<p>The review identified key themes that potentially informs the Council’s Digital Programme. With ongoing financial constraints and ever reducing resources it is clear that the Council should further develop and evolve its existing key business solutions wherever possible and rationalising small or legacy solutions where they provide poor value.</p> <p>The Council is utilising the Microsoft Office 365 platform and significant opportunities exist to</p>

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		harness the solutions it provides to improve information management, the 'way we work' and, obtain better value from the data assets held. The use of a corporate wide reporting tool would add value to existing solutions and enhance intelligence to support operational and strategic decision making.
Real Time Ad-Hoc Support Provided in Relation to Covid-19.	Status: Complete	Applications for cash grants for businesses in receipt of small business rates relief or for retail, hospitality and leisure businesses with a rateable value of £51,000 or less were run through the government 'Spotlight tool' which performs automated due diligence checks. Any rejections were referred to DAP to perform further manual checks, including contacting the ratepayer, to determine if the application should be rejected or if there has been an error and it should be paid.
Business Rates Grant Post Event Review	Status: In Progress	<p>The Secretary of State for the Department for Business Energy and Industrial Strategy has indicated that the Department will stand behind any erroneous grant payments made provided Local Authorities take reasonable and practicable measures to:</p> <ul style="list-style-type: none"> • Avoid making payments to those not entitled in the first place, and then • Undertaken reasonable and practicable steps to recover any over-payments. <p>Internal Audit are commencing a post event review of grant payments made. Should any erroneous or fraudulent payments be identified, the Council will look to recover the money with the DAP Counter Fraud Team investigating / taking enforcement action where appropriate.</p>
Schools Financial Value Standards (SFVS)	Status: Ongoing	With the Covid-19 Pandemic, education settings have been subject to numerous operational changes required by Central Government and the DfE as supported by the Local Authority. With regard to the SFVS, the DfE has advised local authorities that the CFO SFVS Assurance Statement is not required to be submitted this year. However, the DfE has advised that schools should continue to submit their SFVS returns if they form part of the internal audit process of a local authority. 18 of the 24 schools have submitted their returns to date and those outstanding will be followed up.

The following reviews have not yet commenced:

<ul style="list-style-type: none"> • Cyber Security ANA – High • Governance Arrangements - Statutory Officers ANA – Medium, • Finance Service ANA – Medium, 	<ul style="list-style-type: none"> • Collection Fund ANA - Medium • Procurement ANA - Medium • Recruitment ANA - High
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<ul style="list-style-type: none"> Declarations of Interest ANA – Medium Libraries Self-Service Machines ANA - Low 		<ul style="list-style-type: none"> Acting Up Duties ANA – Medium Client Financial Services F/Up ANA – High
Executive Office		
Core Assurance - Other		
<p>The following reviews have not yet commenced:</p> <ul style="list-style-type: none"> Electoral Services ANA High Minute Books ANA Low, Client Request Gifts & Hospitality F/Up ANA Medium 		
People		
Core Assurance – Key Financial System		
<p>The following review has not yet commenced:</p> <ul style="list-style-type: none"> CareFirst - Children Independent Placements F/Up ANA – Medium 		
<p>Domiciliary Care Due to the impact of Covid-19 on the social care sector, it has been agreed that substantive testing of Domiciliary Care returns will be deferred until the next financial year and the time used to undertake post event work in respect of the Infection Control Fund.</p>		
Core Assurance - Other		
Infection Control Fund for Adult Social Care Client Request	Status: In Progress	Adult social care providers who were recipients of Infection Control funding were required to complete and submit a return to Plymouth City Council detailing how their allocation of the grant had been spent. Our work is nearing completion on this post event review of expenditure.
Children's Short Break Contracts ANA – Medium, Client Request	Status: Draft	The review commenced during a period of lockdown for Covid-19 and some parts of the audit were amended to place as little impact on affected staff as possible and to avoid contacting providers. New processes have been introduced recently including new Assessment for Spend

