

Internal Audit

Annual Audit Report 2020-21

Plymouth City Council
Audit & Governance Committee

July 2021

Official

Robert Hutchins
Head of Audit Partnership



Auditing for achievement

Introduction

The Audit and Governance Committee, under its Terms of Reference contained in Plymouth City 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 2020/21 was presented and approved by the Audit Committee in July 2020 but Covid-19 presented considerable operational challenges to the Council which inevitably introduced some different risks. Working with management we "flexed" the plan to incorporate new areas of work and identify and agree those areas which could be delivered as part of the 2021/22 audit plan or were no longer required. The following report and appendices set out the background to audit service provision; a review of work undertaken in 2020/21 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.

The level of risk associated with each of the areas in Appendix 1 has been determined either from the Local Authority's Strategic / Operational Risk Register, or the Audit Needs Assessment. 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 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 and Governance 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.

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Robert Hutchins
Head of Devon Audit Partnership

Audit Assurance Statement

Overall, based on work performed during 2020/21 and our experience from the current year progress and previous years' audit, the Head of Internal Audit's Opinion is of "Reasonable Assurance" on the adequacy and effectiveness of the Authority's internal control framework.

We have revised our assurance ratings and definitions for 2021/22 in line with CIPFA Guidance. This assurance statement is in line with definitions below and 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 will be considered by the Authority in preparing its Annual Governance Statement which will be accompany the published Statement of Accounts for 2020/21.

This statement of opinion is underpinned by :

<p>Internal Control Framework Covid-19 has required the Council to respond to the emerging challenges in new and innovative ways. The need for prompt and urgent action by officers has required new procedures to be developed and changes made to some existing procedures and control arrangements. In spite of these challenges, the Council's overall internal control framework is considered to have 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.</p>		
<p>Risk Management The risk management process at strategic and operational level remains in place. Covid-19 has required a rapid and agile response to enable safe delivery of services and provide critical services to the City. In consultation with management, the audit plan has been flexible in response to the changing risk profile.</p>	<p>Governance Arrangements Governance arrangements have been considered in all our audits to ensure that the Council's interests are protected and opportunities for improvement identified. Management also make specific requests such as Information Asset Management and OLM Eclipse System Implementation</p>	<p>Performance Management The strategy is key to the successful delivery of services and is established for 'business as usual' and change programmes. Regular reporting to management, leadership team and the Council should ensure effective performance management. This has been of crucial importance as the Council responded to the challenges of Covid-19.</p>

Substantial Assurance	A sound system of governance, risk management and control exists 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.
Reasonable Assurance	There are generally sound systems of governance, risk management and control in place across the organisation. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of some of the strategic and operational objectives	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 is inadequate to effectively manage risks to the achievement of strategic and operational objectives.

Value Added

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

We trust that officers have found our engagement, support as a "trusted advisor" effective and constructive in these significantly changing times.

Detailed below is some of the feedback received from those audited during 2020/21.

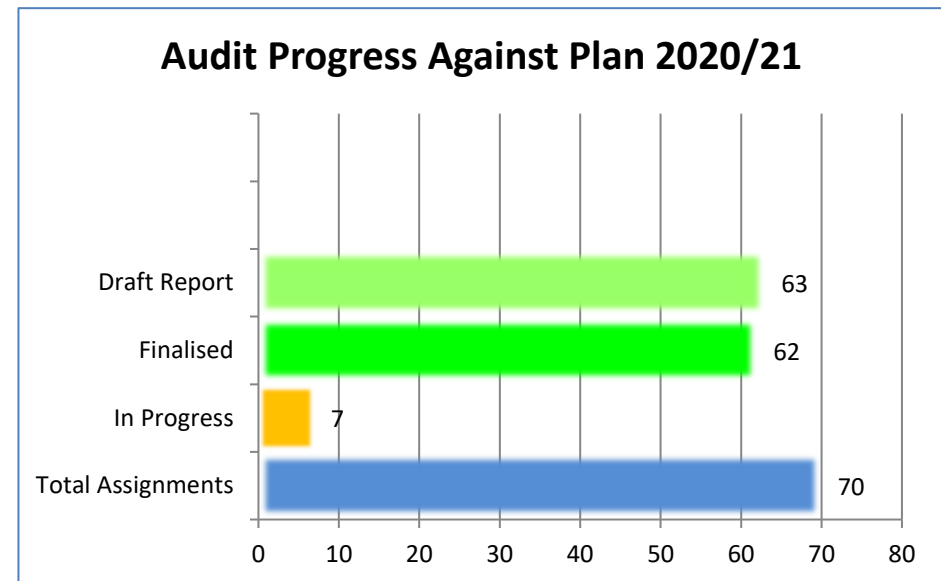
- Undergoing an audit can be a tense time as you know any weaknesses will be found. This years' audit was a good and fair process, discussions held at key stages and the outcome is an honest reflection of the true situation.
- I had some queries which I was able to discuss freely with no judgement, receiving helpful advice, which I appreciated.
- I did appreciate the work the auditor was able to undertake around short breaks contracts. Even though I know it was a limited audit, there was still improvement action that we took as a result of the advice.
- Really great work by everyone involved so well done as all the hard work is really appreciated.
- The conclusions and suggestions for future activity, also the chance to reflect on the service in a more systematic and structured way.
- It confirmed our own evolving thoughts and gave us others to consider too.
- The auditor specifically and DAP generally were thanked by the Asst Chief Executive at a meeting of the Audit & Governance Committee for the incredibly helpful work we delivered with the Electoral Service.

Progress against plan

This report compares the work carried out with the work that was planned through risk assessment and client requests and presents a brief summary of audit work undertaken at Appendix 1.

The bar chart below shows delivery of the plan.

Progress has also included completion of work from 2019/20 necessarily spanning year end, undertaking follow up audits on areas where significant findings were made in the previous year and reporting to committee thereon, and progressing assignments in accordance with timescales agreed with management.



The split of audit coverage across directorate areas is shown on page 4 of this report.

