

CITY OF PLYMOUTH

Subject: Internal Audit – Annual Report 2009/10
Committee: Audit Committee
Date: 28 June 2010
Cabinet Member: Cllr Bowyer
CMT Member: Director for Corporate Support
Author: Sue Watts, Asst Head, Devon Audit Partnership
Contact: Tel: (01752 (30) 6710
e-mail: sue.watts@devonaudit.gov.uk
Ref: AUD/SW
Part: I

Executive Summary:

This report summarises the work undertaken by Devon Audit Partnership during 2009/10, reviews the performance and effectiveness of the Internal Audit service, and provides an audit opinion on the adequacy of internal controls. The report is particularly relevant, therefore, to the preparation of the Authority's Annual Governance Statement which is required under the Accounts and Audit Regulations 2003, as amended by the 2006 Regulations.

Corporate Plan 2010-2013:

The work of the Section assists the Authority in maintaining high standards of public accountability and probity in the use of public funds. The Section has a role in promoting high standards of service planning, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council's statutory obligations.

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land

None

Other Implications: e.g. Section 17 Community Safety, Health and Safety, Risk Management, etc.

The work of the Audit Service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.

Recommendations and Reasons for recommended action:

It is recommended that:-

- 1) the report be noted
- 2) the Audit Committee endorse the adequacy and effectiveness of Plymouth's system of internal audit for the year ended 31 March 2010.

Alternative options considered and reasons for recommended action:

None, as failure to maintain an adequate and effective system of internal audit would contravene Accounts and Audit Regulations 2003 and 2006.

Background papers:

Internal Audit Annual Plan 2009/10

Sign off:

Head of Fin	MC 2/6/10	Head of Leg		Head of HR		Head of AM		Head of IT		Head of Strat Proc	
Originating SMT Member: Sue Watts, Asst Head, Devon Audit Partnership											

1 INTRODUCTION

1.1 The Audit 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.

1.2 The Internal Audit plan for 2010/11 has already been presented and approved by Audit Committee on 26 March 2010. The following report and appendices, therefore, set out the background to audit service provision, reviews work undertaken in 2009/10, and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

1.3 The Accounts and Audit (Amendment) (England) Regulations 2006 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.

2 BACKGROUND

2.1 *Service Provision*

2.1.1 The Internal Audit (IA) Service for Plymouth City Council is delivered by the Devon Audit Partnership. This is a shared service arrangement between Devon County Council, Torbay Council and Plymouth City Council constituted under section 20 of the Local Government Act 2000; the Partnership was formed on 1st April 2009. The Partnership undertakes an objective programme of audits to ensure that there are sound and adequate internal controls in place across the whole of the Council. It also ensures that the Council's assets and interests are accounted for and safeguarded from error, fraud, waste, poor value for money or other losses.

2.1.2 Independent advice, continuous appraisal of systems and other processes are provided to all levels of management on, for example, internal controls, anti-fraud and other corporate policies and regulations, including the interpretation of Financial Regulations.

2.1.3 In recent years the scope of Internal Audit has widened to include new developments and government initiatives such as partnership working, risk management and other corporate governance issues.

2.1.4 Internal Audit forms an intrinsic part of the risk management, scrutiny and performance framework which ensures that there are robust arrangements for monitoring and review, and that adequate processes are in place for managing the Council's internal affairs and its relationship with key stakeholders, which are required to demonstrate effective corporate governance.

2.1.5 In carrying out its responsibilities Internal Audit liaises with all Directorates of the Authority. The Service consults with Departments in compiling its audit plans and meets regularly with Council Officers to review and monitor progress on recommendations arising out of audits and investigations. There is also close liaison with external agencies eg the external Auditors and the Police.

2.2 *Regulatory Role*

2.2.1 There are two principal pieces of legislation that impact upon internal audit in local authorities:

- ***Section 6 of the Accounts and Audit Regulations 2003 (England and Wales) (as amended)*** which states that ".....a relevant body shall maintain an adequate and effective

system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control

- **Section 151 of the Local Government Act 1972**, which requires every local authority to make arrangements for the proper administration of its financial affairs.

2.2.2 There are also professional guidelines which govern the scope, standards and conduct of Internal Audit, including CIPFA's Code of Practice for Internal Audit in Local Government and the Institute of Internal Auditors' Standards and Guidelines.

2.2.3 In addition, Internal Audit is governed by policies, procedures, rules and regulations established by the Authority. These include standing orders, schemes of delegation, financial regulations, conditions of service, anti-fraud and corruption strategies, fraud prevention procedures and codes of conduct, amongst others.

2.2.4 The Internal Audit Strategy sets out how the service will be provided and the Internal Audit Charter describes the purpose, authority and principal responsibilities of the Section.

3 OBJECTIVES AND SCOPE

3.1 The original and updated Internal Audit Plans for 2009/10 were submitted to, and agreed by, the Audit Committee on 25 March 09 and 11 December 09 respectively.

3.2 This report now compares the work carried out with the work that was planned; 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 will outline the level of assurance that we are able to provide, based on the internal audit work completed during the year. It will give:

- a summary of evidence of the quality of internal audit work delivered;
- a comparison of internal audit activity during the year with that planned, placed in the context of internal audit need;
- a summary of anti-fraud arrangements and the results of investigations during the year;
- a statement on the effectiveness of the system of internal control in meeting the County Council's objectives;
- an analysis of common or significant issues arising during the year.

SCOPE

3.3. The Chief Internal Auditor is required to provide the Council with an assurance on the system of internal control of the Council. The opinions provided for each Directorate and units within those Directorates have contributed to this overall assurance. It should be noted, however, that this assurance can never be absolute. The most that the internal audit service can do is to provide reasonable assurance, based on risk-based reviews and sample testing, that there are no major weaknesses in the system of control. In assessing the level of assurance to be given the following have been taken into account:

- all audits completed during 2009/10, including those audits carried forward from 2008/9;

- any follow up action taken in respect of audits from previous periods;
- any significant recommendations not accepted by management and the consequent risks;
- the quality of internal audit's performance;
- the proportion of the Council's audit need that has been covered to date;
- the extent to which resource constraints may limit this ability to meet the full audit needs of the Council;
- any limitations that may have been placed on the scope of internal audit.

4. REVIEW OF INTERNAL AUDIT SERVICE 2009/10

4.1. Staffing

4.1.1 The Devon Audit Partnership structure operating throughout 2009-10 was based around the three pre-existing audit teams with an approved total establishment of 41.6 FTE. These resources were distributed throughout all clients of the partnership and staff were utilised at more than one client. However, due to staff turnover, existing vacancies and a pending restructure, the partnership has not operated at full establishment for a significant proportion of the financial year. A new structure is now in place for 2010 /11 and actions to recruit to the outstanding vacancies has commenced.

4.2 Audit Service Quality

4.2.1. The service we provide is designed to ensure compliance with the standards for internal audit published by CIPFA in its Code of Practice for Internal Audit in Local Government in the UK. The latest Code of Practice was published in December 2006, and Devon Audit Partnerships' processes continue to comply with the professional standards required.

4.2.2. Within the Devon Audit Partnership we have comprehensive procedures to ensure that all audits are conducted to the required standard. In particular, the scope of audit and audit brief are approved, before site work commences, by the appropriate Audit Manager, who also reviews each draft and final report before it is issued to ensure that all key controls have been properly evaluated and that adequate audit evidence has been obtained to support the findings. In addition, our work is subject to annual review by the Council's external auditors, Grant Thornton, who continue to rely on our work to support their audit opinion.

4.2.3. The Partnership continues to participate in the Audit Benchmarking Club administered by the Chartered Institute of Public Finance and Accountancy (CIPFA). This has facilitated a comparison of our practices, coverage and costs with all of the other council internal audit services. The most recent comparisons continue to show that we deliver a cost-effective service with a very high level of compliance with "good practice". A more detailed report will be brought to the Audit Committee when the results of the 2010 benchmarking comparisons are available.

4.2.4. During the year we have continued to include a "client satisfaction survey" form with audit reports, for a confidential response to the Head of the Devon Audit Partnership. The vast majority of those returned have continued to be very positive about the audit service received, the audit report, and the conduct of the audit by our team members, and this is a tribute to their professional conduct of the audits.

4.2.5. Based on the responses received, 98% of the responses covering all areas of the audit were “satisfactory” or “very satisfactory”, and for a number of audits (39%) every single response was “very satisfactory”. The analysis of responses for this year shows that the team has maintained high standards achieved in previous years. This is a very commendable achievement by the team.

5. SUMMARY OF PROGRESS IN 2009/10

5.1. The major achievements of the Partnership for 2009/10 are as follows: -

- At the start of the year detailed audit plans and objectives were drawn up and agreed with all clients. These risk-based plans were drawn substantially from the Corporate and Directorate risk registers, following discussions with senior managers in all directorates. This complemented the established review of those fundamental systems on which the Council depends for its financial management and control.
- The total number of audit days delivered during the year represented 95% of the total days planned, and from this resource 92% of the planned audits were completed.
- Audit Management System purchased and software installed. The MKI package will help improve the efficiency and productivity of the service, provide robust management information, improved performance management and enable the development towards a paperless office. Staff have all received training in the use of the software and several pilot projects undertaken successfully using the new software. The software will be fully utilised in delivering the 2010/11 audit plans.
- High levels of customer satisfaction achieved
- New staffing structure agreed which will allow us to build on our existing strengths and develop specialist knowledge and share good practice across all our clients thereby improving the service provided.
- Meetings of Partnership Board and Partnership Committee
- Costs remained within budget and possible refund of some of the set up costs to founding Partners
- Discussions with District colleagues re potential benefits of combining audit resources.
- Delivery of training sessions on Internal Audit, Risk Management and role of Audit Committee to Audit Committees at each client authority
- Joint meeting with Health Auditors
- Joint Meeting with External Auditors
- Sharing of Audit resources and staff working from different sites to assist delivery of audit work across different clients
- Development of Audit Programmes e.g. Contact Point which have been shared widely with national colleagues
- Relocation of the Exeter office with a further move towards flexible and mobile working
- All alleged irregularities reviewed and detailed investigation undertaken where necessary

6. INTERNAL AUDIT PERFORMANCE

6.1. There are no national Performance Indicators in existence for Internal Audit, but the Partnership does monitor the following Local Performance Indicators LPI's:

<i>Local Performance Indicator (KPI)</i>	<i>2009/10</i>	
	Target	Actual
Percentage of Audit plan Completed	90%	92%
Actual Audit Days as percentage of planned	90%	95%
Percentage of fundamental / material systems reviewed annually	100%	100%
Average Cost per Audit day	£298	£260
Percentage of chargeable time	65%	68%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	98%
Draft Reports produced within target number of days (currently 15 days)	90%	84%
Final reports produced within target number of days (currently 10 days)	90%	97%
Average level of sickness absence	2%	1%
Percentage of staff turnover	5%	15%
Out-turn within budget	Yes	Yes

6.2 Overall, performance against the indicators has been very good with almost all targets having been surpassed. Despite a more than anticipated turnover of staff, output has been maintained at acceptable levels and customer satisfaction has been extremely high.