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		forms and electronic panel authorisation, so the review focussed on these areas along with some light touch work in relation to additional steps being taken in Short Breaks as a result to Covid-19. It is our intention to complete outstanding tests at a future date, at which time an overall audit opinion will be issued.
FullyCATERed Ltd (Accounting Arrangements) Client Request	Status: Final	FullyCATERed Ltd is the wholly owned subsidiary of CATERed Limited a co-operative trading company jointly owned by 67 local schools and Plymouth City Council. In accordance with advice provided by the Council's external auditors there has been no requirement to externally audit the company accounts. However, DAP were asked to undertake a small amount of transactional testing together with a review of the corresponding control framework to provide assurance that the year-end position has been properly stated. We can confirm that the internal control framework is satisfactory and that the draft accounts fairly represent the transactions of FullyCATERed Ltd for the 2019/20 financial year.
Finance & Assurance Review Group (FARG) ANA – High Client Request	Status: Ongoing	The purpose of FARG is to provide oversight, scrutiny and assurance of the integrated fund and internal audit continue to have a seat on FARG providing real time
Real Time Ad-Hoc Support Provided in Relation to Covid-19.	Status: Complete	We worked with Co-Operative Commissioning to develop procedures for staff working across the community assisting people with shopping or accessing cash to ensure that officers had a clear, proportionate but robust process to follow.

The following reviews have not yet commenced:

- Special Educational Needs & Disability (SEND) Contracts ANA – Medium, Client Request
- Alliance Contract ANA – Medium, Client Request
- Children's Additional Spend ANA – Low, Client Request
- Anti-Social Behaviour Tools ANA – Medium, Client Request
- Community Connections - New Business Solutions

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<p>On Course South West We will not be undertaking the audit of subcontracting arrangements, management and control for On Course South West because as a partnership between Plymouth City Council and others, the Education and Skills Funding Agency (ESFA) has advised that they consider “there would be a vested interest” and as such Devon Audit Partnership “do not meet the external requirement”.</p>		
<p>Office of the Director of Public Health</p>		
<p>It has not yet been determined how ODPH want to use their “pot of days”.</p>		
<p>Place</p>		
<p>Capital Programme Governance ANA – High Client Request</p>	<p>Substantial Assurance Status: Draft</p>	<p>The capital strategy which forms the basis of the capital programme, is regularly reviewed to ensure it continues to support the aims and objectives of the Plymouth Plan, Joint Local Plan, Treasury Management Strategy, Corporate Asset Management Strategy and Medium-Term Financial Strategy. For projects to be considered for inclusion within the capital programme a fully worked up business case is required, demonstrating how investment best meets Council objectives.</p> <p>Financial planning is effective and takes into consideration the long-term impact of borrowing including future periods outside the current medium-term financial plan period. The capital programme has recently been reviewed in light of the Economic Recovery Programme, 'Resurgam', to mitigate the effects of the economic lockdown brought about by the Covid 19 pandemic and deliver projects that will facilitate recovery.</p> <p>Comparisons undertaken by DAP with other local authorities found the arrangements in place at PCC to be streamlined without compromising on the robustness of business case information, the scrutiny and challenge undertaken and decision-making process.</p>
<p>Empty Homes Scheme ANA – Medium Client Request</p>	<p>Status: In Progress</p>	<p>The purpose of this review is to evaluate and report on the adequacy and effectiveness of the arrangements in place to return Empty Homes back into use. Our work will consider:</p> <ul style="list-style-type: none"> • Compliance with legislation, policy, procedures and best practice; • Roles and responsibilities, including organisational structure and reporting lines; • Adequacy and effectiveness of procedures, including case management, review and

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		decision making; <ul style="list-style-type: none"> Effectiveness of communications and relationships with internal departments and external stakeholders.
New Business Solutions - Tech Forge (Cloud) ANA – Medium Client Request	Status: In Progress	A review of the migration project plan is underway, and contact is being made with relevant stakeholders to identify and agree appropriate areas of the migration process that would benefit most from additional audit assurance.
Real Time Ad-Hoc Support Provided in Relation to Covid-19.	Status: Complete	Social distancing, coupled with many shops declining cash, has presented a real problem for Plymouth Credit Union (PCU) and some of its members. DAP worked with officers setting up a cashless card system and in drawing up an Operational Agreement and Service User Agreement.
Grant Certification Statutory	Regulatory Requirement	Grants certified without amendment: <ul style="list-style-type: none"> LGF (GD33) Oceansgate LGF (GD18) Northern Corridor LGF (GD19) Eastern Corridor LGF (GD20) Charles Cross and Exeter Street Innovate UK - Clean Streets EV Infrastructure Toolkit (31831)

The following reviews have not yet commenced:

- Trade Waste ANA – High, Client Request
- Control of Fuel, Fuel Cards & Fuel Containers ANA – Medium, Client Request
- Street Services - Stores & Stock Control ANA – Medium, Client Request
- Garage Follow-Up ANA – Medium, Client Request
- Street Lighting ANA - Medium
- Commercial Properties - Rent Roll ANA – High, Client Request
- New Business Solutions - Tech Forge (Cloud) ANA – Medium, Client Request