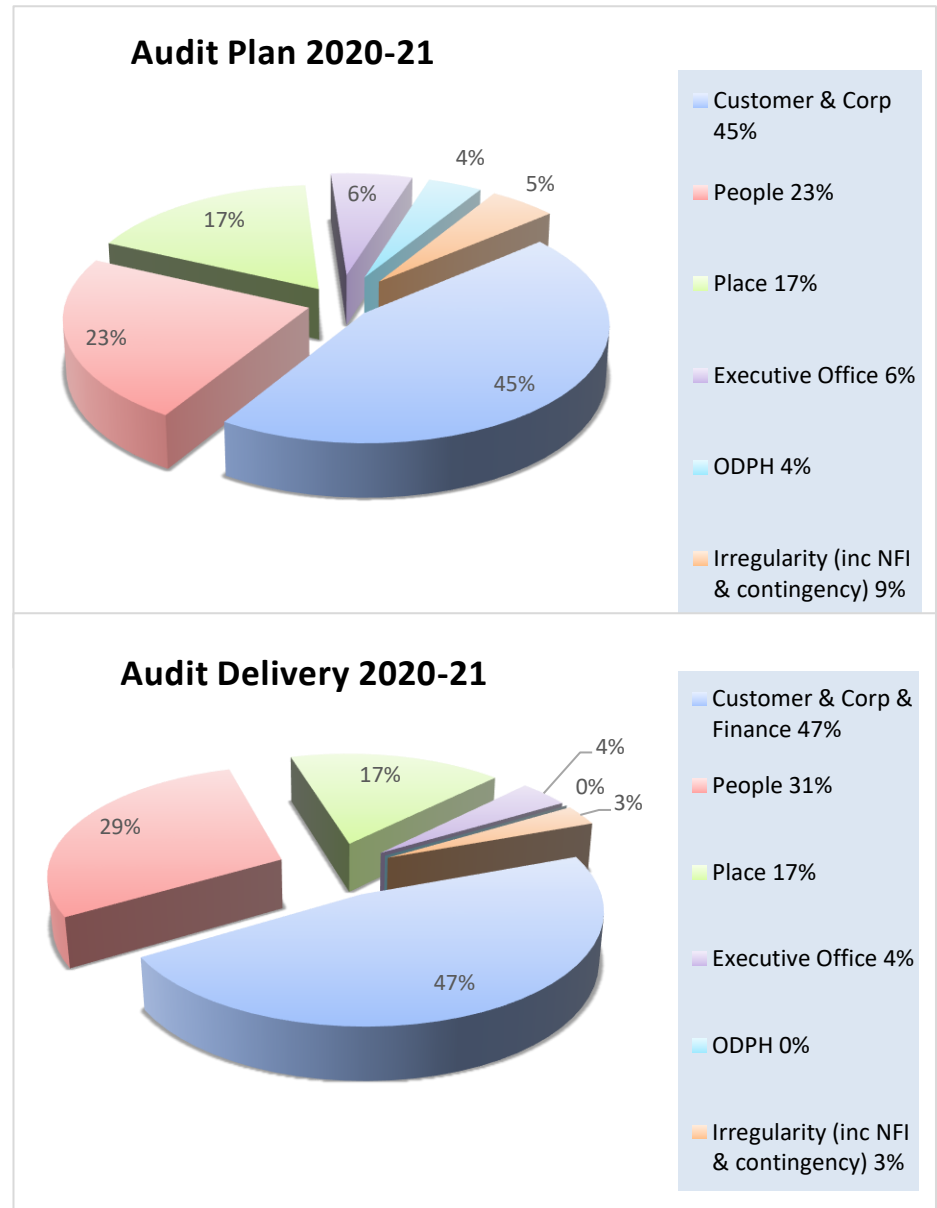
Audit Coverage

The pie charts on the 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 the agreement of the client.

Appendix 1 to this report provides a summary of the audits undertaken during 2020/21, along with our assurance opinion. Where a “substantial” or “reasonable” 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 “improvement 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.

It will be noticed that there is a small variation in the percentage split across service areas. The audit plan was developed in consultation with management across the Council and agreed by the Audit and Governance Committee in July 2020. In “ordinary” time local authorities work in a rapidly changing environment but 2020 has seen the Council working to put into place new and innovative solutions to address the challenges brought by Covid-19 and the audit plan has needed to be flexible and able to reflect and respond to the changing risks and priorities of the Council to ensure it remains valid and appropriate.

All changes to the audit plan have been agreed with management and reported to the Audit and Governance Committee throughout the year.



Fraud Prevention and Detection

Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. The Cabinet Office runs a national data matching exercise, The National Fraud Initiative (NFI), every two years. For the 2020-21 exercise, DAP co-ordinated the extract of relevant Council datasets, as defined by the Cabinet Office and matches have been returned in respect of the following areas of the Council's operations:

- Council Tax;
- Creditor Payments;
- Housing Benefits;
- Payroll / Pensions;
- Housing Waiting Lists;
- Transport Passes (including blue badges and concessionary bus passes).
- Covid 19 Grants

DAP are currently in the process of liaising with relevant departments to formulate an action plan to process the returned matches in accordance with the NFI timetable.

Covid-19 Grants - In response to the Coronavirus, Covid-19, the Government announced there would be support for businesses. Part of this support has been grants available in financial years 20/21 and 21/22, paid through Local Authorities. The Secretary of State confirmed that the Department of Business, Energy and Industrial Strategy will stand behind any erroneous payments, subject to Local Authorities taking all reasonable and practicable measures to avoid making payments to ineligible businesses and then having exhausted all reasonable and practicable steps to recover any ineligible or over-payments. DAP have undertaken a programme of post event assurance checks on payments made to businesses. Whilst we have identified some cases that have been referred to our Counter Fraud Team (CFT), in all of these cases it has taken an enhanced level of checking to identify the potential fraud. Given the resource constraints and the urgency around the requirement to support businesses it would have been unrealistic to expect these cases to have been identified at the verification stage without introducing prohibitive delays into the application process.

Irregularities – DAP have provided management with a range of advice and support on courses of action or improvements to controls.

Active Counter Fraud Investigation – The Plymouth City Council Corporate Fraud Team transferred to the Devon Audit Partnership (DAP) in May 2018 and is now known as the Counter Fraud Services Team within DAP. The team continue to offer a full and comprehensive investigation service to Plymouth, whilst offering a commercialised service to other DAP partners in order to provide Plymouth City Council with a return on its investment.

The Counter Fraud Team Manager will present a separate end of year report for the Audit & Governance Committee summarising work they have undertaken.

Appendix I - Assurance Opinion and Extract Executive Summaries for 2020/21

Risk Assessment Key

ANA - Audit Needs Assessment risk level

Client Request - no risk assessment information available

Where the value of transactions processed by a system is deemed to be material, the system is subject to annual review

Risk Area / Audit Entity	Assurance Opinion	Residual Risk / Audit Comment
Customer and Corporate / Finance		
Core Assurance – Key Financial System (KFS)		
Payroll (iTrent System) Payroll (CoreHR) Material System – Reviewed Annually <i>Time was only allowed for CoreHR payroll system in the original plan and not iTrent</i>	Status: In Progress	The final audit of the iTrent Payroll system has been completed to provide assurance on the control environment for the period April to October and whilst work on the CoreHR system which went live in November is not totally complete, we are able to provide assurance that payments made were found to be correct and the figures held in the general ledger reconciled.
CoreHR System Implementation ANA – High <i>Not included in original plan</i>	Reasonable Assurance Status: Final	Internal Audit have monitored Delt’s CoreHR project during the past year. Issues identified within the CoreHR solution have either been resolved or workaround processes evolved to ensure accurate payment and administering of statutory and non-statutory deductions. Governance has been of a high standard and the project has significantly benefitted from the highly experienced project team. Effective workaround procedures have been built into ‘Pay Cycle’ processes for initial live operation following testing and refinement during the five parallel run testing that has been undertaken. Review of the process and content of the parallel run testing confirmed that anomalies have been identified and used to inform live operation process and remediation as appropriate. The third-party hosting of the Councils data introduces additional risks, with ‘Cyber’ threats of particular relevance. Following the conducting of Penetration Testing to identify potential data security vulnerabilities by an accredited testing company the limited issues identified have been remedied by Delt.
Business Rates (NNDR) Material System – Reviewed Annually	Reasonable Assurance Status: Final	At the conclusion of our work the control framework has been confirmed as operating as expected. However, work and resource pressures caused by Covid related work and the loss of staff to the Council's EVRS scheme have posed a real challenge to the department as they've looked to return to 'business as usual'. Following a focus on Covid 19 grants in the first quarter of 2020-21 the department have worked hard to address a backlog in Valuation Office Agency (VOA) schedules and notifications which have now been

