

PLYMOUTH CITY COUNCIL

Subject:	Internal Audit – Progress Report
Committee:	Audit Committee
Date:	September 2014
Cabinet Member:	Councillor Lowry
CMT Member:	Malcolm Coe, (Assistant Director FETA)
Author:	Robert Hutchins, Head of Devon Audit Partnership
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Ref:	AUD/RH
Key Decision:	No
Part:	I

Purpose of the report:

This report provides Members of the Audit Committee with a position statement on the audit work carried out since April 2014 and based on work performed to date during 2014/15, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control environment.

The Brilliant Co-operative Council Corporate Plan 2013/14 -2016/17:

The work of the internal audit service assists the Council in maintaining high standards of public accountability and probity in the use of public funds. The service 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.

The delivery of the Internal Audit Plan assists all directorates in delivering outcomes from the Corporate Plan:-

- Pioneering Plymouth – by ensuring that resources are used wisely and that services delivered meet or exceed customer expectations;
- Confident Plymouth - the Government and other agencies have confidence in the Council and partners.

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

None.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:

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

Equality and Diversity:

Has an Equality Impact Assessment been undertaken? Yes/No

Recommendations and Reasons for recommended action:

It is recommended that:-

- I. The report be noted.
-

Alternative options considered and rejected:

None, as failure to maintain an adequate and effective system of internal audit would contravene the Accounts and Audit Regulations 2003, 2006 and 2011.

Published work / information:

Internal Audit Annual Plan 2014/15 – June 2014

Background papers:

None

Sign off:

Fin		Leg		Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member													
Has the Cabinet Member(s) agreed the content of the report? Yes													

Internal Audit

Internal Audit Progress Report 2014-15

Plymouth City Council
Audit Committee

September 2014



Robert Hutchins
Head of Audit Partnership

Auditing for achievement



Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising Plymouth, Torbay and Devon councils. We aim to be recognised as a high quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards (PSIAS) and other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at robert.hutchins@devonaudit.gov.uk

Introduction

This report provides a summary of performance in the year up to 23 August 2013 against the internal audit plan for the 2014/15 financial year, highlighting the key areas of work undertaken and summarising our main findings and audit opinions. The key objectives of the Devon Audit Partnership (DAP) are to provide assurance to the Audit Committee, Section 151 Officer (Assistant Director for Finance) and senior management on the adequacy and security of the systems and controls operating within the Council and to provide advice and assurance to managers and staff.

The level of risk associated with each of the areas in Appendix A has been determined either from the Local Authorities Strategic / Operational Risk Register (LARR), or the Audit Needs Assessment (ANA). Where the audit was undertaken at the request of client, it has not been risk assessed. Assurance and recommendations should be considered in light of these risk levels and the impact this has on achievement of corporate / service goals.

Confidentiality and Disclosure Clause

This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.

This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

Review of Audit Coverage

Overall, good progress has been made against the plan agreed with management for the 2014/15 financial year. Progress in the period up to 21 August has included completion of work carried forward from 2013/14, undertaking follow up audits, and in completing assignments in accordance with timescales agreed with management.

A summary of Internal Audit's opinion on the individual reviews that have been carried out or concluded for the period from 1 April 2014 is included in Appendix A.

Internal Audit Opinion

In carrying out systems and other reviews, Internal Audit assess 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.

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

Overall, and based on work performed to date during 2014/15, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control environment.

Inherent Limitations

The opinions contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed.