6.3 The customer satisfaction results derive from questionnaires completed after each audit, and the results continue to demonstrate the very high regard placed on the service by all sectors of the Authority.

6.4 The average cost per audit day for the Devon Audit Partnership for 2009/10 was £260, against a target average cost of £298. This was achieved by a combination of factors across the partnership eg achieving a higher percentage of chargeable time than expected, staff vacancies, economies of scale, etc.

7. REVIEW OF INTERNAL AUDIT BY EXTERNAL AUDIT

7.1 Internal Audit is obliged under the Accounts and Audit Regulations to meet the standards specified in CIPFA's Code of Practice for Internal Audit in Local Government. These standards set out specific essential requirements of an Internal Audit department which include eg independence, staffing and training, planning, recording, performance and effectiveness etc.

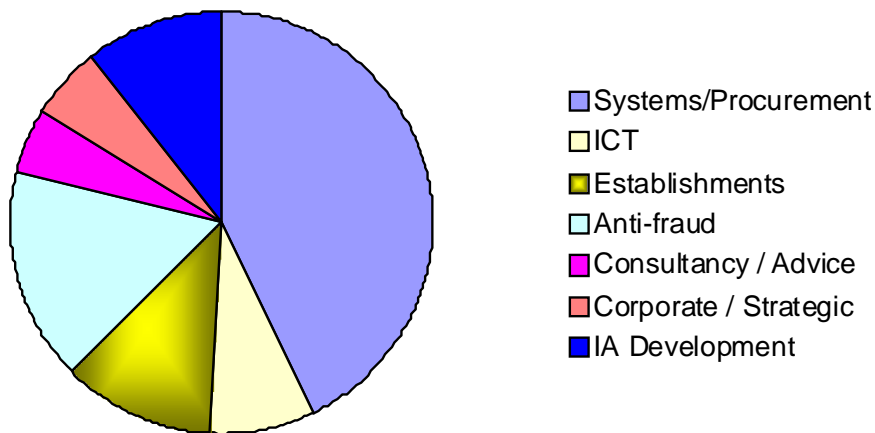
7.2 External Auditors use CIPFA standards as a model against which to regularly assess and report on the competency and effectiveness of Internal Audit, to enable them to place reliance on Internal Audit's work as part of the 'managed audit' arrangements.

7.3 The External Auditors have carried out a review of the partnership during 2009/10 and concluded, overall, that "Internal Audit arrangements are sufficient for us to gain assurance over the work that they have completed on the internal control environment at the Council."

8 INTERNAL AUDIT COVERAGE 2009/10

8.1 *Delivery Against Plan*

8.1.1 Appendix 2 attached shows total actual number of direct audit days in the year ended 31 March 10, compared with the total number of days originally planned. It will be noticed that there was only a small shortfall in the total number of audit days provided during the year which was caused by unfilled vacancies during the early part of the year.



8.2 *Systems / Procurement Reviews*

8.2.1 Systems audits accounted for the largest element of the audit plan for the year and a full summary of reviews undertaken is included in Appendix 2a. The following paragraphs provide further information on specific areas of coverage.

8.2.2 A significant element of systems work is undertaking reviews of material systems. The International Standards for Auditing require that an annual review is carried out of the effectiveness of controls for each of the Council's systems from which the balances and disclosures in the Authority's accounts are derived (eg payroll, council tax etc). Under the Managed Audit arrangements, the External Auditor looks to place reliance on the work undertaken by Internal Audit to assist them in determining their opinion as to whether or not the annual accounts provide a true and fair view of the Council's position.

8.2.3 Capital Projects

The funding of many projects relies on securing money from central government, various agencies and bodies as well as through the Council's capital programme and the realisation of capital receipts from selling off surplus land and assets. The economic downturn continues to have an adverse effect on the affordability of projects and the certainty of funding and budgets.

The risks associated with capital projects need to be identified, measured and carefully managed.

During 2009/10, Internal Audit continued to attend and support various Project Boards and Project Teams e.g South West Devon Waste Partnership Waste PFI, Building Schools for the Future (BSF), various new school construction projects, Life Centre and Leisure Management.

During the year, Internal Audit reviewed the evaluation process followed by the South West Devon Waste Partnership during both the Invitation to Submit Outline Solutions (ISOS) and the Invitation to Submit Detailed Solutions (ISDS) stages of this complex procurement. Audit was able to report

to the Project Executive Board that bids submitted at both stages were received and opened in accordance with recognised procedures.

Internal Audit have also completed reviews of two major projects that are now “operational”, firstly the Schools PFI contract with Pyramid Schools Consortium (Pyramid Schools (Plymouth) Ltd.) who are now responsible for the day to day management of the facilities at Riverside Community Primary School and Wood View Learning Community. The second review examined the interim waste management contract with Viridor Waste Management Ltd which provides the Authority with waste haulage and landfill services, including the operation of a Refuse Transfer Station at Chelson Meadow.

In addition, reviews are currently being concluded that have examined the monitoring arrangements for the Amey Highways Contract and the corporate Security Services contract. The findings of these reviews are due to be issued to management in the very near future.

8.3 ICT (Computer Audit)

8.3.1 The creation of the Devon Audit Partnership has proved to be of real benefit. IT Auditors based at Plymouth City Council, Devon County Council and Torbay Borough Council, have co-operated to produce a number of common audit programs and carry out the audits at each client authority. Working in this way has enabled the knowledge and experience gained at each of the three locations to be shared, thereby ensuring that maximum benefit is gained from each exercise. Regular contact between IT Auditors within the partnership is continuing to provide benefits in terms of information exchange and technical support.

8.3.2 The 2009/10 ICT audit plan was designed to build upon work that had already been carried out in previous years and it covered corporate issues such as network security and backup arrangements, as well as some individual application reviews such as OLM Carefirst and the D.Cal Payment Card system. This risk-based approach to ICT audit planning has been in use for a number of years now and has ensured that all of the Council's business-critical systems are reviewed in a systematic and structured manner.

8.3.4 Progress has continued to be made in many areas of ICT, particularly with regard to the professional practices which are continuing to be embedded throughout the Council's ICT department. The computer audit team has continued to enhance its already excellent working relationships with ICT staff and with business systems owners. The team are now working more closely with clients to ensure the completion of action plans drawn up as the result of IT audit reviews and the implementation of outstanding audit recommendations.

8.4 Establishment Audits

8.4.1 School Audits and Financial Management Standard in Schools (FMSiS)

Appendix 3b details the year's progress against the audit plan in respect of schools' audits, with 36 separate schools visited during 2009/10. This is in addition to finalising reviews carried out towards the end of 2008/09.

In the summer term of 2009, reviews continued to be undertaken separately from the FMSiS external assessment, providing schools with evidence that they had met certain elements of FMSiS. From the autumn term this changed to a single combined audit review and FMSiS external assessment which meant that the school received just one visit. This approach has now been adopted for the majority of schools that feature in the 2010/11 audit plan.

Schools' audit reviews and programmes of testing are designed to provide assurance that there are effective internal controls in place and compliance with the Authority's funding scheme for schools, Financial Regulations and the School's Finance Policy. In addition, Internal Audit is

responsible for completing the formal, external assessment of schools arrangements against the DCSF's Financial Management Standards.

In 2009/10, the last of three tranches of primary and special schools were required to complete a FMSiS self assessment form and compile an evidence file. In addition, 2009/10 saw the first re-assessment of secondary schools that had been originally assessed three years ago. This resulted in a challenging additional workload for schools, auditors and finance support staff. Internal Audit, in partnership with colleagues in Schools Accountancy and Governor Development Teams, have and continue to play an important role in helping schools, by providing training and support throughout the process.

As at 31st March 2010, 24 of the 34 primary, special and secondary schools expected to have met the standard had been successfully assessed. This includes two schools that had previously failed to achieve the standard. Three schools failed the assessment during 2009/10. Re-assessments of these are due to take place during the summer term of 2010 as are the assessments at the remaining schools.

8.5 Special Investigations and Anti-fraud Work

8.5.1 During 2009/10 Internal audit received 31 matters requiring investigation which were received from officers and members of the public. Investigations into 25 of those concerns have been completed and investigations are ongoing in respect of the remaining cases.

Examples of the type of irregularity investigated include:-

- Breaches of Confidentiality / Data Protection;
- IT Misuse;
- Confidential Information of an employee obtained by deception;
- Misuse of Council Resources;
- Breaches of the Council's Code of Conduct.

These investigations resulted in:

- Seven members of staff being dismissed;
- Five members of staff receiving a final written warning;
- One member of staff receiving a verbal warning;
- The evidence being inconclusive in three instances.

8.5.3 A particularly complex investigation has been completed and reported on but it is not possible to provide more details to the Audit Committee until all legal matters arising from this case have been settled. This investigation has taken considerable audit resource which is why the total number of days used on anti-fraud work is significantly higher than planned.

8.5.4 The co-ordination of the work associated with the National Fraud Initiative (NFI) has continued. Following data extraction exercises in October 2008 and April 2009, Auditors have liaised with officers across various Council departments including Council Tax, Parking (Blue Badges) and Adult Social Care (Residential Care Payments) to ensure that investigation of the data matches has progressed. Staff across the departments have processed 5586 matches to date, of which 41 have been identified as being fraudulent and a further 6 investigations are continuing. Recoverable savings totalling £81,572.38 have been identified as a result of this exercise.

8.6 Consultancy / Advice

8.6.1 Internal Audit was consulted by all departments throughout the Authority on many and varied topics including, for example, interpretation of financial regulations/standing orders, VAT, reclamation of funding, commercial catering controls, transfer of land to schools educational trusts, document retention, tenders etc.

8.6.2 The pro-active involvement of Internal Audit in control issues relating to new systems and changes, assists in protecting the Authority from loss, fraud and abuse. This early involvement is also intended to prevent unnecessary criticism when a formal audit review is undertaken and Departments are actively encouraged to seek advice at the outset of any changes.

8.7 Corporate / Strategic

8.7.1 Internal Audit's involvement in corporate and strategic issues covers many areas, some of which are outlined below.