Risk Area / Audit Entity	Assurance Opinion	Residual Risk / Audit Comment
		brought back up to date. The resumption of recovery action work continues to ensure accounts subject to a recovery hold and bailiff performance are monitored in accordance with expected controls.
Council Tax Material System – Reviewed Annually	Reasonable Assurance Status: Final	<p>The control framework continues to operate expected, however work and resource pressures caused by Covid related work and the loss of staff to the Enhanced Voluntary Release Scheme (EVRS) have posed some challenges to the service. At the time of the audit there had been no monitoring of the Enforcement Agents performance for 20/21 but this has since resumed.</p> <p>It has also been agreed that where attempts to trace the taxpayer(s) of historic accounts have been exhausted a discussion will be held with the Finance Director to determine the next steps. Single Person Discounts are subject to regular review and a rolling programme of review for other cases awarded 25% discount has commenced.</p>
Housing Benefits Material System – Reviewed Annually	Reasonable Assurance Status: Final	<p>The Covid 19 pandemic has seen processing times for new claims and changes of circumstance come under pressure due to an increase in applications as many customers lost their job or a large number of working hours as a result of lockdown. Compared with 2019-20 there has been a 16.8% increase in the total Council Tax Support (CTS) caseload, while working age CTS claims have increased by 28.6%. There has also been increasing pressure since the turn of the year due to the Test and Trace Support Payment work. However, against this backdrop the department have performed well against its performance targets, with the 2020-21 outturn being only slightly over the 18 day target for processing new claims. Whilst the outturn for processing changes in circumstances in respect of CTS claims was significantly over the 6 day target, this was largely due to a particularly challenging month in March 2021 which included a significant amount of work clearing Universal Credit files.</p> <p>The resource challenges faced by the department can be seen in the reduction of Quality Assurance (QA) work undertaken during 2020-21. Whilst some hard choices needed to be made to ensure claims and payments to customers were not subject to undue delays, robust QA work is a vital tool in identifying error within the system and helping to safeguard subsidy. Moving forward it is important to return to the volume of checking undertaken in recent years and it is also recommended that the visibility and profile of this important area of work is improved through periodic reporting to departmental management.</p>
Main Accounting Material System – Reviewed Annually	Reasonable Assurance Status: Final	The Councils budget for 2020/21 was approved by Full Council only a matter of days before the country was placed into lockdown. The challenge for the Council in delivering services within the budget was immediately thrown into doubt as the Council grappled with responding to the Covid19 pandemic. Even without these additional pressures the 2020/21 budget contained a number of challenging targets within a

Risk Area / Audit Entity	Assurance Opinion	Residual Risk / Audit Comment
		<p>context of the continuing reduction in Central Government funding and rising demand for statutory services. It was also noted that the S151 Officer considered that the Council's reserves, which it had historically drawn from to cover overspends, was now at the minimum level, with the rate of withdrawal being seen as unsustainable. Consequently, the close monitoring of budgets and challenging of spend remains an imperative.</p> <p>Budget monitoring and scrutiny arrangements are in place and include arrangements for the identification of remedial action and reporting. Quarterly revenue and capital monitoring reports are taken to Performance, Finance and Customer Focus Overview and Scrutiny before being presented to Cabinet.</p> <p>There is improvement in the system notes on virements to explain the reason for the movement but there remains scope for further improvement if additional evidence was consistently added within the system to demonstrate that the virement has been approved in accordance with Financial Regulations. It was also noted at the time of the review that the authorisation of large virements by Cabinet no longer formed part of the quarterly revenue and capital monitoring reports but this was rectified in the quarter 3 report to Cabinet. We have recommended that additional information is required within these reports to ensure that Cabinet have sufficient detail fully understand what they are approving.</p> <p>The Corporate Accountancy Team actively monitor all ledger transactions with a value of over £500k with checks undertaken to ensure journals have the necessary supporting information attached and that the correct journal type has been used.</p> <p>Data transferred via interface to the main accounting system found to be well controlled with reconciliations being completed in a timely manner and any variances identified, investigated and resolved. Cash and bank is routinely reconciled to the main accounting system each month and subject to secondary review.</p>
Creditors Material System – Reviewed Annually	Reasonable Assurance Status: Final	Civica Financials Purchasing and Creditor systems are used to manage purchases and payments for goods and services and our review provides assurance that these systems continue to operate within a sound system of internal control. Officers have proactively worked to support suppliers and local businesses, strengthening the objective to “buy local” and ensuring due payments, including Government business grants are made promptly with 98.9% of invoices paid within 30 days.
Debtors Material System – Reviewed Annually	Reasonable Assurance Status: Final	The internal controls and processes remain unchanged within the Civica Debtors system and Service Centre and continue to operate to a good standard despite the difficulties and challenges the year has brought to Council services. Increased workloads together with staff shortages have required the team to

Risk Area / Audit Entity	Assurance Opinion	Residual Risk / Audit Comment
		reprioritise the debt reports they are working on at any one time, whilst ensuring that as many debts as possible are followed up. There has also been additional barriers to normal debt recovery in areas which have been severely affected by the pandemic such as commercial rents where arrangements and payment reductions have been put in place to support businesses closed during lockdowns. Use of External Collection Agencies (ECA's) were paused at times during the past year and they, and the Council's own Visiting Officers have been unable to enter properties due to Covid restrictions. Despite this, debt recovery for March 2021 exceeded its target of 95% collection
Treasury Management Material System – Reviewed Annually	Substantial Assurance Status: Final	Plymouth City Councils Treasury Management system remains highly effective with robust governance arrangements and operational processes in place and complied with. Whilst it is recognised that 2020/21 has been a very difficult year to manage the Councils cashflow due to greater uncertainty around the income PCC is due to receive, the significant increase in the government grants received to be distributed to support businesses and individuals through the pandemic and a money market that is difficult to predict with very low or zero interest rates, robust Treasury Management arrangements have enabled ongoing effective financial management.
Material Systems – System Admin ANA - High	Status: In Progress	User Administration remains a challenge, but with (Delt's) new HR Payroll system now embedding there are opportunities to identify how to make potential improvements in this area. User Admin is reliant upon operational processes within PCC and Delt and any weaknesses within either organisation would negatively impact the overall effectiveness. Our work will look to identify any areas of non-compliance with standard processes and highlight opportunities for improvement including optimising the use of workflows where possible.
Core Assurance - Other		
Payment Modernisation Board <i>Not included in original plan</i>	Value Added Status: Ongoing	The Council's "Way We Work Programme" has set up a Payment Modernisation Board chaired by the Head of Finance comprising representation from Transformation, Finance, Customer Services and the Service Centre to review service areas and explore if it is possible to streamline the billing and receipt of payments, including payment up front. DAP also has a representative on this Board.
CoreHR Interface Incident <i>Not included in original plan</i>	Value Added Status: Complete	<p>Following migration to the CoreHR solution, two of the initial interfaces between it and the general ledger were duplicated. The first duplication occurred due to an additional test batch file not being deleted and the second due to a second file being created following a 'hanging' (stalling) decryption process.</p> <p>We have worked with Delt Services to understand the incident and can provide assurance that four additional technical controls have been put in place to prevent a reoccurrence and include a formal process of authorisation for all Payroll journals provided via the CoreHR to the general ledger interface.</p>

