

INTERNAL AUDIT – END OF YEAR PROGRESS REPORT 2010 / 2011 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.

Business Continuity Management Arrangements 2010/11

A tremendous amount of very good work has been done in respect of business continuity planning in recent years and the arrangements in place for managing the corporate business continuity planning process were found to be of a "Good Standard". The Council is now well placed to deal with the immediate effects of a disruption of services and then to recover to a position of 'business as usual' in a controlled and well managed way. The recommendations made in this report only serve to strengthen what are already reasonably reliable procedures.

Capital Accounting 2009/10

The consistent application of internal controls ensured that the Capital Accounting System (Fixed Asset Register) has continued to operate to a "Good Standard". The Council has a Corporate Asset Management Plan and Capital Strategy in place and the operation of the fixed asset register was in accordance with accounting standards and the Council's Financial Regulations. Acquisitions and disposals were identified, recorded and authorised, whilst periodic reconciliations contribute to the accuracy and reliability of information held on the register for capital assets.

Care Leavers 16+ Service 2010/11

The Service was found to be managed to a "Good Standard" on both on the care and clerical sides. The processes for providing services and payment of allowances and accommodation through the corporate systems have been embedded in the administrative support systems of the Service and the Child Payments Team.

Efforts are being made to reduce the amount of cash required to pay weekly allowances by encouraging more young people to have their money paid into bank accounts. However, there appears to be a reluctance by the banks to provide bank accounts for these young people as they are potentially deemed to be a high risk.

A major concern for the Service is the Southwark Judgement made in May 2009 which determined that council's have a duty to provide accommodation to homeless 16 and 17 year-olds whose family support networks have disintegrated. This placed additional pressure on the budget but the review found that the situation was being closely monitored by the Service and the supporting accountants.

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".

Cash Collection 2010/11

In addition to providing an over the counter payment service which ceased on 31 March 2011, the Cashiers Section also supports the corporate function by receiving, receipting, allocating and banking all of the Council's income.

Internal control arrangements operating within the Cash Receipting System were found to be operating to a "High Standard". A stable and experienced work force, together with well embedded systems and procedures, has ensured that standards are maintained.

In recognition of the consistently high level of service that they provide to their customers, the Cashiers Team was awarded the Customer Service Excellence (CSE) accreditation in 2010.

Child Independent Placements (CIPS) 2009/10

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.

Choice Based Lettings 2009/10

The opinion formed was that improvements are required due to the need for better partnership wide governance. However, the audit provides assurance that PCC has taken appropriate steps to ensure that data migrated from the old Plymouth Housing Register to the new Abritas system remained accurate and that bandings reflected applicants' personal circumstances. Furthermore, where governance and security weaknesses were identified, PCC staff have continued to take a robust stance to ensure that issues are resolved as early as practicable.

There are many factors directly associated with partnership working that potentially undermine the good work that has been conducted locally by PCC staff. Of most concern is that data processing standards are not consistent and of a high enough standard throughout the whole partnership. This is almost certain to impact upon the fair and consistent processing of applications and increase the risk of data security breaches.

Concessionary Fares 2009/10

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 Information Management 2010/11

At the time of the audit review it was found that there were a number of fundamental weaknesses in the current information governance arrangements that would continue to restrict the Council’s ability to manage its information assets securely and effectively, unless the role of the SIRO was implemented effectively and the approved Information Management Principles embedded throughout the organisation.

Those weaknesses if not addressed could result in poorly informed decisions at any level of the organisation and could have an adverse impact on the provision of frontline services, the effectiveness of partnership working, the completeness and accuracy of the Authority’s annual accounts and the performance of the Council as a whole. Failure to comply with statutory requirements was also a significant risk.

The Audit Service has maintained a watching brief and has recently undertaken a follow-up exercise to establish the extent of the progress made towards implementing the recommendations made. This review has confirmed that the Director for Corporate Support has taken on the role of SIRO and that the other agreed actions are being implemented in a logical and orderly fashion, providing an improved level of internal control.

Council Tax 2010/11

2010/11 was a challenging year set against continuing economic problems and payment issues experienced by customers of Santander, contributory factors which did result in Council Tax collection rates being below target set. However, although the target was not achieved, the consistent application of internal controls and sound debt recovery practices did result in an 0.9% increase on collection rates when compared to 2009/10. Performance was regularly monitored and a number of initiatives developed to further improve collection rates. Overall the system was found to be operating to a “Good Standard”.

CRB Disclosure Checks 2009/10

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".

CRB and Independent Safeguarding 2010/11 (draft)

The audit review found that the systems and procedures operated by the central CRB Team are of a "Good Standard". Policy and guidance documents were found to be up to date, easily accessible and informative. The transfer of CRB records to the SAP system appeared to have been systematically undertaken, ensuring that CRB data is properly managed and utilised effectively.

