

Internal Audit

Internal Audit Progress Report 2021-22

Plymouth City Council
Audit & Governance Committee

September 2021

Official

Robert Hutchins
Head of Audit Partnership



Auditing for achievement

Introduction

This report provides a summary of performance in the year up to 16 August 2021 against the internal audit plan for the 2021/22 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 continues to present operational challenges and it is therefore essential that we work with management and to “flex” the plan as appropriate to ensure that the work we deliver has the correct focus to enable us to continue to support the Council through these difficult times and provide an annual assurance opinion at the end of 2021/22.

Review of Audit Coverage

Overall, good progress has been made against the plan agreed with management for the 2021/22 financial year. Progress in the period up to 16 August 2021 has included completion of work carried forward from 2020/21 and tracking progress in the completion of management responses to recommendations made in earlier audit reports.

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.

A summary of Internal Audit’s opinion on the individual reviews that have been carried out or concluded for the period from 1 April 2021 is detailed below.

Assurance Opinion and Extract Executive Summaries – up to 16 August 21

| Areas of Review | Assurance Opinion | Residual Risk / Audit Comment |
|--|---|---|
| Customer and Corporate | | |
| The following key financial reviews are not due to commence until the second half of 21/22 | | |
| <ul style="list-style-type: none"> • Creditors • Main Accounting • Debtors • Icon Cash / Bank Receipting System • Payroll | <ul style="list-style-type: none"> • Housing Benefits • Council Tax • Business Rates (NNDR) ANA – Low • Treasury Management | |
| Material Systems – System Admin | Status: In Progress | <p>User Admin is reliant upon operational processes within both PCC and Delt and any weaknesses within either organisation would negatively impact the overall effectiveness. Work is currently being undertaken to assess the effectiveness of processes to administer user accounts for the Council’s key IT business systems. As ever, User Administration remains a challenge, but with (Delt’s) new Core HR Payroll system now embedding there are potential opportunities to make improvements in this area.</p> <p>Delt has successfully implemented a new Backup solution that provides potential benefits in respect of resilience, continuity and the security of data assets it serves to protect.</p> |
| Payroll (iTrent System) Payroll (CoreHR) Material System – Reviewed Annually | Reasonable Assurance Status: Draft | <p>The migration from iTrent to CoreHR was found to be well managed with data subject to a rigorous process of control and agreement. The current controls operating within the payroll system provide assurance that inappropriate or inaccurate amendments will be detected and prevented.</p> <p>Amendments to payroll data are primarily input by employees using the employee self-serve module and approved by their designated Managers through the manager self-service module, access to which is controlled through user access profiles, or initiated through electronic Firmstep Forms where appropriate authorisation, and action is managed through predetermined workflows.</p> |

| Areas of Review | Assurance Opinion | Residual Risk / Audit Comment |
|--|---|--|
| | | <p>Delt Payroll Services continue to implement a process of control and agreement to ensure the accuracy and completeness of payroll expenditure.</p> |
| <p>Business Rates Grant Post Event Assurance (Additional Restrictions Grant / Closed / Local Restrictions Support Grant)</p> | <p>Reasonable Assurance Status: Final</p> | <p>In accordance with the Council's Post Event Assurance (PEA) Plan and further to the PEA report issued in April 2021 (which focussed on the funding available in response to the initial lockdown in March 2020), DAP have now concluded additional PEA work, which was focussed on the Council's administration of the various Government support schemes available from November 2020 onwards.</p> <p>Responsibility for grant verification changed from the initial process in March 2020 with Economic Development taking responsibility rather than the Business Rates Team. A considerable amount of work was 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 this to be an important factor in the low error rate identified within the PEA work undertaken.</p> <p>Overall, we have reviewed 850 payments that were made between November 2020 and June 2021 and have identified a potential error rate of around 2%. The majority of these relate to potential fraud and have been referred to the DAP Counter Fraud Team. Economic Development Officers have also been proactive in identifying and referring potential abuse of the schemes through their verification work and overall, the DAP Counter Fraud Team have 35 live investigations ongoing.</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. In 2020/21 we considered the reasonableness of the Councils proposed methodology for making these payments and performed audit checks on the calculations in advance of the payment run.</p> <p>In quarter 1 of this year, we have performed a similar exercise for payments to school-based staff.</p> |