Risk Area / Audit Entity	Assurance Opinion	Residual Risk / Audit Comment
Health & Safety Follow-Up (Street Services) <i>Not included in original plan</i>	Improvements Required Status: Final	All improvement works highlighted in our December 2019 internal audit report on issues relating to the management and control of exposure to Hand/Arm Vibration (HAV) 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 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) <i>Not included in original plan</i>	Improvements Required Status: Final	Follow-up work for the Bereavement Service mirrors that for Street Services detailed above.
Health & Safety Follow-Up (Mount Edgcumbe Country Park) <i>Not included in original plan</i>	Good Standard Required Status: Final	All improvement works highlighted in our December 2019 internal audit report, have been addressed. Changes in staff and the Covid-19 pandemic lockdown have impacted progress in developing the effectiveness of the administrative procedures. There is a time limited action plan in place for Mount Edgcumbe, with the support of the Health & Safety Wellbeing Assurance Team to complete implementation of the action plan.
Housing Benefit Overpayments – Potential Impact on Recovery Following Migration to Universal Credits	Value Added Status: Complete	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. Recovering by way of attachment to a UC claim is seen as a last resort once other recovery methods have been exhausted, The Revenues & Benefits department advise that the continued use and prioritisation of the HB Debt Recovery Service remains the most effective way of targeting recovery as and when benefit claimants move into employment.
Purchasing Cards ANA - High	Limited Assurance Status: Final	Our review found: <ul style="list-style-type: none"> • some non-compliance with policies and procedures: • that a few cardholders continued to split purchases to circumvent their transaction limit; • valid VAT receipts were not always obtained or attached to the BSM system: • more than one member of a team using the Purchasing card.

Risk Area / Audit Entity	Assurance Opinion	Residual Risk / Audit Comment
		<p>Management has taken decisive action in response to our findings and the Purchasing Card policy updated, clearly stating the consequences of failure to comply. The policy and has been communicated to staff via Staff Room. The audit also identified that transactions are not always approved on a weekly basis, this will be monitored with cards being suspended if transactions remain outstanding.</p>
<p>Information Asset Management Client Request</p>	<p>Added Value Status: Final</p>	<p>A review of a limited number of the Council's key business solutions identified that there are opportunities to further evolve and develop them to optimise their potential value as opposed to introducing new business solutions. In addition, the Office 365 suite provides document management and storage opportunities that could improve information management and facilitate an exit from the existing corporate arrangement (S:Drive). To maximise the benefit that can be obtained from the Councils information assets, reporting and data analytics should be employed, with the corporate wide use of the Office 365 PowerBI solution the most logical approach.</p>
<p>Real Time Ad-Hoc Support Provided in Relation to Covid-19 <i>Not included in original plan</i></p>	<p>Value Added Status: Complete</p>	<p>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.</p>
<p>Additional Holiday Pay <i>Not included in original plan</i></p>	<p>Value Added Status: Complete</p>	<p>Due to caselaw ruling, there is a legal requirement to pay additional holiday pay if overtime / other variable work is regularly undertaken.</p> <p>We considered the reasonableness of the Councils proposed methodology, examined the records and carried out appropriate investigations and checks, to provide an opinion that the list of payments to individuals eligible for additional holiday pay for the period August 2017 to 31st December 2019 is reasonable. Testing also included a random sample of variable pay elements deemed outside of scope to ensure that they were appropriately excluded from the proposed payment list.</p> <p>Testing was undertaken promptly to ensure those employees entitled received accurate and complete payments in line with Council policy and defined methodology, prior to the payments being made in the March 2021 pay run.</p>
<p>Business Rates Grant Post Event Assurance (Small Business, Retail, Hospitality & Leisure & Local Authority Discretionary)</p>	<p>Reasonable Assurance Status: Final</p>	<p>The Council administered the various grant funding schemes in line with Government guidance and with a view to ensuring that its 'front-end' processes reduced the likelihood of inappropriate and / or inaccurate payments occurring.</p>

Risk Area / Audit Entity	Assurance Opinion	Residual Risk / Audit Comment
<i>Not included in original plan</i>		<p>Following discussion with Council officers involved in the verification process and consideration of the risks associated with each scheme the following sample testing was completed by DAP. 100 Small Business Grant Fund (SBGF) payments, a further 100 Retail, Hospitality & Leisure Grant (RHLG) payments and 20 Local Authority Discretionary Fund (LADF) payments. This comprised 3.5% of the SBGF applications, 11.5% of the RHLG. and 5% of the LADF.</p> <p>Prior to DAPs post event assurance (PEA) work commencing the Council undertook its own reconciliation exercise in respect of the grant payments made. This work was reviewed by DAP at the outset of our work and was found to be a comprehensive and thorough exercise. The reconciliation process had identified a number of payments that were made in error and subsequently steps have been taken to recover those monies.</p> <p>The work undertaken by the Council is likely to have contributed positively to the findings of our PEA. Whilst we have identified a number of cases that have been referred to our Counter Fraud Team (CFT), in all of these cases it has taken an enhanced level of checking to identify the potential fraud. Given the resource constraints and the urgency around the requirement to support businesses it would have been unrealistic to expect these cases to have been identified at the verification stage without introducing prohibitive delays into the application process.</p> <p>Finance are reporting weekly scheme activity and monthly assurance details to Central Government as required. Audit testing has found the reporting to be complete and accurate with the returns and supporting evidence retained within Council systems. The Council are meeting its responsibilities under the Transparency Code by publishing an updated record of the amount of grant funding received from central government and how that has been distributed within the Covid19 pages of the Council website. This record does not contain specific business records to minimise the risk of fraud.</p>
Business Rates Grant Post Event Assurance (Additional Restrictions Grant / Closed / Local Restrictions Support Grant) <i>Not included in original plan</i>	Reasonable Assurance Status: Final	<p>In respect of the second lockdown in November 2020 the Council took the decision to utilise the Cabinet Office's National Fraud Initiative (NFI) Bank Account Verification and Active Company Check service, supplying its data from the first lockdown for matching prior to the November applications. In November 2020 DAP reviewed over 500 NFI matches that had highlighted potential discrepancies with applications prior to payment. Whilst payments were withheld in a small number of cases, overall the NFI data was found to be unreliable with audit checks identifying that the vast majority of payments flagged were valid and as such this exercise was not repeated for other schemes.</p> <p>Across all relevant schemes DAP have undertaken PEA checks on payments made to 350 businesses from January 2021 to June 2021. Overall, the amount of error and / or potential fraud found by the PEA</p>