8.7.2 Whistleblowing

The Whistleblowing Policy, which was approved by the Audit Committee in September 2007, aims to encourage staff to raise any legitimate concerns they may have in relation to the Council's activities. This policy, which supports the Council's Anti Fraud and Corruption Policy, makes it clear that concerns can be raised without fear of reprisals. The Whistleblowing Policy has been reviewed and refreshed and the revised version is presented to Audit Committee today for approval.

A total of five Whistleblowers have come forward during the year 2009/10 of which:

- Liaison between Internal Audit and the relevant department led to reminders being issued to staff regarding their responsibilities and conduct.
- A departmental investigation has identified the need to review some elements of the way tendering procedures are operating within that dept.
- Actions have been agreed between Internal Audit and the relevant department as to how the conduct of a member of staff should be more effectively managed.
- Internal Audit has adopted a facilitation role in a bid to improve the working relationship between key officers in two departments with associated areas of work.
- A joint departmental / audit investigation remains ongoing into a number of concerns in relation to recruitment and use of departmental budget / resources.

8.7.3 Business Continuity Planning

Internal Audit is continuing to maintain a watching brief on the implementation and embedding of business continuity planning throughout the organisation, and the Business Continuity Strategy Group are dealing with any corporate business continuity issues that are referred to them from time to time by Internal Audit. During the past year, further progress has been made towards finalising the individual departmental recovery plans and the Strategy Group has now agreed a forward schedule of work designed to ensure that each of these plans are completed and formally approved. Once this work has been completed, the Assistant Director of ICT (ADoICT) will be able to assess the combined requirements for the council as a whole and develop a corporate ICT business continuity plan.

Previous internal audit reports have highlighted a number of concerns regarding the Council's ability to recover its business critical ICT systems in the event of a major disaster. i.e. in a situation

where the likelihood of an event occurring may be low but the impact could be extremely high. A solution to many of these concerns would be the creation of a second data processing centre at a location well removed from the existing computer room. This would not only provide a far greater level of network resilience and hence system availability, but it would also enable the secure off-site storage of backup data for use in the event of a disaster in the existing computer room. Both of these benefits would represent significant improvements to the Council's business continuity arrangements but the cost could only be justified if the combined corporate requirements warrant it.

8.8 Added Value

8.8.1 Internal Audit is committed to providing value for money to the Council and its stakeholders and, where possible, to identify examples of specific, tangible benefits achieved. The following are examples of recent benefits delivered:-

8.8.2 LAA Stretch Targets

In March 2007 the Local Strategic Partnership (LSP), Plymouth City Council (PCC) and the Government Ministers agreed the 2007-2010 Local Area Agreement (LAA). Within the agreed LAA are 12 stretch targets which focus on improvement in performance across key national and local priority areas by stretching current published targets.

Rather than wait until the end of the 3 year period to audit the outturn of performance, Internal Audit have added value by reviewing the accuracy of the performance data reported and the adequacy of the corporate performance system, including data quality in year two. The recommendations made should enable the Authority and partner agencies to improve data quality and maximise eligibility to reward grant at the end of year three. Potential award grant totalling £7.42m is available.

8.8.3 Use of Resources (UoR)

The Authority was keen to demonstrate to our External Auditors, Grant Thornton, that real 'outcomes' had been delivered for the community against the Key Lines of Enquiries (KLOE's) in the 2008/09 UoR assessment.

Internal Audit has a good overview of what is happening across the organisation and were able to provide independent support in this process by helping officers to identify areas of good practice and to facilitate meetings between projects across the City and the External Auditors so that they could witness for themselves some of the key deliverables. The Assistant Director Finance, Assets and Efficiencies stated "I personally regard this 'value added' work as important to the 'client' as the core audit".

8.8.4 Feedback from Managers

Below are some examples of positive feedback the Audit Service has received from managers:

- "I just want to extend my thanks for the work you have done for us around the staff code of conduct. This is a really important and valuable piece of work for us and will ensure that service provision is upheld in a professional manner right across the department. Your support in ensuring that we get this right is invaluable."
- "Once again I would like to thank you for your support as many positive actions have resulted from the audit."
- "I want to pass on thanks for all the help given during a recent disciplinary investigation. The help and advice was much appreciated during what can be a very difficult time for all."

- “The factual evidence relevant to this case that was identified as a result of your intervention just wouldn’t have been possible without your support, professionalism, initiative and experience. I am very grateful for all your guidance and the experience you shared with me – you have been very generous.”

8.8.5 Other

- £4k of unclaimed VAT identified and recovered by the Authority.
- Significant spend identified in an area which should have been subject to contract. Internal Audit liaised with Procurement who are now working with the department to go to tender on a number of contracts. Not only will this save the Council money, it will also enable the department to streamline procedures, reducing their workload whilst at the same time ensuring that their clients receive improved service.

9 INTERNAL AUDIT OPINION

9.1 A summary of Internal Audit’s opinion on the individual reviews that have been carried out during the year is included in Appendix 3, with more details provided in Appendix 4.

9.2 In carrying out systems and other reviews, Internal Audit assesses whether key, and other, controls are operating satisfactorily within the area under review, and an opinion on the adequacy of controls is provided to management as part of the audit report.

9.3 All final audit reports also include an action plan which identifies responsible officers, and target dates, to address control issues identified during a review. Implementation of action plans are reviewed during subsequent audits or as part of a specific follow-up process.

9.4 Directors have been provided with details of Internal Audit’s opinion on each audit review carried out in 2009/10 to assist them with compilation of their individual annual governance assurance statements. If significant weaknesses have been identified in specific areas, these have been considered by the Authority in preparing its Annual Governance Statement which will be included with its published Statement of Accounts for 2009/10.

9.5 Overall, and based on work performed during 2009/10, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Authority’s internal control environment.

9.6 Significant Issues

9.6.1 In October 2009, the Audit Service issued a draft report which concluded that “fundamental weaknesses” existed within the Carefirst system. The findings of the report were accepted by the CareFirst Programme Board, now chaired by the Assistant Chief Executive on behalf of the Corporate Management Team. This has ensured that appropriate resources have been allocated to address the weaknesses identified in all four control areas reviewed, namely, Compliance and Governance, Information and Data Security, Change Management and Operational Procedures.

The Audit Service has maintained a watching brief and has recently completed a high level follow-up exercise to establish the full extent of the progress made. The follow-up review found significant improvements in the governance arrangements in CareFirst’s administration which has a positive influence upon all areas of internal control. As a result of this, better resourcing, and improvements made in the three other control areas covered, the overall audit opinion has improved from

“Fundamental Weaknesses” to “Improvements Required”. A summary of the weaknesses identified in the initial review and results of the recent follow-up is attached at Appendix 5.

10 RECOMMENDATIONS

It is recommended that:

- 1) the report be noted
- 2) the Audit Committee endorse the adequacy and effectiveness of Plymouth City Council's system of internal audit for the year ended 31 March 2010.

APPENDIX 1

INTERNAL AUDIT PLAN 2009/10

PROGRESS AGAINST PLAN - 53 WEEKS ENDED 31 MAR 10

	2009/10		53 wks to 31 Mar 10	
	Total Planned Days	%	Actual Days	%
Systems, Procurement, Cross Cutting	1010	46	907	43
ICT	200	9	168	8
Schools	260	12	246	12
Anti-Fraud	275	12	346	16
Consultancy / Advice	100	5	107	5
Corporate / Government	113	5	116	5
Contingency *	100	5	0	-
Internal Audit Development	160	7	225	11
TOTAL AUDIT DAYS	2218	100	2115	100

* Actual days used have been allocated to specific audit categories

SYSTEM REVIEWS - PROGRESS AGAINST INTERNAL AUDIT PLAN 2009/10

Appendix 2a

System Review	Report issued		In progress 31/03/2010	Deferred to 2010/11	Notes
	Draft(D) Final(F)	Date			
Material Systems					
HR / Payroll System 08/09	F	14-Jun-09			
Housing Rents 08/09	F	14-Jul-09			
Supporting People 08/09	F	7-Apr-09			
Cash Collection 08/09	F	17-Jun-09			
Council Tax System 08/09	F	24-Apr-09			
Housing Benefits System 08/09	F	22-Jun-09			
Main Accounting System, including budgetary control 08/09	F	19-May-09			End of Year "Refresh" work
CareFirst - NSIBS 08/09	F	1-Jul-09			
Commercial Rents 08/09	F	28-Apr-09			
Creditors System 08/09	F	18-May-09			
Debtors System 08/09	F	19-May-09			
Loans and Investments 08/09	F	24-Apr-09			
NNDR System 08/09	F	5-May-09			
Capital Accounting Arrangements 08/09	F	23-Mar-10			
CareFirst - Domicillary Care 09/10	F	14-Dec-09			
Creditors System 09/10	F	23-Dec-09			
Main Accounting System, including budgetary control 09/10	D	31-Mar-10			
CareFirst - Child Independent Placements			✓		Draft Report Issued 15 April 2010
HR / Payroll System 09/10	D	31-Mar-10			Final Report Issued 24 May 2020
Housing Rents 09/10	D	1-Dec-09			
Supporting People 09/10	D	24-Mar-10			Final Report Issued 20th April 2010
Capital Accounting Arrangements 09/10			✓		
Cash Collection 09/10	D	31-Mar-10			Final Report Issued 26th April 2010
Council Tax System 09/10	F	29-Mar-10			
Debtors System 09/10	D	24-Feb-10			Final Report Issued 9th June 2010
Housing Benefits System 09/10	F	17-Mar-10			
Loans and Investments 09/10	D	31-Mar-10			
NNDR System 09/10	F	29-Mar-10			
Grants					
Building Communities Initiative Grant 08/09	F	17-Jul-09			
National Stroke Strategy Grant 08/09	F	3-Jun-09			
Supporting People Grant 08/09	F	21-May-09			
New Growth Points Grant 08/09					No longer required
UBC - Tamar Communities					Additional requirement to original plan. Subsequently not required.
Other Systems - Development & Regeneration Directorate					
Cash Collection - Bretonside	F	15-May-09			
Concessionary Fares	D	31-Mar-10			
Housing Retained Services - Choice Based Lettings			✓		
Commercial Rents Follow-Up (08/09)	D	31-Mar-10			