Acknowledgements

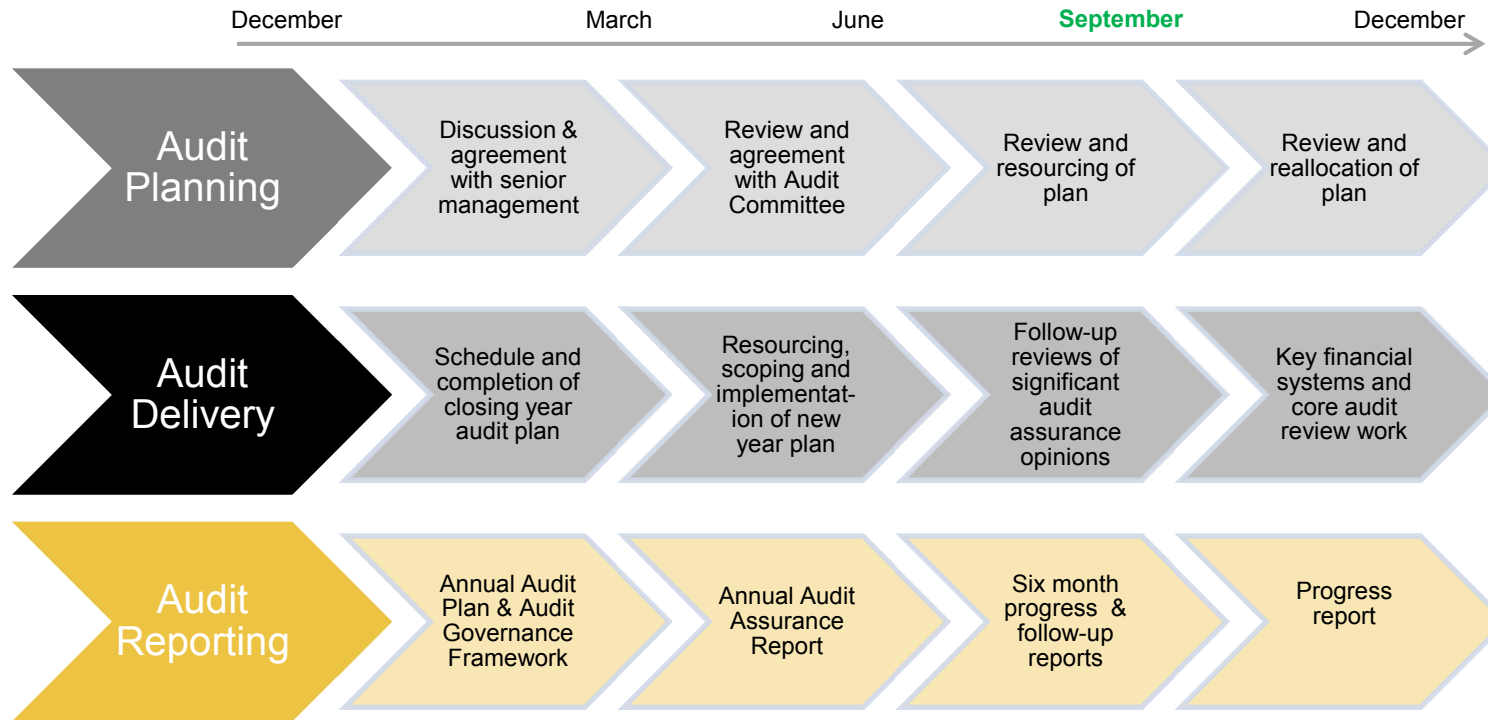
We would like to express our thanks and appreciation to all those who provided support and assistance during the course of the audits.

Robert Hutchins
Head of Audit Partnership

Recommendations

It is recommended that the report be noted.

Our Audit Team and the Audit Delivery Cycle



Date	Activity
Dec / Jan 2013	Directorate planning meetings
March 2014	Internal Audit Plan presented to Audit Committee
	Internal Audit Governance Arrangements reviewed by Audit Committee
	Year end field work completed
Apr / May 2014	Annual Performance reports written
June 2014	Annual Internal Audit Report presented to Audit Committee
	Follow –up work of previous years audit work commences
Sept 2014	Follow-up and progress reports presented to Audit Committee
Dec 2014	Six month progress reports presented to Audit Committee
	2015 Internal Audit Plan preparation commences

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Appendix 1 – Assurance Opinion and extract Executive Summaries – Up to 21 August 2014

Risk Assessment Key

SRR – Local Authority Strategic Risk Register score Impact x Likelihood = Total and Level

ORR - Local Authority Operational Risk Register score Impact x Likelihood = Total and Level