Risk Area / Audit Entity	Assurance Opinion	Residual Risk / Audit Comment
		<p>work undertaken has been very low. Of the 350 cases checked potential discrepancies have been referred to the DAP Counter Fraud Team in 12 cases and currently these remain under investigation. Overall, from the PEA work undertaken by Internal Audit and through direct referral from the Grant Verification Team within Economic Development, the DAP Counter Fraud Team have 35 live investigations ongoing. This should be viewed within the context of the Council making over 19,000 payments to businesses and DAP undertaking a 5% check of the payments made.</p> <p>The responsibility for grant verification changed from the initial process in March 2020 with responsibility passing to Economic Development, rather than the Business Rates Team. A considerable amount of work has also undertaken by Finance who acted as a 'back stop' conducting final checks on the proposed payment runs prior to actual payment. Although this created a significant strain on resources we consider that this was an important factor in the low error rate identified within the PEA work undertaken.</p>
Schools Financial Value Standards (SFVS)	Value Added Status: Complete	With the Covid-19 Pandemic, education settings have been subject to numerous operational changes required by Central Government. With regard to the 2019/20 SFVS, the DfE advised local authorities that the CFO SFVS Assurance Statement was not required to be submitted in respect of 2019/20 although as recommended by the DfE the majority of maintained schools did manage to submit returns to the Council. Work will commence on a review of the 2020/21 returns which schools are required to submit by the end of May '21.
Cyber Security ANA – High	Status: In Progress	Work is nearing completion and will conclude that the level of risk in this area is increasing. The two major ransomware incidents that severely impacted Redcar and Cleveland and, Hackney Councils last year provide a template for learning and risk assessment. The review will support the change of emphasis from re-active to a more pro-active approach for activities such as network scanning to identify and remediate vulnerabilities.
Declarations of Interest ANA – Medium	Status: In Progress	Pressures on key Council officers as a result of the pandemic and the May election means that we still have some fieldwork to complete before we can report on the adequacy and effectiveness of policy and procedures in respect of declarations of interest for Officers.
Recruitment (DBS Checks) ANA - High	Status: In Progress	This review is nearing completion and will conclude that despite the overall process being largely effective, there is too great a reliance on individual staff to ensure that all checks are completed as required. Through discussion and sample testing we have identified that there is room to improve

Risk Area / Audit Entity	Assurance Opinion	Residual Risk / Audit Comment
		<p>corporate wide process transparency and the holistic view of responsibilities across the Council. We will be recommending a review of Policy and consideration to formally define operational processes to improve overall governance.</p>
<p>Client Financial Services F/Up ANA – High</p>	<p>Improvements Required Status: Final</p>	<p>Due to the pandemic, some previously implemented recommendations are temporarily on hold because of staff shortages or the reprioritising of work and the audit opinion of "improvements required" remains but it should be noted that the direction of travel towards implementation of the outstanding recommendations remains positive.</p> <ul style="list-style-type: none"> • The Fairer Charging Policy is now available on the Council website; • Working practices for are available for the CFST; • An interim Scheme of Delegation was put in place to allow swift and responsive action to be taken when required. Once "normal" business resumes it will need to be revisited to formally agree and incorporate write-off procedures, including the levels that LiveWell Southwest can request ASC Retained Client Function to authorise. <p>We plan to undertake an end-to-end review of processes in quarter 4 of 2021/22.</p> <p>Please note: this work cuts across the CFS Team in Customer & Corporate, Adult Social Care and Livewell Southwest.</p>
<p>Acting Up Duties ANA – Medium</p>	<p>Reasonable Assurance Status: Draft</p>	<p>Plymouth City Councils internal control framework for managing Acting Up and Additional Duties arrangements provides reasonable assurance that Council employees are paid accurately, on time and in accordance with council policy, equal pay legislation and contract of employment.</p> <p>Firmstep forms and Employee/Manager Self Service portals used, ensure that due consideration of need and appropriate authorisation is given prior to amendments being made to payroll records. Processes and systems have been subject to continuous improvement and consistent use of Firmstep more recently has strengthened internal controls through effective managed workflow, ensuring decisions are taken based on detailed business need information.</p> <p>Payroll records accurately record the Acting Up and Additional Duty arrangements and calculation of pay is in accordance with council policy and contract of employment.</p> <p>Plymouth City Council receive monthly reports that set out monthly and rolling year to date expenditure on Acting Up and Additional Duties, Service Support Accountants and Budget Managers have access to</p>

Risk Area / Audit Entity	Assurance Opinion	Residual Risk / Audit Comment
		human resource management and financial information in CoreHR and Civica General Ledger to enable effective budget monitoring.
Executive Office		
Core Assurance - Other		
Electoral Services ANA High	Reasonable Assurance Status: Final	<p>The strength of governance processes, transparency and the remedial actions taken all contributed strongly to providing a good level of assurance that previous errors would not be repeated. Whilst there were risks associated with the increased electronic engagement with the public these were well managed and the many benefits achieved include a better and more familiar customer experience and mirroring of the Councils Digital Strategy. Online interaction also significantly improved the ability for Electoral Services to conduct the Canvass and undertake the 2021 elections.</p> <p>The audit highlighted how the risk environment had changed significantly in the past three years due to the increased administering of large volumes of electronic data. Both Senior Management and those directly involved in administering this data demonstrated a good understanding of the risks and this will be reflected in enhancing controls moving forward.</p> <p>As part of the ongoing improvement plan, DAP provided training on Risk and Control to help improve awareness and empower good decision making when performing individual tasks. The exercise also contributed to ensuring that a proposed review of operational and Quality Assurance processes is effective.</p>
People		
Core Assurance - Other		
OLM Eclipse System Implementation <i>Not included in original plan</i>	Value Added Status: Ongoing	CareFirst 6 is the case management, payment and charging system used by Children's and Adult Social Care teams for more than 20 years. The next-generation replacement for CareFirst is OLM Eclipse and the Project Manager, Strategic Co-operative Commissioning has requested real-time support and challenge for this highly sensitive and critical project from DAP's Senior IT Auditor on both the Social Care IT Project Board and the Eclipse Project Board. Advice has been provided regarding Business Change requirements which will assist in the decision making on how this will be managed as a project workstream.