SYSTEM REVIEWS - PROGRESS AGAINST INTERNAL AUDIT PLAN 2009/10

Appendix 2a

System Review	Report issued		In progress 31/03/2010	Deferred to 2010/11	Notes
	Draft(D) Final(F)	Date			
Other Systems - Corporate Resources					
Governance/Monitoring of Capital Programme					Replaced by UoR work (see Corporate/Strategic Initiatives)
Other Systems – Cross Cutting Reviews					
Sustainability	F	25-Jun-09			
Business Continuity Planning			✓		Watching brief on implementation of departmental continuity plans
CRB	D	18-Dec-09			
Dcal (business users)	F	23-Nov-09			
LAA - Data Quality - National Indicator Set	D	26-Mar-10			
Managers Self-Service			✓		Watching brief on project implementation
Health and Safety					Overall review no longer required
Implications of Significant Partnerships. Governance arrangements				✓	Deferment - insufficient resources
Information Governance					
LAA - Allocation and tracking of funding				✓	Deferment - insufficient resources
LAA - Stretch Targets 2008/09	F	19-May-09			
LAA - Stretch Targets (Stretch Target 8) 2009/10				✓	Not ready for review until June 2010
Life Cycle of Employment				✓	Consultancy & advice provided as required by HR
Officer Expenses					Additional to original plan, but Director for Corporate Support no longer requires review to be undertaken
Other Systems - Community Services Directorate					
Mt Edgcumbe - End of Year Accounts 08/09	F	26-Jun-09			
Parks Services - equipment store	F	13-Aug-09			
Devonport Regeneration Community Partnership 08/09	F	27-Apr-09			
Residential Care Payments Follow-Up(08-09)	F	9-Jun-09			
Individual Budgets (CIP3)			✓		On-going monitoring and advice on progress of project and development of system controls
Performance and Management Information Systems, eg. Electronic Social Care Record, eSAP			✓		On-going monitoring and advice on progress of project and risk management process
Stock Transfer Project / Corporate Impact Project			✓		Advice on controls and risks on transfer issues
Devonport Regeneration Community Partnership 09/10	D	23-Mar-2010			
CareFirst Programme Board/Project Teams			✓		On-going monitoring and advice on progress of project and risk management process. Additional
Direct Payment Misuse			✓		Advisory brief. Additional to original plan
Commissioning - Review of Grant Funded Services Return 08/09	F	22-Oct-09			
Trade Waste	F	16-Dec-09			
Direct Payment Financial Monitoring - follow-up			✓		Final Report Issued 12th May 2010
Public Burials - follow-up			✓		
Fleet Management	D	11-Mar-10			Final Report Issued 24 May 2010
Performance and Management Information Systems - Data Quality			✓		Validation of various 09/10 Government Returns due 1st Qtr 2010 and review of the compilation pr
Learning Disabilities (LD) and Mental Health (MH) Partnership					Audit time to be used on CareFirst Project

SYSTEM REVIEWS - PROGRESS AGAINST INTERNAL AUDIT PLAN 2009/10

Appendix 2a

System Review	Report issued		In progress 31/03/2010	Deferred to 2010/11	Notes
	Draft(D) Final(F)	Date			
Other Systems - Children's Services Directorate					
Implementation of Childrens Trust 08/09	F	18-May-09			
Youth Service 08/09	F	20-Apr-09			
LAC Placement Payments Follow-Up (08/09)	F	20-May-09			
Governor Training			✓		various training on FMSiS and Auditing given during 2009/10
FMSiS			✓		on-going development of external assessment process and advice to schools
Review of Local Safeguarding Children Board (LSCB)	F	22-Mar-10			
Governance Arrangements / Restructure of Youth Service - follow-up	F	17-Dec-09			
Implementation of Childrens Trust - follow-up	F	31-Mar-10			
Children Case Management				✓	Deferment. OFSTED Inspection and external review taking place.
Extended Schools				✓	Deferment - insufficient resource
Integrated Children's System Phase 2 / Contact Point				✓	Deferment - insufficient resource
Procurement / Contract Audit					
School Construction Projects			✓		On-going monitoring and advice on progress of project and risk management process
Leisure Management Contract			✓		On-going monitoring and advice on progress of project and risk management process
Life Centre Project			✓		Review of procurement process, on-going monitoring and advice on project and risk management
Waste Management - SWDWP			✓		Review of procurement process, on-going monitoring and advice on project and risk management
Schools PFI Contract Monitoring	F	17-Dec-09			
Waste Management - Interim Solution	F	29-Oct-09			
Security Contract			✓		
Highways Amey Contract			✓		
ICT Audit					
Material Systems Review (08/09)	F	17-Jun-09			
MS Exchange 08/09	F	16-Jun-09			
SIMS Interface 08/09	F	21-May-09			
Network Security Issues (Firewall Security)	F	18-Sep-09			
Change Control Testing follow-up	F	29-Jan-10			
Follow up of previous work			✓		work carried out throughout 2009/10
Internal Audit Consultancy on IT Issues / Projects / Policy			✓		work carried out throughout 2009/10
E-procurement - Dcal System Review	F	1-Oct-09			
OLM Phase 3 (oracle Security and System Admin Functions)	D	30-Oct-09	✓		Final Report Issued 22 April 2010
Material Systems IT Issues 09/10	D	31-Mar-10			Final Report Issued 5 May 2010
Applications - Civica - Main Accounting System (including interfaces)	D	31-Mar-10			
Applications - Financial Director				✓	Deferment - insufficient resources
Backups (Corporate ISD Processes)	F	18-Feb-10			
Capacity Management - Data Storage				✓	Deferment - insufficient resources
Information Governance (Gov Connect)	D	31-Mar-10			Final report Issued 12 May 2010
Application Interfaces 08/09					Incorporated within Change Control Follow-Up
SAP Backup Failures	F	26-Mar-10			Additional to original plan - Situation Report issued to Asst Dir of HR
SAP 07/08 Review Follow-Up	F	26-Mar-10			Additional to original plan - Situation Report issued to Asst Dir of HR

SYSTEM REVIEWS - PROGRESS AGAINST INTERNAL AUDIT PLAN 2009/10

Appendix 2a

System Review	Report issued		In progress 31/03/2010	Deferred to 2010/11	Notes
	Draft(D) Final(F)	Date			
Corporate/Strategic Initiatives					
UoR - How IA Can Add Value			✓		Additional to original plan
UoR 08/09			✓		Additional to original plan
Annual Governance Statement			✓		
Audit Committee			✓		
Benchmarking			✓		
CAA			✓		
External Audit			✓		
Policy Development and Advice			✓		
Whistleblowing			✓		

SCHOOLS ESTABLISHMENT AUDITS - PROGRESS AGAINST INTERNAL AUDIT PLAN 2009/10					
ESTABLISHMENT	Reports Issued		In	Deferred	Notes
	Draft (D)	Date	progress	to	
	Final (F)		31/03/2010	2010/11	
Primary Schools					
Routine Audits Only					
Plaistow Hill Infant	F	Jul-2009			
Salisbury Road Primary	F	Jul-2009			
Victoria Road	F	Jul-2009			
Compton C of E Primary	F	Oct-2009			
Plympton St Mary's Infant	F	Oct-2009			
Thornbury	F	Oct-2009			
Yealmpstone Farm Primary	F	Oct-2009			
St Peters CE Primary	F	Dec-2009			
Austin Farm	F	Mar-2010			
FMSiS Assessment Only					
Prince Rock Primary FMSiS	F	Apr-2009			
Stuart Road Primary FMSiS	F	Apr-2009			
St Paul's RC Primary FMSiS	F	May-2009			
Estover Comm Primary FMSiS	F	May-2009			
Hospital FMSiS	F	Jun-2009			
Victoria Road Primary FMSiS	F	Jul-2009			
Riverside Primary FMSiS	F	Sep-2009			
Yealmpstone Farm Primary FMSiS	F	Nov-2009			
Elburton FMSiS	F	Dec-2009			
Plaistow Hill Infant FMSiS	F	Dec-2009			
Salisbury Road Primary FMSiS	F	Jan-2010			
Plympton St Mary's Infant FMSiS				✓	Deferred to Summer 2010
Thornbury FMSiS				✓	Deferred to Summer 2010
St Peters CE Primary FMSiS Re-Assess	F	Jun-2009			
Glen Park FMSiS Re-Assess	F	Jul-2009			
Combined Routine Audit and FMSiS Assessment					
Beechwood	F	Dec-2009			
Eggbuckland Vale Primary	F	Dec-2009			
Oakwood	F	Dec-2009			
St Edward's C of E Primary	F	Dec-2009			
St Peters RC Primary	F	Dec-2009			
Whitleigh Community Primary	F	Dec-2009			
Manadon Vale Primary				✓	Deferred to Summer 2010

Special Schools and Other					
Routine Audits Only					
Ham Drive Nursery	F	Jun-2009			Finalising 2008/09 audit
Plymbridge Nursery	F	Jun-2009			Finalising 2008/09 audit
Mount Tamar Special	F	Sep-2009			
FMSiS Assessment Only					
Downham Special FMSiS	F	May-2009			
Mount Tamar Special FMSiS	F	Oct-2009			
Combined Routine Audit and FMSiS Assessment					
Woodlands	F	Nov-2009			
Longcause Community Special				✓	Deferred to Summer 2010
Secondary Schools					
Routine Audits Only					
Plymstock	F	Apr-2009			Finalising 2008/09 audit
Notre Dame	F	Jun-2009			Finalising 2008/09 audit
Plymouth High School for Girls	F	Nov-2009			Finalising 2008/09 audit
FMSiS Assessment Only					
Plymstock FMSiS	F	Jan-2010			
Notre Dame FMSiS	F	Feb-2010			
Combined Routine Audit and FMSiS Assessment					
Sir John Hunt CC	F	Dec-2009			
Hele's	F	Jan-2010			
Eggbuckland CC	F	Jan-2010			
St Boniface	D	Feb-2010			Final Report issued 25th May 2010
Estover CC	F	Mar-2010			
Coombe Dean	D	Mar-2010			Final Report issued 20th April 2010