ANA - Audit Needs Assessment risk level as agreed with Client Senior Management

Client Request – additional audit at request of Client Senior Management

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
Transformation – Overall Programme					
Programme Delivery	SRR – Red ANA - High	14/15			Independent monitoring and/or support of various projects within the Transformation Programme such as ASDVs and Category Management (see below).
Transformation - Co-operative Centre of Operations (CCO)					
Contract Management	SRR – Red ANA – High Client Request	14/15	In Progress		Audit are a member of the Contract Management Working Group and are offering our knowledge and experience to the Project Manager through support and challenge as the Group review and develop strategies and procedures.
Mobilisation of DELT	SRR – Red ANA - High	14/15	In Progress		DAP has had an ongoing role in identifying the key risks associated with the implementation of Delt services and for bringing these matters to the attention of the relevant officers in 'real-time' so that mitigating actions can be taken to protect the interests of the Council.
Alternative Service Delivery Vehicles (ASDVs)	Client Request	14/15	Complete		Auditors have used their knowledge and experience to assist the Project Team in the development of a toolkit that is now available to officers to use when considering different ways of delivering their service(s).

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
Category Management	Client Request	14/15	In Progress		Audit has recently been invited to participate in workshops looking at the options available for the introduction of category management within the organisation, as part of the Commissioning and Procurement Project.
Transformation – Customer & Service					
Revenues & Benefits Risks & Processes	Client Request	14/15	In Progress		Auditors are assisting the Project Team in identifying improvements to current front line and back office processes in advance of the move into the new customer services “shop” in New George Street.
Transformation – Growth, Assets & Municipal Enterprise (GAME)					
Transformation – Integrated Approach to Health & Wellbeing					
Transformation – People & Organisation Development					
Decant of Civic Centre	SRR – Red ANA - High	14/15	In Progress		DAP has provided support and advice to the People & Organisation Development Programme Board and the two projects, covering Accommodation and Workforce Development, that report to it.
<p>Work will commence on the following areas within Transformation in the second half of 14/15.</p> <ul style="list-style-type: none"> • Overall Programme – Benefits Realisation • Co-operative Centre of Operations - Asset Management (linked with GAME) - Significant Partnerships • Growth, Assets & Municipal Enterprise (GAME) - Asset Management (linked with CCO) - Street Scene • Integrated Approach to Health & Wellbeing - Adult Social Care / Health Integration - Alternative Service Delivery Models 					

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
Major Infrastructure & Investment Projects					
Waste PFI	SRR – Green ANA - High	14/15	In Progress		DAP's long association with this project continues. We have been providing the recently appointed Contract Manager with support and challenge on the contract management arrangements as well as participating in discussions on how the Financial Allocation Mechanism (FAM) will operate in practice.
History Centre (Record Office)	ORR – Amber ANA - High	14/15	In Progress		Following the announcement that the Project has been successful in its first round bid for Heritage Lottery Funding, the project is now entering its next phase, Development, with six workstreams identified to take the project forward. Audit attends Programme Board meetings provided support, advice and assurance to the Project.
<p>The following major infrastructure and investment project reviews will be commenced in the second half of 14/15:</p> <ul style="list-style-type: none"> • Data Centre (SRR – Red, ANA – High) • Civic Centre (ANA – Medium, Client Request) • City Deal (Plymouth & SW Peninsula (ANA – Medium, Client Request) 					
Value Added					
Place - SMRF	Client Request	13/14	Final		Assurance was given to the Project Manager that the procurement process was followed correctly, in line with European, National and Council regulations and procedures.
People – Income Collection	ANA – High Client Request	14/15			Q1
Early Intervention (Families With a Future)	ANA – High Client Request	14/15			Q2
Use of Consultants & Advisors	ANA - High	14/15	In Progress		Audit are carrying out a review of the appointment of interim chief officers.