| Areas of Review | Assurance Opinion | Residual Risk / Audit Comment |
|--|---------------------------------------|---|
| Cyber Security | Added Value Status: Draft | <p>There is a need to learn from the growing catalogue of high-profile cyber-attacks, paying particular attention to the ever-increasing use of ransomware. Our review concluded that the risk environment has changed and that this requires the Council to recognise the need to focus more directly upon its information security risks and mitigating strategies and operational functions.</p> <p>IT security is a fundamental necessity, and we consider that it would be advisable to further define and designate IT security requirements to better understand what costs should be ring fenced. The creation of an IT Security Board, or Group, would strengthen governance and help provide the necessary focus on a risk area that now needs greater attention and wider understanding.</p> <p>Operational IT Security functions must become more pro-active, particularly for activities such as network scanning used to identify potential vulnerabilities and ensure the timely mitigation of potential security risks.</p> |
| Safer Recruitment (Disclosure & Barring Service (DBS) Checks) | Limited Assurance Status: Draft | <p>Our review found that the Council's DBS process has been negatively impacted by previous restructures and erosion of knowledge resources. It is important that this is considered as part of ongoing restructuring to ensure that there is sufficient resource and knowledge to enable the Authority to discharge its duties to the standards required.</p> <p>The results of substantive testing provide a reasonable level of assurance that staff and volunteers are appropriately certified, but we have identified that there is room to improve corporate wide process transparency and the holistic view of responsibilities across the Council. Recommendations have been made to strengthen governance, operational processes, and data quality.</p> |
| Acting Up & Additional Duties | Reasonable Assurance Status: Draft | <p>The 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> |

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| | | <p>The use of Firmstep forms and Employee/Manager Self Service portals ensure that due consideration of need and appropriate authorisation, is given prior to amendments being made to payroll records.</p> <p>Payroll records accurately record the Acting Up and Additional Duty arrangements and calculation of pay. Senior Management receive monthly reports that set out monthly and rolling year to date expenditure.</p> |
| IR35 Off-Payroll Working | Status: In Progress | The objective of this review is to provide assurance that the operating processes and procedures correctly identify and treat Off Payroll Working within the Authority in accordance with HMRC Off Payroll Working Rules 2017 (IR35). (Updated 6th April, 2021). |
| Council Bank Accounts | Status: In Progress | Work is underway to verify the purpose of all bank accounts linked to the Council. |
| Schools Financial Value Standards (SFVS) | Status: Complete | The SFVS is a statutory self-assessment that all maintained school must complete and submit to the local authority (LA) on an annual basis. The purpose of the self-assessment is to ensure the effective financial management of school resources. We have received returns for all maintained schools in respect of the 2020/21 financial year and can confirm that the LA return was submitted to the Education & Skills Funding Agency on 25 June 2021. |
| Software Application Licensing <i>Not included in original plan</i> | Status: In Progress | The purpose of this audit is to establish, document and evaluate compliance with the terms and conditions for all corporate application software licenses and to report on the effectiveness of software license management arrangements. |

The following reviews are not due to commence until the second half of 21/22

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| <ul style="list-style-type: none"> • Cash Handling • Management of Grants • Covid-19 Grants • Risk Management in Treasury Management | <ul style="list-style-type: none"> • Client Financial Services • Health & Safety • Governance - Capital Programme • O365 Follow-Up |
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| Areas of Review | Assurance Opinion | Residual Risk / Audit Comment |
|--|------------------------|--|
| <ul style="list-style-type: none"> • PFI Contract • Procurement | | <ul style="list-style-type: none"> • Payment Modernisation Project currently on hold |
| Executive Office | | |
| Electoral Services (Follow Up) | Status: In Progress | <p>Our 2020/21 review confirmed that 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. DAP are currently assessing progress against the recommendations of the 2020/21 Internal Audit Report and reviewing the data quality checks conducted to ensure the integrity of the electoral role and the recent local and Police & Crime Commissioner elections.</p> <p>The 2020/21 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. It is pleasing to report that the data quality checks in place for the electoral role and recent elections were robust and appropriate to the mitigation of associated risks. Lessons continue to be learnt and there is a strong service improvement ethos within the Electoral Registration Team.</p> |
| Gifts & Hospitality Follow-Up | Status: In Progress | Pressures on key Council officers has meant that fieldwork has taken a longer to complete. To deliver a meaningful report on the adequacy and effectiveness of policy and procedures in respect of declarations of interest for Officers, it is essential that we obtain sufficient insight of the 'system' in operation. Fieldwork is now complete, and our report will be issued in due course. |
| The Risk Management review is scheduled to commence mid-September. | | |
| It has been agreed with management to defer the review of Minute Books to 2022/23 and the time put towards the review of Software Licensing. | | |
| People | | |
| OLM Eclipse Project | 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 Council has procured OLM's next-generation replacement for CareFirst, Eclipse, and a project is underway to implement it. |