INTERNAL AUDIT - END OF YEAR PROGRESS REPORT 2009 - 2010
SUMMARY OF REVIEWS AND AUDIT OPINIONS

Appendix 3

System Review	Report Issued		Opinion	Action Plan in Place
	Draft - D Final - F	Date		
Building Communities Initiative Grant 08/09	F	17-Jul-09	Assurance Given	N/A
Capital Accounting Arrangements 08/09	F	19-Mar-10	Good Standard	✓
Cash Collection - Bretonside	F	15-May-09	Improvements Required	✓
Cash Collection 08/09	F	17-Jun-09	Good Standard	✓
Cash Collection 09/10	F	26-Apr-10	Good Standard	✓
Child Independent Placements (CareFirst) 09/10	D	15-Apr-10	Good Standard	
Commercial Rents 08/09	F	28-Apr-09	Improvements Required	✓
Commercial Rents Follow-Up (08/09)	D	31-Mar-10	N/A	N/A
Community Services - Grant Funded Services Return for 2008/09	F	22-Oct-09	Good Standard	✓
Concessionary Fares	D	31-Mar-10	Improvements Required	
Corporate Backup Processes 09/10	F	18-Feb-10	Good Standard	✓
Council Tax System 08/09	F	24-Apr-09	Good Standard	✓
Council Tax System 09/10	F	29-Mar-10	Good Standard	✓
CRB Disclosure Checks 09/10	D	18-Dec-09	Good Standard	
Creditors System 08/09	F	18-May-09	Good Standard	✓
Creditors System 09/10	F	18-May-09	Good Standard	✓
Debtors System 08/09	F	23-Dec-09	Improvements Required	✓
Debtors System 09/10	F	9-Jun-10	Improvements Required	✓
Devonport Regeneration Community Partnership 08/09	F	27-Apr-09	Good Standard	✓
Devonport Regeneration Community Partnership 09/10	D	23-Mar-10	Good Standard	
Domiciliary Care (CareFirst) 09/10	F	14-Dec-09	Good Standard	✓
E-procurement - Dcal System I.T. Review	F	1-Oct-09	Good Standard	✓
E-procurement - Dcal System Business Users	F	23-Nov-09	Improvements Required	✓
Fleet Management	F	24-May-10	Improvements Required	✓

INTERNAL AUDIT - END OF YEAR PROGRESS REPORT 2009 - 2010
SUMMARY OF REVIEWS AND AUDIT OPINIONS

Appendix 3

System Review	Report Issued		Opinion	Action Plan in Place
	Draft - D Final - F	Date		
Housing Benefits 08/09	F	22-Jun-09	Improvements Required	✓
Housing Benefits 09/10	F	17-Mar-10	Improvements Required	✓
Housing Rents 08/09	F	14-Jul-09	Improvements Required	✓
Housing Rents 09/10	D	1-Dec-09	Good Standard	
HR / Payroll System 08/09	F	14-Jun-09	Good Standard	✓
HR / Payroll System 09/10	F	24-May-10	Good Standard	✓
ICT Change Control	F	29-Jan-10	Improvements Required	✓
Implementation of Childrens Trust 08/09	F	18-May-09	Improvements Required	✓
Implementation of Childrens Trust Follow-Up (08/09)	F	31-Mar-10	N/A	N/A
Information Governance (Government Connect) 09/10	F	12-May-10	Improvements Required	✓
LAA - Data Quality - National Indicator Set	D	26-Mar-10	Improvements Required	
LAA Stretch Targets 08/09	F	19-May-09	N/A	✓
LAC Placement Payments Follow-Up (08/09)	F	20-May-09	N/A	N/A
Loans and Investments 08/09	F	24-Apr-09	Good Standard	✓
Loans and Investments 09/10	D	31-Mar-10	Good Standard	
Local Safeguarding Children Board 09/10	F	22-Mar-10	Improvements Required	✓
Main Accounting System 09/10	D	31-Mar-10	Good Standard	
Main Accounting System IT Review 09/10	D	31-Mar-10	Good Standard	
Material Systems I.T. Review 08/09	F	17-Jun-09	Improvements Required	✓
Material Systems I.T. Review 09/10	F	5-May-10	Improvements Required	✓
Microsoft Exchange 08/09	F	16-Jun-09	Good Standard	✓
Mt Edgcumbe - End of Year Accounts 08/09	F	26-Jun-09	Assurance Given	N/A
National Stroke Strategy Grant 08/09	F	3-Jun-09	Assurance Given	N/A
Network Security Issues (Firewall Security)	F	18-Sep-09	Good Standard	✓

**INTERNAL AUDIT - END OF YEAR PROGRESS REPORT 2009 - 2010
SUMMARY OF REVIEWS AND AUDIT OPINIONS**

Appendix 3

System Review	Report Issued		Opinion	Action Plan in Place
	Draft - D Final - F	Date		
NNDR System 08/09	F	5-May-09	Good Standard	✓
NNDR System 09/10	F	29-Mar-10	Good Standard	✓
Non-Residential Services Income Billing System (NSIBS) 2008/09	F	1-Jul-09	Improvements Required	✓
OLM CareFirst System 09/10	F	22-Apr-10	Fundamental Weaknesses	✓
Parks Services - Equipment Store	F	13-Aug-09	Improvements Required	✓
Residential Care Payments Follow-Up(08-09)	F	9-Jun-09	N/A	N/A
SAP Backup Failures	F	26-Mar-10	N/A	N/A
SAP Review Follow-Up (07/08)	F	26-Mar-10	N/A	N/A
Schools PFI Contract Monitoring 09/10	F	17-Dec-09	Improvements Required	✓
Schools SIMS Interface 08/09	F	21-May-09	Good Standard	✓
Supporting People 08/09	F	7-Apr-09	Good Standard	✓
Supporting People 09/10	F	20-Apr-10	High Standard	✓
Supporting People Grant 08/09	F	21-May-09	Assurance Given	N/A
Sustainability	F	25-Jun-09	N/A	N/A
Trade Waste	F	16-Dec-09	Improvements Required	✓
Waste Management - Interim Solution	F	29-Oct-09	High Standard	✓
Youth Service 08/09	F	20-Apr-09	Good Standard	✓
Youth Service Follow-Up (08/09)	F	17-Dec-09	N/A	N/A

***There are 4 levels of audit opinion. Further explanation is provided in Appendix 3a**

INTERNAL AUDIT - END OF YEAR PROGRESS REPORT 2009 - 2010
Audit Assurance Opinion Definitions

There are four standards of assurance used to form an opinion on a system.

These are detailed in the table below:

Assurance	Definition
High Standard.	The system and controls in place adequately mitigate exposure to the risks identified. The system is being adhered to and substantial reliance can be placed upon the procedures in place. We have made only minor recommendations aimed at further enhancing already sound procedures.
Good Standard.	The systems and controls generally mitigate the risk identified but a few weaknesses have been identified and / or mitigating controls may not be fully applied. There are no significant matters arising from the audit and the recommendations made serve to strengthen what are mainly reliable procedures.
Improvements required.	There are a number of instances where controls and procedures do not adequately mitigate the risks identified. Existing procedures need to be improved in order to ensure that they are fully reliable. Recommendations have been made to ensure that organisational objectives are not put at risk.
Fundamental Weaknesses Identified.	The risks identified are not being controlled and there is an increased likelihood that risks could occur. The matters arising from the audit are sufficiently significant to place doubt on the reliability of the procedures reviewed, to an extent that the objectives and / or resources of the Council may be at risk, and the ability to deliver the service may be adversely affected. Implementation of the recommendations made is a priority.

**INTERNAL AUDIT – END OF YEAR PROGRESS REPORT 2009 / 2010
AUDIT OPINION ON SYSTEM REVIEWS COMPLETED**

General Notes

The following Audit Opinions are based on control weaknesses identified at the time of the reviews. In most cases action plans have been agreed for responsible managers to implement audit recommendations or suitable alternative controls; implementation of action plans will be reviewed as part of Internal Audit's routine follow-up procedures.

Capital Accounting Arrangements 2008/09

The system in place for accounting for the Council's capital assets was found to be operating to a 'Good Standard'. There are clear policies and procedures which ensure that new assets are recognised, valued and correctly classified for entry onto the asset register. Regular valuations are carried out by RICS qualified valuers with an impairment review being carried out annually on all of the Authority's assets and changes in value to ensure that they are accurately recorded in the Statement of Accounts and asset register.

Cash Collection – Bretonside 2008/09

The overall opinion formed was 'Improvements Required'. The relatively low value of income collected means associated risks are similarly low, however the existing processes and their implementation need to be improved to ensure income is safeguarded and the system is effective and efficient.

Cash Collection 2008/09

The audit review found that this continues to be a well managed system which operates effectively and has a "Good Standard" of control.

Cash Collection 2009/10

The Cash Office is a key front line service whose objective is to provide an effective and efficient service to the Council's paying customers. It also plays a pivotal role in ensuring income is collected and recorded accurately and correctly; and banked promptly. Our observations, enquiries and tests have shown that these objectives are being achieved and maintained to a "Good Standard".

Child Independent Placements 2009/10 (Draft)

The review found that, in the main, internal controls within CIPS was operating to a "Good Standard". This was evidenced by accurate recording of panel decisions, as well as good administration of the Needs and Outcomes Statements, Options Appraisals and individual contracts that is carried out in the Commissioning for Children's Services Team. Good processes were found to be in place for the payment, monitoring and reconciliation of the fortnightly payments which is, at present, carried out by the Admin Support Manager (ASM) Fostering and the Assistant Accountant within the Finance Team.

Commercial Rents 2008/09

It is noted that this was a difficult year for some areas due to key positions being vacant and the opinion formed as a result of this review was "Improvements Required".

Based on the evidence obtained, the design of the system of control, if complied with provides reasonable assurance that the activities and procedures in place will achieve the objectives for the system. Management have taken positive action in response to the recommendations for improvement.

Community Services – Grant Funded Services Return For 2008/09

The opinion formed by the audit review was that a "Good Standard" had been achieved. Contracts or service level agreements were identified for the contracts that have been managed by the Supporting People Team, the Adult Social Care Contracts Team and Housing. In some cases, the contracts had been extended in accordance with corporate procedures. The issues being raised do not materially affect the data contained in the 2008 Return but should be seen as possible improvements for identifying data for future returns and providing better descriptions of contracts on the published contracts register.

There has been regular monitoring of the services reviewed that are supported by a contract or service level agreement. Where issues have been identified as part of the monitoring process, appropriate action is being taken by the contract manager to resolve the situation.

The recommendations made in this review will be considered and actioned as part of the preparation of the 2009/10 Grant Funded Services Return.

Concessionary Fares 2009/10 (Draft)

Since April 2008, it became mandatory for the Council to provide free off peak travel on local bus services to eligible residents of the Council. Approximately 59,000 residents, including about 6,700 disabled people, have been issued with free bus passes under the Scheme.

The scheme has been promoted well in Plymouth and has been successful in achieving its aim of giving eligible residents the opportunity for greater freedom and independence to travel around Plymouth. However, there are some concerns surrounding the administration of the scheme which include the accuracy and reliability of records maintained by the bus operators and the potential for fraudulent or incorrect use of passes and the opinion formed was "Improvements Required".

Corporate Backup Procedures 2009/10

The corporate backup procedures were found to be well managed and administered to a "Good Standard". They are being carried out by well trained and knowledgeable members of the ICT department and the backup schedules ensure that copies of the Council's computerised applications are being taken at appropriate intervals.