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
Mutley Plain Car Park Contract	Client Request	14/15	In Progress		Review of the management of the current contract in place with the car park operator

The following value added reviews will be commenced in the second half of 14/15:

- People – Income Collection (ANA – High, Client Request)
- Early Intervention (Families With a Future) (ANA – High, Client Request)
- Management of Major Contracts (ANA – High, Client Request)

Core Assurance – Key Financial System

Debtors	ANA - Low	13/14	Final	Good Standard	<p>Collection of general income (excluding council tax and NNDR) has increased from 96.4% in 2012/13 to 96.8%.and reflects the sustained efforts of management and staff to improve.</p> <p>Having assumed responsibility from Legal Services for obtaining judgement against defaulting debtors and the procedures have been embedded during 2013/14 through the use of HM Courts & Tribunals Service's Money Claim Online system. Post judgement bailiff performance is currently under consideration due to the limited recovery success demonstrated by the current providers.</p> <p>Whilst the intended review and refresh of the Income and Credit Management Policy remains outstanding, effective communication and maintenance of procedures has mitigated any operational risks this may pose although as a corporate policy it still needs to be updated.</p> <p>The Financial Assessment and Deputyship team within Revenues & Benefits were not receiving the necessary reports to reconcile the financial data uploaded from Carefirst to the Debtors system. However, there is an action plan in place to address this weakness.</p>
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Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
Council Tax	ANA - Medium	13/14	Final	Good Standard	<p>The review found good training being delivered to staff and comprehensive reviews of work undertaken by the Team Leader; procedures were up-to-date and there was an effective system to communicate changes to the team.</p> <p>The 2012/13 CIPFA Benchmarking review showed the service as expensive when compared to the average and although the service had lost a Team Leader and were carrying vacancies all year, Internal Audit were unable to clarify the impact to 13/14 costs.</p> <p>The Council Tax collection rate at the end of March was 95.80%. Areas for improvements to control have been identified as follows:</p> <ul style="list-style-type: none"> • Production of aged debt analysis (previously reported in 2012-13); • Review of credit balances; • Authorisation of debt write-offs; • Performance of the new bailiff contract. <p>There was however, good evidence of appropriate recovery action being taken.</p>
NNDR	ANA - Low	13/14	Final	Good Standard	<p>The review found good training being delivered to staff and comprehensive reviews of work undertaken by the Team Leader; procedures were up-to-date and there was an effective system to communicate changes to the team.</p> <p>Despite the difficult economic climate NNDR collection rate at the end of March 2014 was 97.63%.</p> <p>The 2012/13 CIPFA Benchmarking review showed the service as expensive when compared to the average and it is unlikely that costs have reduced.</p> <p>Procedures to evaluate the granting of discretionary relief were</p>

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
					<p>found to be robust.</p> <p>Areas for improvements to control have been identified as follows:</p> <ul style="list-style-type: none"> • Production of aged debt analysis (previously reported in 2012-13); • Resolve with ICT the issue of inaccurate data in credit balance report; • Performance of the new bailiff contract; <p>There was however, good evidence of appropriate recovery action being taken.</p>
Housing Benefits	ANA - High	13/14	Final	Good Standard	<p>Processing times the service area have improved and at the end of the 13/14 year, average times were new claim was just less than 13 days and change of circumstances slightly over 10 days.</p> <p>The QA process has improved the quality of claim processing but there is a risk that because there is no longer a dedicated resource for this role, the accuracy of claims processed fall over time which could impact the HB subsidy.</p> <p>Work is ongoing to reduce the backlog of overpayments but updated processes have improved recovery of newly identified overpayments.</p> <p>There continues to be a lack of proactive HB fraud work although reactive fraud work was seen to be undertaken promptly and effectively in line with the procedures in place.</p>
Capital Accounting (Asset Register)	ANA - Low	13/14	Draft	Good Standard	<p>The Capital Programme is subject to approval with regular monitoring reports provided throughout the year to enable effective scrutiny and appropriate approval of changes.</p> <p>The rolling asset re-valuation programme has been adhered to and the Fixed Asset register updated accurately and completely</p>