Completed forms are received by the CRB Team for processing from many different sources and the quality of the data received was found to vary greatly. However, it was evident from the work carried out centrally in processing the forms prior to submission to the Criminal Records Bureau that the Team are aware of the information to check to ensure that delays are minimised. These checks along with the QA process help to ensure that the data now maintained in the SAP system is accurate.

The CRB Code of Practice clearly shows the expected requirements of registered bodies. Comparison of the processes in operation to the information contained within the Code of Practice showed significant compliance. Where non compliance was identified the work required to resolve the issues is minimal.

Creditor System 2010/11

The audit review has found that the internal control environment continues to operate to a "Good Standard". Changes during the year, including the requirement that only suppliers registered via Sell2Plymouth are used, means that greater control can be exercised over the management of suppliers and value for money is obtained.

Staff awareness has been raised to ensure that controls to prevent duplicate payments are not bypassed. 'Fiscal Duplicate Payment Finder', software which facilitates the identification of potential duplicate payments was installed in December 2010.

Data Quality - Capita ONE 2010/11

Capita ONE is a multi user database comprising of approximately 14 modules with input to the system carried out in a number of teams. Testing identified some generic issues and the opinion formed was "Improvements Required". Staff were aware of the importance of data quality, but with limited resources and staff shortages found it difficult to continue with important validation checks on the system to verify data received from 3rd parties. An action plan has been agreed to address the issues identified.

Data Quality – Government Returns 2010/11

There are a number of statutory returns which are completed within Community Services

but this audit concentrated on the quality of data for three of these returns:

- The Referrals, Assessments and Packages of Care Collection (RAP);
- Adult Social Care Combined Activity Return (ASC-CAR);
- Personal Social Services Expenditure Return (PSS EX1).

Internal controls on the completion of the returns were found to be of a “Good Standard”, with staff having a good understanding of the significance of the returns and the importance of accuracy.

Debtors 2010/11

The Council has continued in its drive to improve the debt collection rate and provide an efficient debt collection system which is operating to a “Good Standard”. Service areas are encouraged to collect payments in advance wherever possible, a tactic which appears to have significantly improved collection rates on Trade Waste. In addition, the Central Recovery Team take pro-active measures to collect income prior to the due date by making contact with customers before formal non-payment reminders are generated.

The responsibility for dealing with returned and rejected direct debits has been allocated to the Cashiers Team and controls over returned direct debits have been tightened. Other changes include the referral of debts between £200 and £500 to a private firm of solicitors. This method of recovery is in its infancy, although early indications are encouraging.

Devonport Regeneration Community Partnership (DRCP) 2009/10

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”.

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.

Governance and Monitoring of the Capital Programme 2010/11

Overall the governance and monitoring of the Capital Programme was found to be of a “Good Standard”. Proactive measures have been taken promptly by the Council to respond to the challenges arising from the current economic downturn and the change in Government, following the general election in May 2010. The capital programme is under constant review and the Council’s ability to fund capital investment is considered through continuous monitoring and reporting of calls on funding streams.

At the time of the review, work to clarify the impact of the October 2010 Comprehensive Spending Review decisions was on-going with regular updates reported to the Capital Delivery Board (CBD), Corporate Management Team (CMT) and Members.

The introduction of the Invest to Save scheme where capital resources are used to reduce the cost of delivering services and improve the quality and effectiveness of services will deliver on going savings for the Council.

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.

HR/Payroll System 2010/11 (inc IT review) (draft)

A “High Standard” has been achieved in respect of the Payroll Material Systems audit, with no recommendations being made in this area. Working processes are now highly evolved and there is little room for further efficiencies under current arrangements due to limiting factors such as, the diversity of employment contracts, the complexity of the SAP application and the prohibitive cost of enhancement, and other operational issues outside of the control of HR/ Payroll.

The maintenance of the SAP application and database remains costly and relies upon a range of both internal and external expertise and resources. Governance arrangements for administering the computer application remain complex and there is some room for continued improvement to communication and database monitoring processes. This becomes more and more crucial as key hardware components will operate outside of a maintenance contract from November 2011, and demand upon all system components increases as the database grows.

Information Governance (Government Connect) 2009/10

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”.

Information Security 2010/11

The review found that although the Council has a sound framework of information security arrangements in place at a corporate level, “Improvements are Required”. The risks associated with information security are well understood and a formal procedure has been established for reporting, monitoring and investigating any security breaches that do occur.

Key roles and responsibilities have been clearly assigned and a comprehensive set of information security policies and guidelines have been approved and published in the intranet document library. However, many of these important documents were created in 2007/8 and they have not been reviewed in accordance with the approved time scales.

At present ongoing information security awareness training is not being provided for all members of staff and in the absence of such training, individual staff actions could put the Council at risk of an information security incident. An action plan to improve this situation has been agreed and the first information security awareness training was delivered by a Microsoft Security Advisor to elected Members, CMT and Team Plymouth on 26 May.

LAA - Data Quality – National Indicator Set 2009/10

Data quality arrangements were considered as part of the Use of Resources (UoR) assessment 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”.