Experience has shown that the ICT backup and restore procedures do work in practice and on the basis of the audit tests, undertaken during the course of this review, the Council's important business systems are all included in the backup process. However, although the ICT backup procedures can be shown to be effective in normal circumstances, there are a number of long standing and serious concerns regarding the ability to reinstate any, or all, of the Council's computer systems in the event of a major disaster.

Council Tax 2008/09

The Council Tax system was found to be operating effectively with an overall opinion that a “Good Standard” had been achieved. Collection rates had improved on the previous year, whilst outstanding work processes have been significantly reduced.

Council Tax 2009/10

The Revenues Service continues to focus on Corporate Improvement Priorities 1, Improving customer service and 14, Providing value for money, through the roll out of “lean systems” working. Consistent application of internal controls and effective debt recovery practices have ensured Council Tax collection performance has not been severely affected even at a time of economic downturn. The opinion formed was that the Council Tax system continues to operate to a “Good Standard”.

CRB Disclosure Checks 2009/10 (Draft)

Overall the Council was found to have policies and procedures in place, which in the main, appeared to be in line with the guidance published by the Criminal Records Bureau. However, conflicting guidance has been issued by the Department of Health and Ofsted in relation to the roles which may be subject to a CRB disclosure check.

Clarification is required to ensure that managers/officers understand the roles and criteria which indicate the need for a CRB disclosure check. Other areas requiring action include clarification of the Council’s position on CRB portability and improving access to policies for School’s including communication of their publication. Overall the opinion formed was “Good Standard”.

Creditors System 2008/09

Considerable effort has been made to address the issues raised in the previous audit report to improve the effectiveness of the service and the opinion formed as a result of this review was “Good Standard”.

Creditors System 2009/10

The Creditors Team has an important role in ensuring that payments are properly authorised prior to payment, with checks being undertaken to confirm that the correct amounts are being paid. Controls surrounding these areas were found to be robust and operating to a “Good Standard”.

Debtors System 2008/09

The review has identified some control weaknesses and the opinion formed is “Improvements Required”. However, it is recognised that considerable effort has been made to address the issues raised in the previous audit report, including the launch of an Income and Credit Management Policy and Bad Debt Write Off Policy. These policies will require some departments to review their working practices to ensure that they are compliant and as new practices become embedded will further improve the overall effectiveness of the system.

Debtors System 2009/10

Whilst the overall opinion formed was “Improvements Required” a considerable amount of effort has been made by the Incomes Team to introduce a number of initiatives to achieve its objectives of providing an efficient debt collection system, maximising income collection, reducing costs and minimising bad debts. Payment by direct debit has been promoted in an effort to reduce costs and improve efficiency. Service areas are encouraged to collect payments in advance wherever possible and the Debtors Team take pro-active measures to collect income prior to the due date. A number of reports have been developed to enhance performance monitoring and to provide management with an overview. However, these are new initiatives and once embedded will improve the overall effectiveness of the system.

Devonport Regeneration Community Partnership (DRCP) 2008/09

DRCP have established good procedures in respect of both project and programme management and based on the evidence from this review, the opinion formed was “Good Standard”. The effectiveness of systems is dependant upon the entire partnership working to achieve programme aims and the relationship with Plymouth City Council (PCC) as Accountable Body and as a project partner is integral to the successful delivery of the New Deal for Communities (NDC) programme in Devonport.

Devonport Regeneration Community Partnership (DRCP) 2009/10 (Draft)

The audit review focussed on the DRCP Succession Strategy which has been developed by DRCP in consultation with its key partners, to sustain the improvements delivered through the New Deal grant programme beyond the ten year lifetime. The strategy was found to be of a “Good Standard”.

Domiciliary Care (CareFirst) 2009/10

In the main, the areas examined reached a “Good Standard”. The audit did raise concerns relating to the current NSIBS system and these areas were highlighted as “improvements required”. However, it is recognised that a decision has already been made to carry out no further development to NSIBS in light of its proposed replacement. The areas highlighted which relate to NSIBS should form part of the specification for the replacement system.

E-Procurement - DCal I.T. Review 2009/10

This audit review has confirmed that the D.Cal system is a secure and robust application which provides an effective electronic method of processing payment card transactions into the Council’s general ledger and that it is being well managed and controlled by its System Administration Team.

There are no significant matters arising from this review but a small number of other issues were identified. Some of these have already been actioned, since the audit work was completed, but others still need to be addressed in order to ensure that the organisational objectives of implementing the D.Cal system are not put at risk.

E-Procurement - DCal Business Users 2009/10

This review focussed on two areas of high spend, Catering lodge cards with expenditure totalling £359k for the first half of 2009/10 and the purchasing cards used by the team responsible for Fleet and Garage Store which have a combined spend up to 30 September 2009 of £444k. Whilst the overarching system for the administration of purchasing cards was found to be operating to a good standard, some control weaknesses were identified in these two operational areas and recommendations for improvement have been made to the Catering Service and Fleet and Garage Store.

Fleet Management 2009/10

The systems and procedures operated by Fleet Management are currently not as robust as they could be and the audit has identified some key issues which if addressed, would assist the service in becoming more competitive. Although the opinion formed was "Improvements Required" the staff reaction to the audit was positive, advice and suggestions that were made were taken on board and in some cases implemented immediately.

Housing Benefits 2008/09

The economic downturn saw the Authority process an additional 1200 claims from September 2008 to February 2009, a trend which is likely to continue for the foreseeable future. This increased the overall caseload and placed additional pressures on benefits staff to deliver an effective service.

The opinion formed from this review was 'Improvements Required' but it should be noted that Revenues are actively reviewing their procedures to improve service delivery primarily through the introduction of LEAN systems. LEAN focuses provision on customer service and on a "right first time" approach to assessment.

Housing Benefits 2009/10

The effects of the economic downturn has continued to impact upon the capacity of the service during 2009/10, with the housing and council tax benefit caseload increasing by 10.5% from 24,994 in September 2008 to 27,637 by September 2009.

Internal control arrangements operating within the housing benefit system were found to be of a good standard, but a lack of accuracy checks and in-claim management arrangements fails to ensure the quality of benefit data reducing the overall opinion to "Improvements Required". It is acknowledged, however, that a detailed action plan has been drawn up and the lack of accuracy checking is now being addressed.

Housing Rents 2008/09

Despite efforts being made to address some of the issues raised in the previous Housing Rents audit report (2007/08), it was disappointing to note that a number remained outstanding at the time of the 2008/09 review. In view of this, five recommendations have now been ranked as a high priority.

Based on the evidence obtained, the design of the system of control, if complied with, continues to provide only limited assurance that the activities and procedures in place will achieve the objectives for the system. Based on the evidence obtained from testing, the application of established controls is adequate.

Housing Rents 2009/10 (Draft)

The review of the Housing Rents System covered the period 1 April 2009 to 16 November 2009, after which it ceased to be the responsibility of Plymouth City Council, following transfer of the housing stock to the newly formed Plymouth Community Homes (PCH).

In the main, key controls were operating to a "Good Standard". Reconciliations between the Housing Rents System and other systems which it interfaced, were undertaken regularly and there was separation of duties throughout the process to minimise the risk of fraud, collusion and errors.

HR/Payroll System 2008/09

The HR/Payroll service has faced some key challenges this past year which has included merging the Payroll and HR Admin teams into one holistic service and the reconfiguration of the HR Payroll system to accommodate the new pay and grade structure within a four month period.

Despite these significant challenges, the audit review identified that the service has made considerable efforts to address the issues raised in the previous audit report and the system was found to be operating to a "Good Standard".

HR/Payroll System 2009/10

Consistent application of internal controls have ensured that PCC employees have been paid accurately, on time and in accordance with their contract of employment. The system continues to operate to a "Good Standard" and further efficiencies may be achieved through improved utilisation of the e-HR SAP system and review of payroll processes, together with the roll-out of Managers Online (MOL) which was due to be piloted from April 2010.

ICT Change Control 2009/10

Considerable progress has been made since the Internal Audit report on Change Management was issued on 7th May 2008 and work continues to embed the principles of ITIL into both ICT working practices and culture. The ICT Service is progressing well in terms of improving ICT change management procedures and should be commended for its efforts.

A basic framework now exists to evolve ITIL based service delivery processes and workflows and the opportunity to successfully deliver service improvements, with tangible benefits to the Authority as a whole, should not be lost.

Implementation of Childrens Trust 2008/09

The opinion formed as a result of this review was 'Improvements Required'. Based on the evidence obtained, the Trust has been set up in accordance with the guidance issued by the Government but now needs to review the recently issued Audit Commission and Department for Children, Schools and Families guidance to ensure that the Trust is complying and developing in accordance with this.

The Trust partners need to ensure that the legal requirements are all in place to move forward to a closer working arrangement that may see certain areas of work where pooled budgets may be a more effective way of operating. The Trust needs to be seen to be

delivering services within the Every Child Matters agenda rather than being a method of communicating with relevant partners.

A follow-up of the review was completed in March 10 which found that positive action had been taken to improve the governance arrangements of the Children's Trust, and the majority of the points raised in the original report had been acted upon.

Information Governance (Government Connect) 2009/10 (Draft)

The Government Connect system (Gov Connect) provides a robust and secure means of sending and receiving communications between approved local and central government bodies. Whilst the arrangements in place within the ICT department for managing the Council's use of the Government Connect system and for ensuring compliance with the Code of Connection (CoCo) were found to be of a good standard, a number of issues were identified that could threaten the continued availability of the system as a result the overall opinion formed was "Improvements Required".

LAA - Data Quality – National Indicator Set 2009/10 (Draft)

Data quality arrangements are considered as part of the Use of Resources (UoR) assessment under Key Line of Enquiry (KLOE) 2.2, "does the organisation produce relevant and reliable data and information to support decision making and manage performance" and a sample of 10 national indicators were reviewed. It was found that overall, Plymouth City Councils data quality arrangements are of a good standard and provide the structure by which performance management processes can be carried out in a robust and comprehensive manner. However further action is required to strengthen and fully embed arrangements throughout the organisation and the opinion formed was "Improvements Required".

LAA Stretch Targets 2008/09

Overall, it was found that the systems in place for recording, reporting and publishing the LAA stretch target performance indicators were adequate. However, weaknesses were identified in two of the targets reviewed, they are:

- Stretch Target 8 to 'Decrease the Harm Caused by Alcohol Especially in Young People'
- Stretch Target 12: Indicator 2 – Number of people claiming incapacity benefit living in the Plymouth LAA area who have a care plan with Plymouth Mental Health Team who are supported by the Plymouth Works Partnership into sustained employment as measured by individual tracking of participants and outcomes through the partnership.