Risk Area / Audit Entity	Assurance Opinion	Residual Risk / Audit Comment
Infection Control Fund for ASC <i>Not included in original plan</i>	Value Added Status: Final	<p>Care Home 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. Based on our examination of the first tranche of returns we can provide assurance that the majority of spend linked to broader infection control measures. The detailed findings from our work has been considered by officers as they communicated with Providers regarding the second tranche of funding.</p>
Children's Short Break Contracts ANA – Medium, Client Request	Value Added Status: Final	<p>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 had recently been introduced including new Assessment for Spend 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.</p>
Special Guardianship Orders ANA – High Client Request	Limited Assurance Status: Final	<p>Despite the best efforts of all those involved in the SGO process a number of issues were identified which has generated a positive response from Management. In the interim, to ensure that processes are strengthened a flowchart is to be drawn up to ensure everyone involved in process knows the correct financial and recording steps to take. Communication to all staff will be shared to ensure awareness of this. The longer term resolution sees our audit findings being considered as part of an external Special Guardianship and Connected Carers review which will be concluded summer 2021.</p>
FullyCATERed Ltd (Accounting Arrangements) Client Request	Value Added Status: Final	<p>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.</p> <p>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.</p>

Risk Area / Audit Entity	Assurance Opinion	Residual Risk / Audit Comment
Finance & Assurance Review Group (FARG) ANA – High Client Request	Value Added 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 <i>Not included in original plan</i>	Value Added 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.
Alliance Contract ANA – Medium, Client Request	Status: In Progress	<p>The Council, in partnership with service users and service providers, co-designed a new complex needs system to enable people to receive the right support, at the right time, in the right place. In April 2019, 25 separate services (contracts) were brought together into The Plymouth Alliance (TPA) to create a new single system to deliver an improved experience and better outcomes.</p> <p>Work to review the ‘Single Referral Pathway’ and case management processes, management visibility of financial and service user data and data and performance reporting is underway. This is very much a collaborative piece of work and further discussions with Council staff and service providers are scheduled to identify specific areas which would benefit from further review.</p>
Children's Additional Spend ANA – Low, Client Request	Status: In Progress	The scope of the work has been agreed with the Strategic Commissioning Manager and will shortly commence.
Families with a Future (Payment by Results) Statutory	Regulatory Requirement	DAP have verified and certified seven claims during the year where PCC achieved the maximum claim target of 399 families resulting in PBR income of £162k. We continue to work with the Families with a Future Team to ensure that requirements of the new Supporting Families PBR financial framework is complied with and that the validity, accuracy and completeness of claims is supported by robust data and demonstrable evidence of engagement and intervention to maximise income.
Life Chances Fund (Pause Project)	Regulatory Requirement	Work was undertaken which provided independent assurance and verification of the outcomes reported as being achieved for the outcome claim period of 01/10/2020 to 31/12/2020
Grant Certification Statutory	Regulatory Requirement	<p>Grants certified without amendment:</p> <ul style="list-style-type: none"> • IBCF Disabled Facilities Capital Grant 31/3710

Risk Area / Audit Entity	Assurance Opinion	Residual Risk / Audit Comment
Office of the Director of Public Health		
It was agreed with ODPH to include a small “pot of days” in the plan but as a result of Covid19, work for the service has changed and the Director has advised that the service have not been able to identify any areas that would be useful this year.		
Place		
Street Lighting ANA - Medium	Reasonable Assurance Status: Final	<p>Whilst the overall internal control framework provides Reasonable Assurance that Street Lighting infrastructure assets are sufficiently managed and payment made for legitimate works, failure to agree a contract with a competitive schedule of rates has meant that the Mayrise works ordering and payment system, used to order and pay for highways maintenance works, cannot be used in the same way for Street Lighting maintenance. The current arrangement for ordering and payment of street lighting works uses multiple, disparate systems, and was found to be inefficient and resource intensive.</p> <p>An informal agreement between PCC and SWH to deliver the street lighting maintenance service was on a cost reimbursable plus 9.31% basis. Engineering Management recognise the limitations of the current arrangements and their impact on operational efficiency and are proactively looking at options to strengthen and streamline work ordering and payment procedures, as well as proposing specific street lighting key performance indicators for inclusion in the Highways Term Maintenance contract performance framework to improve performance and drive value for money.</p> <p>Recommendations made include the implementation of a formal service level agreement for street lighting services to formalise the full system of administration and management and provide clarity on the roles and responsibilities of each partner by defining service level expectations.</p>
Garage Follow-Up ANA – Medium, Client Request	Value Added Status: Complete	<p>Since the finalisation of the September 2019 Internal Audit report consideration was given to the restructuring of the service and given the synergy between the Fleet and Garage operations, the Garage now sits alongside Fleet as one service under the management of the Fleet Services Manager.</p> <p>The Fleet Services Manager is currently reviewing the service with a view to refreshing the service plan and considering the potential for the following ambitions:</p> <ul style="list-style-type: none"> • To set up agreed SLAs with all internal Garage customers to better establish service expectations. • To reduce the cost of privately contracted work through a full establishment with no vacancies. A full establishment would see only a small amount of work needing to be done externally. This

Risk Area / Audit Entity	Assurance Opinion	Residual Risk / Audit Comment
		<p>would increase profit margins on external income and reduce costs for the whole council through unscheduled and scheduled maintenance.</p> <ul style="list-style-type: none"> Seek investment to increase commercial income. The Garage currently does external work for South West Highways and private MOT's for members of the public but this is limited by the current facilities and staffing levels.
Capital Programme Governance ANA – High Client Request	Substantial Assurance Status: Final	<p>The capital strategy which forms the basis of the capital programme, was found to be subject to regular reviewed to ensure it continued 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 was found to be effective and took into consideration the long-term impact of borrowing including future periods outside the current medium-term financial plan period. The capital programme had 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><i>It should be noted that subsequent to completion of this audit review all capital programme activities are now carried out by the Capital Finance Team. Under the direction of the Service Director for Finance the Capital Programme Governance arrangements are under review with the results of this audit being taken into consideration.</i></p>
Empty Homes Scheme ANA – Medium Client Request	Reasonable Assurance Status: Final	<p>Overall, the administration, operational and management arrangements to support empty homes back into use are of a good standard. A comprehensive financial assistance policy, which is reviewed on an annual basis, is in place and used effectively by Housing Delivery Officers to support suitable empty homes being brought back into use. Homeowners must meet the eligibility criteria set out, complete an application and provide a range of documentary evidence to support their application which is then subject to due diligence checks and formal approval by the Service Director for Strategic Planning and</p>

Risk Area / Audit Entity	Assurance Opinion	Residual Risk / Audit Comment
		Infrastructure prior to a loan being made. At the end of 2019/20 a total of 244 empty homes has been brought back into use.
New Business Solutions - Tech Forge (Cloud) ANA – Medium Client Request	Value Added Status: Complete	Phase 1 of the project, including the property register and compliance modules, successfully went live in October 2020. Phase 2 remains ongoing and DAP will consider further during 2021-22 as part of a review of 'end to end' processes within Commercial Properties.
Real Time Ad-Hoc Support Provided in Relation to Covid-19 <i>Not included in original plan</i>	Value Added 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) • LTCB Integrated Transport and Highway Maintenance 31/224 and Pothole Action Fund 31/3221 • DFT Emergency Active Travel Fund Capital Grant 31/5099 • HCLG LA Compliance and Enforcement Grant 31/5216