A dedicated piece of work was also undertaken on National Indicator 179 which related to the total net value of ongoing cash-releasing value for money gains and Internal Audit identified additional efficiency savings of £600k for reporting to the DCLG.

LAA – Data Quality – National Indicator Set (Performance Reward Grant) 2010/11

Overall, it was found that the systems for recording, reporting and publishing the LAA performance indicators were of a “Good Standard”. Reward grant claimed was £3.066m of which 50% was payable, following regulation changes in May 2010.

Loans and Investments 2009/10

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.

Loans and Investments 2010/11 (draft)

The review found a robust policy framework within which the Treasury Management activity takes place and the overall opinion was a “Good Standard”. The Audit Committee provides independent scrutiny of the Treasury Management Policy and Procedures and a TM board comprising senior officers and members meets regularly and receives regular updates of trading activity. Forecasting is accurate, enabling cash flow to be managed effectively.

Main Accounting System 2009/10

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 2010/11

The consistent application of internal controls ensures that the main accounting system continues to operate to a “Good Standard”. Information contained in the Joint Finance and Performance reports continues to develop and the process of challenging significant budget variations has become embedded within the culture of the organisation.

The Overview and Scrutiny Management Board have again provided robust challenge and review of the proposed budget for 2010/11.

Main Accounting System IT Review 2009/10

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.

Management of Partnerships 2010/11

Plymouth City Council is involved in many partnerships to enable the delivery of its Corporate Priorities and the associated outcomes for local people.

The Council's overall arrangements for managing its involvement in partnerships requires further improvement to ensure a consistent robust approach is adopted across the authority that will mitigate the associated risks.

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.)

Material Systems IT Review 2010/11 (draft)

The evidence obtained during the course of this review confirms that the majority of the processes and procedures in place within the ICT department in respect of the Council's material systems, are of a “Good Standard”. The department has continued to refine its organisational structure and working practices in order to establish a service that is better

placed to respond to the business needs of the organisation in a well organised and professional manner.

Mt. Edgumbe Accounts 2009/10

In accordance with Regulation 6 of the Accounts and Audit Regulations 2003 Devon Audit Partnership has carried out a review of the Mount Edgumbe Joint Committee's financial accounting systems and internal control arrangements in place during 2009/10 financial year. The opinion formed was that in all significant respects the control objectives were being achieved throughout 2009/10.

However, it was noted that as at the 31 March 2010 Mount Edgumbe Joint Committee reported a £300K deficit and nil reserves.

Mt. Edgumbe Trading 2010/11

There are three powerful factors that create specific difficulties in the running of successful and profitable retail trading activities at Mount Edgumbe. They are the geographic position, the location of the trading outlets within the country park and the current staffing arrangements.

In terms of the controls in place mitigate trading risks, there are weaknesses in stock control procedures and "Improvements are Required" in the areas of Governance, Cash Collection and Accountancy and Budgetary Control.

National Non Domestic Rates (Business Rates) 2010/11

The Revenues & Benefits service has developed a three year business plan with the following four key priorities;

- Improved collection rate for Council Tax and Business Rates;
- Improved processing times for Housing Benefit assessments;
- Reducing the cost of service delivery;
- Improving customer satisfaction with service delivery.

Consistent application of internal controls and effective debt recovery practices resulted in the NNDR collection rates exceeding targets up to the end of February 2011 despite the continuing difficulties posed by the economic climate. There was however a shortfall of 0.20% at the end of March but this was as a result of the credits carried due to the government deferral scheme* being posted to 2011/12.

Proactive use of benchmarking data by Revenues & Benefits management is underway, striving to improve the service's performance and cost effectiveness further. The overall opinion formed was of a "Good Standard".

*** On 31 March 2009 the government announced that business ratepayers would be able to defer 60 per cent of their 2009/10 rates bill increase. This would be paid back over 2010/11 and 2011/12.**

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”.

Revenues & Benefits Cheque Payments 2009/10

Following negative publicity arising from the issue of a misprinted refund cheque, the Director for Corporate Support commissioned Devon Audit Partnership to undertake a review of the adequacy of the systems deployed in the production of Council Tax refund cheques. For completeness, the review was expanded to include Non Domestic Rate refunds and Housing Benefit payments.

The review found that overall, the systems and procedures were operating to a good standard but there appeared to be an intermittent fault in the Academy System which when it occurred, resulted in cheque details being wrongly aligned for Council Tax and NNDR but not for Housing Benefit cheques. The fault has been reported to the software supplier and manual checks have been put in place pending resolution of the problem.

Security Services Contract Monitoring Review 2009/10

The review identified a lack of robust monitoring processes for six of the seven security contracts that the City Council had entered into since April 2008. As a result an opinion of “Improvements Required” was formed. The review could not find direct evidence that rates paid were being applied consistently, in accordance with those quoted in the contracts. In addition, there was a lack of one main point of contact for each contract within the Council although this has subsequently been rectified. There was limited monitoring of performance and achievement of service standards in accordance with the contracts, undertaken.

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.