An action plan has been agreed to address the issues identified as failure to achieve the targets will result in the claim for performance reward grant being reduced or refused by the DCLG.

Loans and Investments 2008/09

The Council's existing systems and processes, together with measures that were introduced in response to the global economic downturn, were found to have been of a "Good Standard". The newly convened Treasury Board has met regularly since October 2008 and the Council has a new independent Treasury Management Advisor, Arlingclose.

Loans and Investments 2009/10 (Draft)

The Treasury Management (TM) Team continue to provide an effective service with cash flow maintained at an appropriate level and demonstrating compliance with CIPFA's Code of Practice. Internal controls continue to operate to a "Good Standard" with the TM Board continuing to meet on a regular basis to discuss, review and approve investment and borrowing decisions.

Local Safeguarding Children Board 2009/10

The Plymouth Safeguarding Board is well managed, monitored and controlled. The Board and sub-groups meet regularly and a business plan is in place and regularly reviewed. There are a number of new initiatives in the pipeline designed to improve both the Board and safeguarding of children in the city.

The audit opinion of "Improvements Required" was based on the lack of key documentation, namely the Partnership Agreement and Information Sharing Protocol. Although at present the agencies involved in the Board work together well, and Board is aware of the need for a formal agreement between the agencies, one has not yet been put in place due to a lack of resources.

Main Accounting System 2009/10 (Draft)

The consistent application of internal controls ensures that the Main Accounting System (including budgetary control) continues to operate to a "Good Standard". It was noted that budget forecasting during the current year has continued to improve, demonstrated by a lack of the significant swings in forecasts as experienced in previous years with reasons for budget variations being clearly laid out in the bi-monthly joint finance and performance reports to Cabinet.

Main Accounting System IT Review 2009/10 (Draft)

The Civica General Ledger (MAS) application is well managed, with clear governance and communication arrangements in place to ensure that it operates as required by the Finance Service. However, some concerns exist with regard to the number of users with "Full Access" to the computer system and with some of the privileges that Civica application support have been allocated on the corporate computer network.

Material Systems IT Review 2008/09

This review has confirmed that the majority of the common processes undertaken within ISD, in respect of the Council's material systems, are carried out in a secure, well-managed and professional manner. However, the exercise has also highlighted a number of areas in which improvements are required in order to raise those standards still further.

Material Systems IT Review 2009/10

This review has confirmed that, as in previous years, the majority of the common processes and procedures, undertaken within the ICT department in respect of the Council's material systems, are carried out in a secure, well-managed and professional manner and are now of a good standard. During the past year, significant progress has been made in a number of key areas but the exercise has also highlighted other areas in which improvements are still required in order to raise the standards still further.

The overall audit opinion of "Improvements Required" is based on an assessment of the individual risks in 'normal circumstances'. However, when considered together, the combined potential impact of some of the risks identified, does raise concerns regarding the Council's ability to ensure the continued availability of its material systems, in the event of a major disaster. (i.e. where the probability of the event occurring is unlikely but its impact on the business of the Council would be significant.)

Microsoft Exchange 2003, 2008/09

The opinion formed as a result of this review is that a "Good Standard" applies. This opinion relates to the procedures and controls associated with the MS Exchange system itself but does not apply to any corporate control weaknesses which represent risks to the MS Exchange system but which are beyond the control of the MS Exchange Manager.

The routine MS Exchange system administration functions are being managed in a reasonably sound and well organised manner. The Server Team Leader is satisfied that there is an adequate level of in-house and external support to maintain the system and the configuration of the hardware incorporates a reasonable level of resilience, apart from two 'single points of failure' (See Key Risks below) However, the MS Exchange environment is at risk, as the result of some corporate issues that are beyond the control of the system administrators.

Mt. Edgcumbe Accounts 2008/09

In accordance with the 'Accounts & Audit Regulations 2003 as amended', Internal Audit are required to provide an opinion on the adequacy of the system of internal control maintained by the Mount Edgcumbe Joint Committee.

The opinion formed was that in all significant respects the control objectives were being achieved throughout 2008/09.

Network Security Issues (Firewall Security) 2009/10

Plymouth City Council's firewall is currently administered to a "Good Standard" and provides a satisfactory and well managed solution to controlling digital traffic and mitigating external threats to the internal network. The review did highlight the lack of contractual documentation formalising the Council's business relationship with the third party consultants Blue Screen IT, the need to improve ICT's change control procedures and the need for more technical support to supplement ICT officer knowledge of new firewall components and their functionality. Since the review, training is starting to resolve this issue.

NNDR 2008/09

Revenues officers responsible for the billing and collection of the Non Domestic Rates continue to work hard to maintain a good standard of internal control and to review and improve current working practices and procedures. The opinion formed as a result of this review is that the NNDR system is operating to a 'Good Standard' and reliance can be placed on the internal controls and procedures operated.

NNDR 2009/10

The Revenues Service continues to focus on Corporate Improvement Priorities 1, Improving customer service and 14, Providing value for money, through the roll out of "lean systems" working. Consistent application of internal controls and effective debt recovery practices have ensured NNDR collection performance has not been severely affected even at a time of economic downturn. The opinion formed was that the NNDR system continues to operate to a "Good Standard".

Non-Residential Services Income Billing System (NSIBS) 2008/09

Based on the evidence obtained, the design of the system of control, if complied with, only provides limited assurance that the activities and procedures in place will achieve the objectives for the system. The opinion formed was "Improvements Required" but it is recognised that there is little value in implementing time-consuming and costly amendments to the current NSIBS if it is due to be replaced in the near future.

However, any replacement system purchased should ensure there are adequate controls, particularly around producing audit trails/reports and restricting access to sensitive/financial areas of the system.

Based on the evidence obtained from testing, the application of established controls is adequate.

OLM CareFirst System 2009/10

In October 2009, the Audit Service issued a draft report which concluded that "fundamental weaknesses" existed within the Carefirst system. The findings of the report were accepted by the CareFirst Programme Board, now chaired by the Assistant Chief Executive on behalf of the Corporate Management Team. This has ensured that appropriate resources have been allocated to address the weaknesses identified in all four control areas reviewed, namely, Compliance and Governance, Information and Data Security, Change Management and Operational Procedures.

The Audit Service has maintained a watching brief and has recently completed a high level follow-up exercise to establish the full extent of the progress made. The follow-up review found significant improvements in the governance arrangements in CareFirst's administration which has a positive influence upon all areas of internal control. As a result of this, better resourcing, and improvements made in the three other control areas covered, the overall audit opinion has improved from "Fundamental Weaknesses" to "Improvements Required".

Parks Services – Equipment Store 2009/10

The main depot used by Parks Services is located on Outland Road and contains a number of plant and equipment stores where equipment and consumable materials are held and issued. A small aspect of the work carried out by Park Services includes the safeguarding and control of these plant and equipment stores and Internal Audit were asked by Parks Management to review the risk and controls within the stores. Areas for improvement were identified by the audit and management have an action plan in place to strengthen controls.

Schools PFI Contract Monitoring 2009/10

The first year of the facilities management provision by Interserve Education has been a difficult period for all partners involved in the process. For the education establishments involved, there has had to be a significant change in their understanding of how facilities management works under a PFI contract as compared to a traditionally managed school. The responsibility for facilities management has been fully transferred to Interserve Education. The facilities management at Wood View Learning Community has been made more complicated as numerous issues reported to the Help Desk related to building defect issues rather than facilities management due to the staggered hand over of the accommodation from the building contractor to the facilities manager during this period.

The Council's PFI officers have been working with the educational establishments and Interserve Education through regular liaison meetings to address the shortfalls that have been identified. These include the operation, reporting and monitoring of the Help Desk, the instituting of Delivery and Development Plans (as detailed in the contract) and the monitoring of the contract at corporate and establishment levels. The opinion formed was "Improvements Required" and the work to date should be viewed as on-going work in progress during the first year with positive steps having been taken by all parties to address the issues identified.

Schools SIMS Interface 2008/09

The Authority's Schools Interfaces are administered to a "Good Standard". However, this standard would not have been achieved without schools performing a reconciliation between FMS6 records and the General Ledger which would identify mismatches between the systems. The identification and implementation of an improved technical solution for the processing of school supply teacher batch files would ensure a greater level of assurance as to the integrity of the overall process and the correctness of the payments generated.

Supporting People 2008/09

The Supporting People Services' operational procedures are administered to a "Good Standard". However, it should be recognised by senior management that there is a lack of key user and data management controls provided by the Care Support application.

Supporting People 2009/10

The Supporting People Services' operational procedures continue were found to be administered to a "High Standard". Recent password quality and data security improvements made to the CareFirst computer application have assisted in improving the level of assurance in the area of data security.

Sustainability 2009/10

Developing and embedding Sustainability as a cross cutting theme is a growing priority for local authorities in part motivated by carbon taxation levies and the Use of Resources assessment of the use of natural resources (KLOE 3.1). It has also been identified as a priority under Corporate Improvement Priority 14 (value for money). Internal Audit carried out a light touch high level review of where the Council is and made some recommendations should help to drive the work forward.

Trade Waste 2009/10

The opinion formed following this review is 'Improvements Required'. Trade Waste has seen a number of strategic changes introduced over the last 12 to 18 months, including the re-zoning of waste collection and the introduction of charging commercial organisations by weight instead of volume and staff have worked hard to implement these key changes. However it was found that there is a lack of comprehensive working practices for staff and the system for the collection of management information was inadequate.

Waste Management – Interim Solution 2009/10

Overall, the review found the contract monitoring arrangements to be operating to a "High Standard". The first year of the contract has seen a good working relationship between Plymouth City Council and Viridor Waste Management Ltd for the operation of the Refuse Transfer Station and subsequent transfer of municipal waste to landfill. In November 2008, the City Council introduced a four day working week for the collection of domestic refuse but this change was successfully managed by Viridor Waste Management Ltd and Council staff based at Chelson Meadow.

The key component of the monthly billing system is the 'Monthly Service Payment Fee Calculator' which was initially prepared by the City Council and agreed by Viridor Waste Management Ltd. The calculator only requires the input of the monthly tonnages for City Council and third party waste and the number of journeys to the landfill site. This has assisted both parties in preparing and subsequent paying of the monthly invoice. Appropriate adjustments have been made to the Fee Calculator in line with contract's indexation mechanism for 2008/09 and 2009/10 financial years.