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| | | <p>DAP continues to provide real-time support and challenge to the Eclipse Project Board and additional formal advice has been provided regarding Business Change processes. Crucial work to assess configuration and functionality requirements is underway and is scheduled to finish in September. The intended 'Go Live' date for Eclipse for Children's Services of 1st April 2022 is extremely challenging.</p> |
| Alliance Contract | <p>Status: In Progress</p> | <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 has been undertaken to review the 'Single Referral Pathway', case management processes and management visibility of financial and performance data. This is very much a collaborative piece of involving a number of stakeholders, both inside and outside of the Council. Meetings are being scheduled with Council staff and Service Providers to evaluate initial findings and to assess how effectively the TPA is meeting its aims and objectives.</p> |
| Children's Additional Spend | <p>Status: In Progress</p> | <p>Spend which is additional to children's placement costs, is known as "Additional" or "Other" expenditure. Our work to review the processes and controls in place to ensure that such spend is appropriate, monitored and controlled is nearing completion.</p> |
| Finance & Assurance Review Group (FARG) | <p>Status: Ongoing</p> | <p>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 support and challenge.</p> |
| Pre-Paid Cards | <p>Status: In Progress</p> | <p>Pre-paid cards are administered and used across the different areas of the Council and we will review the adequacy of the controls, processes and procedures in operation.</p> |
| Fully CATERed | <p>Value Added Status: Final</p> | <p>Fully CATERed 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</p> |

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| | | accordance with advice provided by the Council's external auditors there has been no requirement to externally audit the company accounts. However, DAP have performed 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. |
| Families with a Future (Payment by Results) | Regulatory Requirement | DAP have verified and certified four claims in the year to date. |
| The following reviews are not due to commence until the second half of 21/22 | | |
| <ul style="list-style-type: none"> CareFirst ASC (Invoicing) CareFirst (Payments) CareFirst - Children Independent Placements Follow-Up Special Guardianships (Children) Follow-Up Special Educational Needs & Disability (SEND) Contracts | <ul style="list-style-type: none"> On Course South West (OCSW) Community Connections – New Business Solutions Life Chances Fund (Pause Project) Disabled Facilities Grants | |
| At the request of management, work on Anti-Social Behaviour Tools to be deferred to 22/23 and the time used on Disabled Facilities Grants. | | |
| Office of the Director of Public Health | | |
| Public Burials | Status: In Progress | <p>Work is underway on an 'end to end' review of the administrative processes in operation within Public Burials. The service is reporting an increased number of referrals and in particular a shift to receiving referrals direct from care homes.</p> <p>Our review will consider whether current processes are as efficient as they could be and whether they adequately safeguard monies and valuables recovered during the processing of a referral. We will provide assurance as to whether the service is complying with legislative requirements and best practice and consider whether current processes sufficiently protect the Council's financial interests.</p> |
| Place | | |

| Areas of Review | Assurance Opinion | Residual Risk / Audit Comment |
|--|---------------------------------|---|
| Tech Forge Cloud – new business processes within Commercial Properties | Added Value Status: Complete | <p>The Council’s implementation of the Tech Forge Cloud asset management system has enabled the Commercial Properties Team to review existing processes with a view to maximising the increased functionality of the Cloud system to improve efficiency and remove duplication</p> <p>The Commercial Properties Team have been proactive in seeking advice from DAP where they propose amendments to existing procedures. DAP have provided ‘real time’ assurance that either the procedural changes which will deliver efficiencies have:</p> <ul style="list-style-type: none"> • Not eroded the controls in place and / or • Have recommended additional actions to mitigate any reduction in the robustness of the existing control framework. <p>These processes will be tested fully as part of a planned ‘end to end’ review within Commercial Properties during September 2021.</p> |
| <p>The following reviews are not due to commence until the second half of 21/22</p> <ul style="list-style-type: none"> • Commercial Properties • Trade Waste • City Change Fund • Highways Works Orders & Approval Process | | |
| <p>It has been agreed with management to defer Street Services – Stores and Stock Control to 2022/23 to accommodate work on Highways works orders and approval and the City Change Fund which was held as a “first reserve”.</p> | | |
| Grant Certification | Regulatory Requirement | <p>Grants certified without amendment:</p> <ul style="list-style-type: none"> • DFE Additional Home to School Transport 2020 - 31/5137, 31/5268 and 31/5370 (Covid 19) • DFT Travel Demand Management 2020/21 - 31/5127 (Covid 19) • Innovate UK - Clean Streets EV Infrastructure grant - 31831 • SW LEP LGF GD20 Charles Cross • SW LEP LGF GD04 Derriford Transport Scheme • SW LEP LGF GD19 Eastern Corridor Cycle Route |

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|--|-------------------|---|
| | | <ul style="list-style-type: none"> • SW LEP LGF GD18 Northern Corridor Junction Improvements • SW LEP LGF GD33 Oceansgate • SW LEP LGF GD50 Plymouth Railway Station • Arts Council England - Small Capital Grants (Artists and Lights) SCAP-00171800 • PHE HIV PrEP Grant No:31/5179 • SW LEP LGF GD42C 5G Smart Sound |
| National Fraud Initiative (NFI) | | |
| NFI | Status: Ongoing | DAP continue to monitor the progress being made in reviewing the data matches provided as part of the NFI exercise and will continue to liaise with the Departments responsible for the matches in accordance with Cabinet Office timescales. |