Appendix 2 - Professional Standards and Customer Service

Conformance with Public Sector Internal Audit Standards (PSIAS)

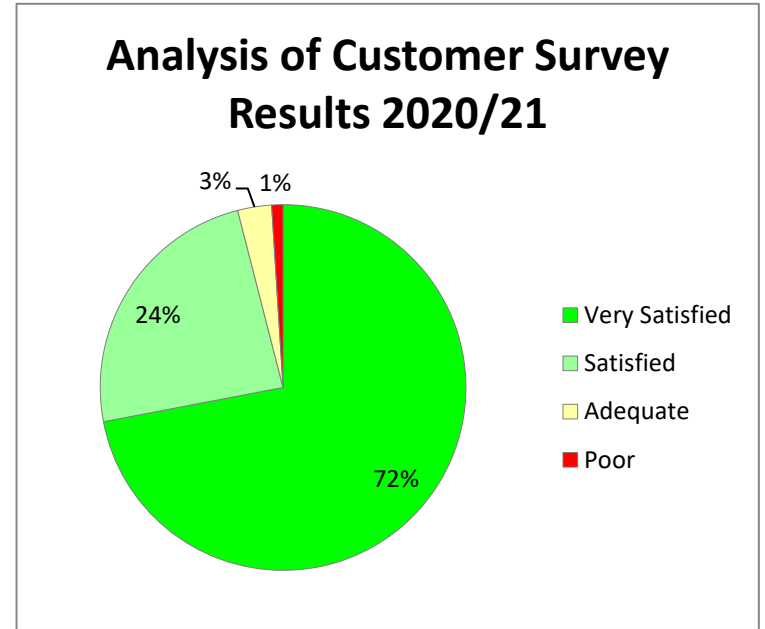
Conformance - Devon Audit Partnership conforms to the requirements of the PSIAS for its internal audit activity. The purpose, authority and responsibility of the internal audit activity is defined in our internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. Our internal audit charter was approved by senior management and the Audit and Governance Committee in March 2019. 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 2019.

Customer Service Excellence

DAP maintains accreditation by G4S Assessment Services of the CSE standard during the year. We continue to issue client survey forms with our final reports and 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 96% being "satisfied" or better across our service, see appendix 7. 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.



Appendix 3 – Audit Authority



Appendix 4 - Annual Governance Framework Assurance

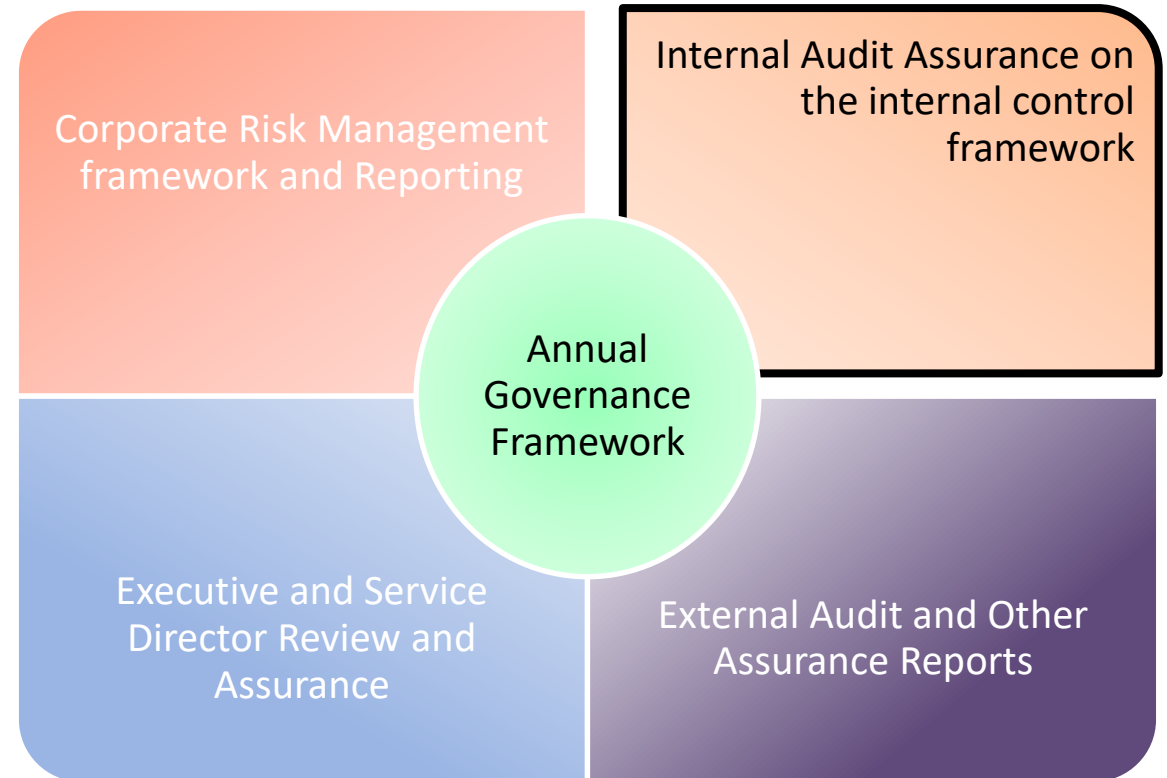
The conclusions of this report provide the internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.

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 and Governance 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 and Governance Committee;
 - Risk Management;
 - Internal Audit
 - Other reviews / assurance
- Provide confirmation that the Authority complies with CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. If not, a statement is required stating how other arrangements provide the same level of assurance



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

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

Appendix 5 - Basis for Opinion

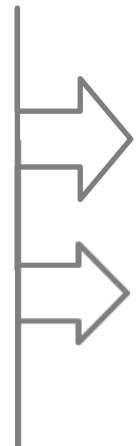
The Chief Internal Auditor is required to provide the Council with an opinion on the adequacy and effectiveness of its accounting records and its system of internal control in the Council. In giving our opinion, it should be noted that this assurance can never be absolute. The most that the internal 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:

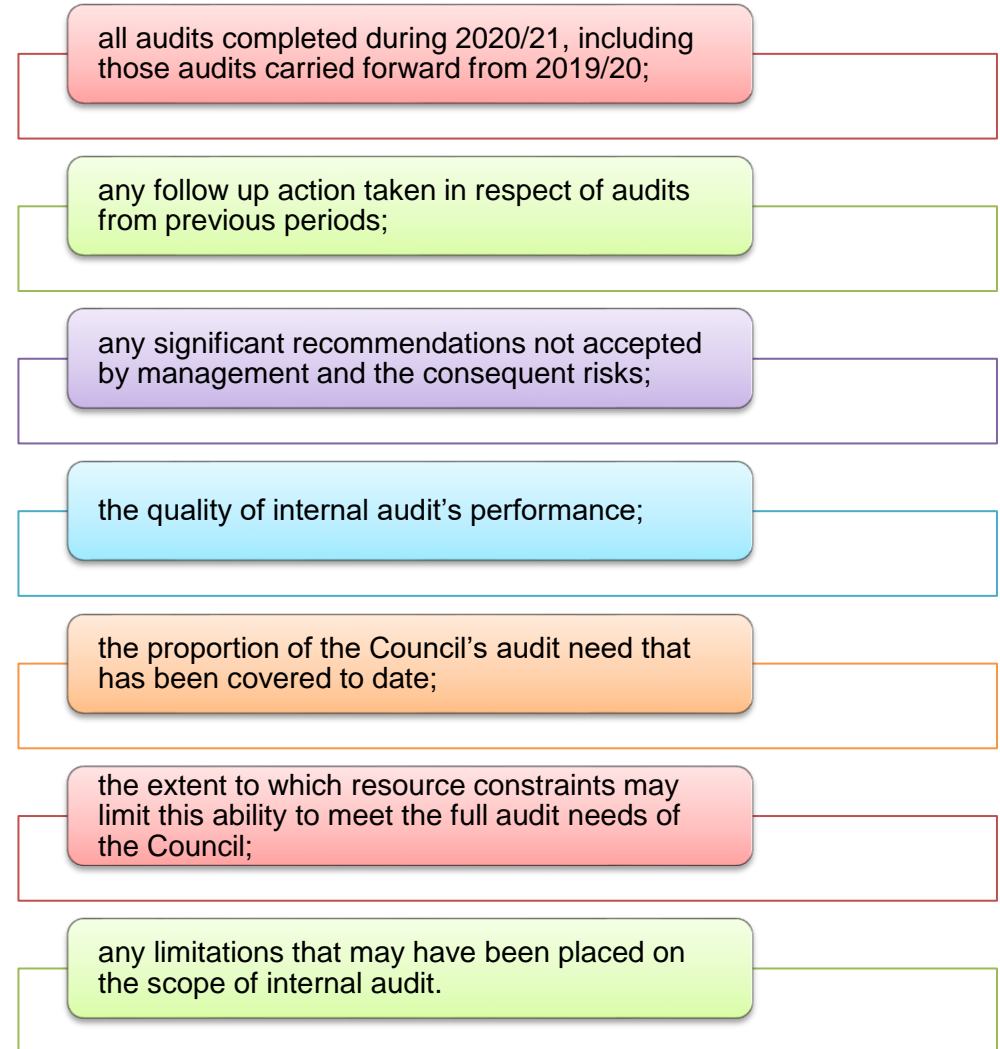
- a statement on the effectiveness of the system of internal control in meeting the Council’s objectives;
- a comparison of internal audit activity during the year with that planned;
- a summary of the results of audit activity and;
- a summary of significant fraud and irregularity investigations carried 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 notable this year. Whilst certain changes have been made from the plans originally agreed this has been due to changes in operational business needs

As a result, some work originally included within the audit plan was no longer relevant or has been deferred to a later date to fit with client needs and current objectives. These changes do not limit the overall audit assurance opinion.

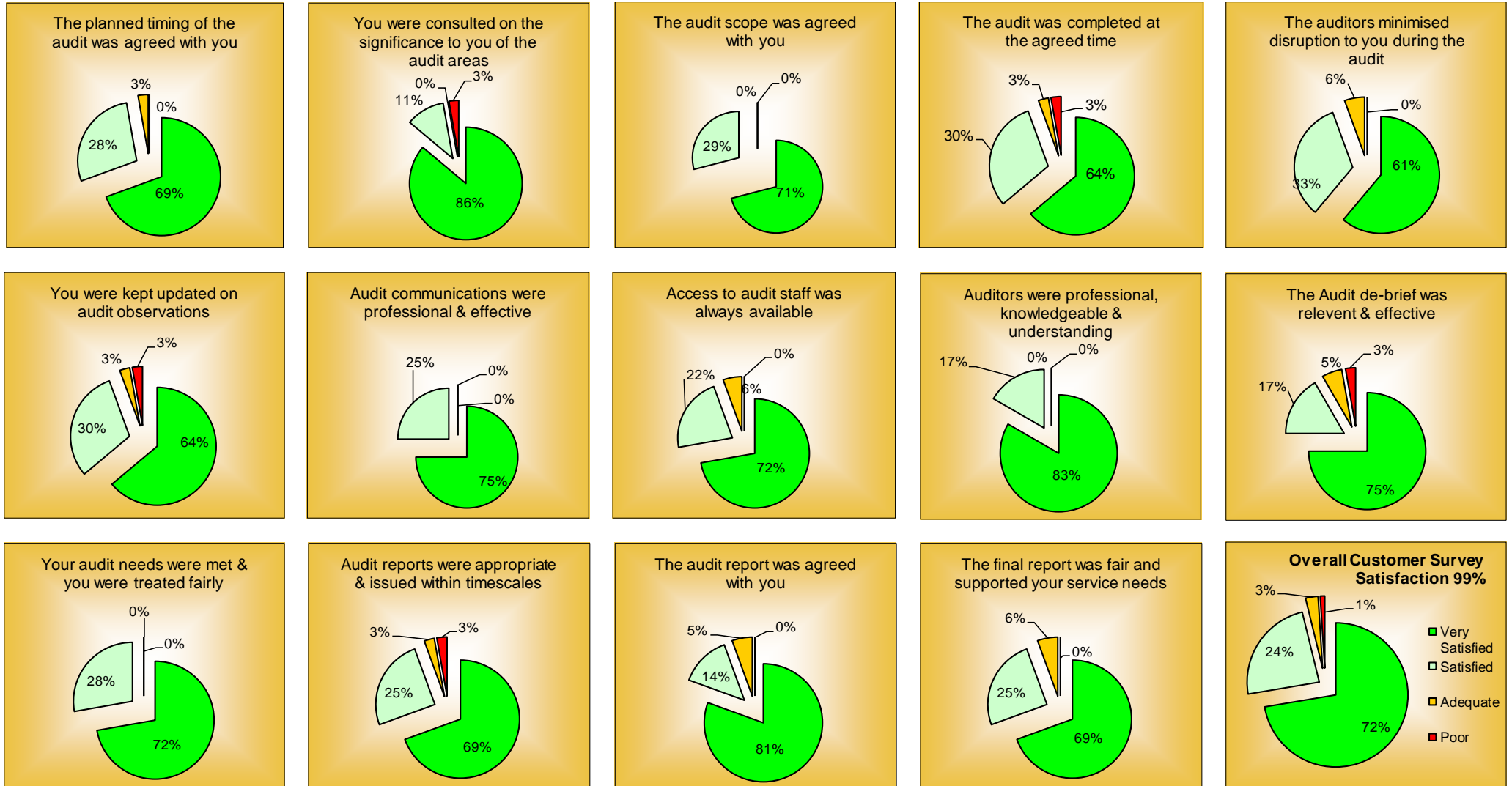


In assessing the level of assurance to be given the following have been taken into account:



Appendix 6 - Customer Service Excellence

Customer Survey Results April 2020 - March 2021



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Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement. 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 .