Youth Service 2008/09

The Senior Management Team together with the Business Support Team has developed and introduced effective systems for the day to day operation of the financial and administrative processes which incorporate an appropriate level of internal control following the restructure of the service and the opinion formed was "Good Standard". Where potential weaknesses have been identified, as part of an on-going review, changes have been made to those systems. This in turn has seen the Service going a long way to achieving its priorities as detailed in the Youth Service Action Plan.

Internal Audit Follow-Up to CareFirst Application Report 2009/10 – Conducted May 2010**Overall Summary of Current Situation and Audit Opinion**

Following the issue of the Draft Report in October 2009, considerable financial and human resource has been committed to the OLM CareFirst application in order to take appropriate remedial action to mitigate the risks highlighted by Internal Audit. It is considered that Senior Management has demonstrated strong leadership by taking on board the findings of the 2009/10 audit review and taking swift and proactive action to address the issues raised. As a result, the overall audit opinion, based on the high level follow up review undertaken by Internal Audit in May 2010, has improved from “Fundamental Weaknesses” to “Improvements Required”.

The follow-up review found significant improvements in governance arrangements in CareFirst’s administration which has a positive influence upon all areas covered by the original Internal Audit review. There are still concerns over data security and operational procedures. This is due, in the main, to human and cultural factors that impact on these areas of control. Considerable work is still required to ensure that all users of the CareFirst system understand that they need to embrace its use, so that the data it holds is accurate and complete and that this data is protected by secure working practices and an embedded culture of good data security.

Improved data quality and the continued development of business processes and reporting tools will add significant value to both management and operational decision making and operational performance. Crucially, the holding of information that is accurate, complete and readily available will provide the best opportunity for informed judgements to be made by practitioners and front end staff, and appropriate support and protection provided to clients.

Summary of Situation Within Specific Areas of Control and Assurance Opinion

1. Expected Key Control / Risk / Audit area: ***Compliance and Application Governance***

Statutory requirements, policies and operational procedures, including roles and responsibilities, are effectively communicated and understood.

Opinion Statement as at October 2009

Statutory Compliance: Senior management within Childrens and Adults Services demonstrated an excellent understanding of the statutory requirements, central government initiatives and agendas, and recent case law. All necessary changes to the application and associated work streams are identified within CareFirst work plans.

CareFirst Application Governance: Difficulty was experienced in identifying key operational roles and responsibilities. Crucially, there is no central control team within the Authority to provide day to day application management and develop a core of expertise in all aspects of the CareFirst application and its associated work flows and working practices.

CareFirst User Compliance: From the outset, difficulty was experienced in making CareFirst work for PCC. System functionality was either poor or remained underdeveloped. This has led to user dependence upon both authorised and unauthorised ‘work around’ solutions.

Application and Workflow User Training: The CareFirst “Me-Learning” Tool has yet to be fully developed to ensure that users follow the application processes as designed. Furthermore, training courses, provided by ICT, are often poorly attended.

Quality Assurance: Formal monitoring of application use and data quality is not fully evolved, undermining the level of assurance in the quality of information that is being used for strategic and operational decision making.

SLA’s: No contractual SLA’s exist between PCC and OLM, potentially undermining the Authority’s ability to ensure that CareFirst is configured and maintained to ensure business processes are efficient and effective.

**Level of Assurance
As at October 2009**

**Fundamental
Weaknesses**

Situation as at May 2010

The structure for a dedicated CareFirst Team has been approved, with recruitment to new positions being conducted through early summer 2010. A budget has also been identified and approved and this is now being monitored, providing transparency regarding the true costs associated with administering CareFirst. Changes have been made to

**Level of Assurance
as at May 2010**

**Improvements
Required**

<p>the Programme Board and operational governance arrangements have already been improved with the CareFirst Programme Manager establishing the tasks to be performed by the CareFirst Team and overseeing system development and change. Relationships with OLM have greatly improved and can now be considered open and mutually beneficial and planned changes to OLM contractual agreements are likely to be advantageous to PCC.</p> <p>Training and communications strategies are being developed by senior management in order to improve user compliance and information security. The CareFirst Programme Manager has distributed guidance on password quality and security and is attending workshops and forums within Children’s and Adults Services in order to promote the work being undertaken and create user buy-in from senior management down. The opportunity for unauthorised system development, including workaround solutions, has been restricted, further safeguarding system integrity and information. The continued development of effective reporting tools provides managers with the ability to monitor operational effectiveness and data quality and address any procedural failings or staff issues.</p> <p>Improvements to the governance arrangements have already assisted in limiting the risks to the Authority and those in the community that it serves. However, there is still a considerable amount of work to be done, particularly in respect of user education and development. It is envisaged that once the recruitment process to fill vacant positions within the CareFirst Team is complete and staff are successfully integrated, the CareFirst Programme Manager will be able to delegate more work to this team. This in turn will help ensure continued improvements to application governance, ensuring better system use through re-engineering and user compliance, greater assurance in data quality and improved information security.</p>	
<p>2. Expected Key Control / Risk / Audit area: Information & Data Security</p> <p>System components and data are appropriately secured against unauthorised or inappropriate activity.</p>	
<p>Opinion Statement as at October 2009</p> <p>Fundamental weaknesses exist in the way the CareFirst application is administered which undermines data security. The lack of proper application and data governance, the lack of clear data ownership, insufficient resources and poor change management procedures all raise serious concerns that system data is not secure. The reliance upon workaround solutions, such as the corporate network based A-Z and NSIBS creates further concerns about the security of social care data.</p> <p>Existing user management processes are not appropriate given the sensitivity of the data being processed, nor the</p>	<p>Level of Assurance As at October 2009</p> <p>Fundamental Weaknesses</p>

<p>complexity and range of social care areas for which CareFirst is used. Furthermore, the ‘silo approach’ to data ownership and system configuration exaggerates the disparity in user perceptions of what constitutes sound information security. The ease with which the auditors gained “unauthorised” access to the CareFirst application and database serves as a warning to management.</p>	
<p>Situation as at May 2010</p> <p>Vital changes have been made to computer application password quality for both CareFirst V5 and V6 and password policies now reflect the requirements of PCC’s Information Security Policy. All redundant user accounts have now been rendered inoperable and a manual register has been created to perform regular checks against system user account details. All new users are required to be authorised at Assistant Director level and a current CRB check must be provided prior to the creation of an individual’s user account.</p> <p>Some high level work has been undertaken by the CareFirst Programme Manager to further understand existing user security profiles, highlighting issues like the existence of access groups that contains a single individual user and further demonstrating the need to create an appropriate and manageable security structure. However, as yet, no detailed work has been performed to review and refine the levels of access allocated to individual users. It is intended that a review of security will be performed following the mapping of business processes, so that security groups can be role based and directly related to operational needs.</p> <p>Whilst the CareFirst Programme Manager has provided appropriate user guidance to staff, there is still considerable work to be done to ensure a culture of good information management and security exists, so that all CareFirst users instinctively observe good practices. Even with considerable effort this is almost certain to take several years to achieve and will require the development of effective training and communications strategies.</p> <p>If the same level of governance can be demonstrated over the next twelve months then these new arrangements would be considered to be of a “Good Standard”.</p>	<p>Level of Assurance as at May 2010</p> <p>Improvements Required</p>

<p>3. Expected Key Control / Risk / Audit area: Change Management</p> <p>Changes to the Application, Database and associated network infrastructure are subject to formal change management procedures.</p>	
<p>Opinion Statement as at October 2009</p> <p>Despite the existence of a CareFirst Programme Board and increasingly formalised review procedures and project control mechanisms being put into place, there have been recent examples of inappropriate and unauthorised development. This is a direct result of other contributory factors including weak governance structures at an operational level, the lack of ownership and the absence of a core of expertise through which change and release can be managed.</p> <p>Work is being authorised by business managers who have little or no understanding of the wider consequences of changes being undertaken. Not only does this fail to develop the application and associated business systems in a strategic manner, but vastly increases the risk of service disruption.</p>	<p>Level of Assurance</p> <p>Fundamental Weaknesses</p>
<p>Situation as at May 2010</p> <p>The improvements to governance arrangements for the CareFirst application have positive implications for the way in which changes to the CareFirst application are managed, with ownership lying with the CareFirst Programme Manager. All staff currently working on the CareFirst Team are aware of ICT's change management procedures, as are the ICT Client Liaison Managers responsible for Childrens and Adults Services. Whilst not yet fully operational, the creation of the CareFirst Team reduces the scope for unauthorised "silo" development and allows for a strategic and structured approach to developing CareFirst and the operational procedures that it administers.</p>	<p>Level of Assurance as at May 2010</p> <p>Improvements Required</p>

<p>4. Expected Key Control / Risk / Audit area: Operational</p> <p>The application should fulfil business needs.</p>	
<p>Opinion Statement as at October 2009</p> <p>There are fundamental weaknesses in the way that the CareFirst application is used within PCC. The application is not always utilised as designed and, therefore, there can be little confidence that system data is complete, accurate, timely, processed only once and secure. Underdeveloped data validation within the application and the lack of evolved 'data' quality assurance and compliance monitoring, using application based reporting tools, further erodes assurance in this area.</p> <p>The reliance upon workaround solutions, such as the A-Z and NSIBS is both inefficient and ineffective and clearly demonstrates that the application is not currently effective in fulfilling the Authority's business requirements.</p>	<p>Level of Assurance</p> <p>Fundamental Weaknesses</p>
<p>Situation as at May 2010</p> <p>Once again, the improvements made in respect of governance arrangements, change management and the increased use of reporting tools have assisted in reducing the risks in this area. Business processes are being reviewed with appropriate assistance from OLM and the work being undertaken to integrate the use of management reports into operational processes. The increasing use of reporting tools has already provided significant benefits in specific business areas and these are beginning to be recognised by senior management in both Childrens and Adults Services.</p> <p>System stability has improved, reducing periods when CareFirst is unavailable to users and backup arrangements no longer require the use of a secondary database overnight for overnight cover. The project to link CareFirst to documents held within the A-Z is progressing which it is hoped will ensure that all information relating to individual cases can be identified and accessed through CareFirst. Further work streams exist to introduce and evolve Care Planning functionality that has been recently developed by OLM and would address some of the issues raised in the recent Ofsted Safeguarding Inspection. Other modules of CareFirst are being reviewed as replacements for the local PCC developed NSIBS database currently used to manage, bill and pay Domiciliary Care transactions.</p> <p>It remains critically important that level of user compliance continues to improve and that all CareFirst users are appropriately informed and educated to understand how to use CareFirst effectively and why this is so important.</p>	<p>Level of Assurance as at May 2010</p> <p>Improvements Required</p>