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
					<p>with the revised valuations. Movement on the general ledger is monitored on a monthly basis with further reconciliations between the general ledger and fixed asset register undertaken as part of the closedown process.</p> <p>The Land and Property Team are currently working with Transformation to develop an Asset Strategy. This will draw on the results of the Strategic Property Review commissioned in 2012/13 and the aims and objectives of the GAME and POD Transformation delivery programmes.</p> <p>Delegated changes to the management of the Capital Portfolio are now taken by the City Council Investment Board and details will be incorporated into the Constitution and Financial Regulations.</p>
Mount Edgcumbe 13/14 Accounts	Regulatory Requirement	14/15	Final	Good Standard	<p>Cornwall County and Plymouth City Councils agreed a total annual contribution of £314k for 2013/14, a £70k reduction from 2012/13.</p> <p>The focus of the Mount Edgcumbe Joint Committee during 2013/14 has been to drive forward the transformational change of Mount Edgcumbe Park with the objective of securing its future sustainability. As part of on-going business planning, budget monitoring and transformation projects, risks to objectives are considered, however these risks are not formally presented and discussed by the Joint Committee.</p>

The following core assurance / key financial systems will be commenced in the second half of 14/15:

- Civica Financials: (ANA High/Medium/Low)
 - Creditors
 - Main Accounting
 - Debtors
- CareFirst – Adults (ANA – Medium / Low)
 - Residential Care Payments
 - Residential Care Billing

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
<ul style="list-style-type: none"> • Academy Revs & Bens (ANA High/Medium/Low) <ul style="list-style-type: none"> ➤ Housing Benefits ➤ Sys Parameters ➤ Council Tax ➤ Business Rates 					<ul style="list-style-type: none"> • Fixed Asset Register (ANA – Medium) • Treasury Management (ANA – Low) • iTrent – Payroll (ANA – High) • IT Material Systems (ANA – Low)
Core Assurance - Other					
Absence Management	ANA - High	13/14	In Progress		
Corporate Landlord	ANA - High	13/14	In Progress		
ICT Access Management		13/14	Draft		<p>Policies and training provided to staff concerning logical access to systems are effective although they would be improved by the formal adoption of the Devon Information Security Partnership (DISP) framework for information security in which the Council played a major role in developing.</p> <p>The control framework provided through physical security and software controls is generally sound although there are improvements in control required in the following areas:</p> <ul style="list-style-type: none"> - documentation of security procedures for staff generally; - documentation of firewall administration - management and monitoring of user and administrator accounts; - malfunction of smartcard access security door in the Civic Centre.
People – Plymouth Teaching School Alliance (PTSA)	13/14	13/14	Final	High Standard	<p>Under the PAPH CIC, a Strategic Partnership Board and an Operational Partnership Board have been established with direct involvement of Plymouth Schools, the Local Authority, the University of Plymouth and University of St Mark and St John to support the work of the PTSA to deliver the improvement in the quality of school leadership, teaching and learning across Plymouth schools.</p>

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
					<p>Arrangements and protocols have been established between PAPH CIC and the schools to access available funding through a variety of programmes established by the PTSA. PAPH CIC has taken on the responsibility of checking the claims submitted by schools agree with approved action plans and the payments being made to schools that provided support in delivering the programmes.</p> <p>Some recommendations have been made to ensure that schools are reminded to submit their claims on a more regular basis and the need for individual schools to clearly show their PTSA financial transactions in their budget monitor reports. This would provide clear information for a school's governing body.</p>
People – Plymouth Safeguarding Children Board (PSCB)	ANA – Medium Client Request	13/14	Final	High Standard	<p>The Independent Chair of the PSCB is due to retire later this year. Consideration should be given as to the appropriate time to advertise this post to allow for an effective hand over. The current Independent Chair is also the Chair for the Plymouth Safeguarding Adults Board (PSAB) and the Chair for the Child Death Overview Panel (CDOP) which has allowed for good communication links between the three bodies. However, the future of how information is passed between these organisations may need to be revisited if the posts are filled by different people.</p> <p>Funding for the PSCB continues to be met by contributions from the member agencies of the Board. Previous years have seen an overall underspend on the budget which has been rolled forward. The reserves have proved useful in funding CDOP over the last few years since the Area Based Grant (ABG) funding ceased. However, it is anticipated that by 2015/16 the reserves will be exhausted. A special budget meeting has been arranged for later in the year to discuss this issue and the risk of insufficient funds available for the PSCB is highlighted in the risk register.</p>
People – Plymouth Adult Safeguarding Board (PSAB)	ANA – Medium Client Request	13/14	Final	Improvements Required	Several matters raised had been identified by the Board and were also raised previously in the October 2011 audit report; namely:

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
					<p>implementation of an Annual Report, Risk Register, Business Plan. The lack of a PSAB operational risk register is considered a high priority.</p> <p>With the retirement of the Independent Chair of the PSAB at the end of August 2014 and the departure of the Head of Safeguarding in March 2014 the Board is operating in a period of uncertainty. There are clearly resource implications in implementing and establishing all the appropriate governance arrangements for the Board and these should be fully addressed once the new Chair is in post in January 2015.</p> <p>Agencies who will become statutory members of the PSAB have previously made financial contribution to its running costs. These contributions have been based on a number of factors and final decisions on how funding in the future will be met is yet to be determined. Agencies are not obliged to contribute financially. With no formal agreement in place regarding contributions, in the current economic climate, there is a risk that agencies may not feel able to make a contribution. Agreed contributions will need to be formalised and included in the Partnership Agreement.</p> <p>The Safeguarding Adults Return (SAR) 2013/14 was populated using data held in a spreadsheet instead of data being extracted direct from CareFirst. It is understood the reason for this is because data held in CareFirst cannot be relied upon to be complete and up to date. This is an area for concern. If the prime record (i.e. CareFirst) is not up to date then the safeguarding process may be less effective. The on-going completion of a spreadsheet creates an unnecessary duplication of work and adds to the risk of errors in the SAR.</p>
People – CareFirst Creditors Follow-Up		13/14	In Progress		

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
Disclosure and Barring Service (DBS)		13/14	Final	Good Standard	<p>The current policy and guidance complies with national requirements and is updated in response to changes made by the Protection of Freedoms Act 2012.</p> <p>We have concerns over the duplication of effort and the possible introduction of errors as a consequence of the need for two ICT systems to undertake all the necessary DBS functions. However, work is ongoing to look at the electronic submission of checks to the DBS and should this be successful then it would likely reduce the need for double input by recruitment staff. Despite this, staff works in an accurate and efficient manner and the quality assurance checks built into the overall DBS process should help to ensure this continues moving forward.</p> <p>The new requirement for a tri-annual self declaration process is managed from information obtained with the iTrent system and was found to be working well.</p>
Corp Information Management & Security <ul style="list-style-type: none"> • Business • IT Inc. PSN 	SRR - Amber ANA - High	14/15	In Progress		Ongoing Advice and Consultancy including ILOG. Monitoring progress with ICO Audit action plan and recommendations made by DAP following a review in 2013-14
Schools Financial Value Standards (SFVS)	ANA - Low	14/15	Final	N/A	SFVS Dedicated Schools Grant Chief Finance Office assurance statement for 2013/14 submitted to the Department for Education.

The following core assurance (other) reviews will be commenced in the second half of 14/15:

- Business Continuity (SRR – Green, ANA Medium)
- ICT (ORR – Amber, ANA Medium)
 - Service Strategy
 - Service Design
 - Service Operation
- Capital Programme – Governance (ANA – High, Client Request)
- Procure to Pay Process (ORR – Amber, ANA High)
- Schools Finance Support (ANA – Medium, Client Request)

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
Grants					
Troubled Families (Families With a Future)	Regulatory Requirement	14/15	On-going	Part Certified	2013/14 quarter 4 and 2014/15 quarter 1 claims have been certified. Quarter 2 claim to be checked in October and quarter 3 in January.
DFE Adoption Grant	Regulatory Requirement	14/15	Complete	Certified	
CRC Return	Regulatory Requirement	14/15	Complete	Certified	DAP were able to certify that the Council had fulfilled its obligations with regard the submission of data and compilation of supporting evidence for the CRC Energy Efficiency Scheme. Annual Certificate issued 31 July 2014

The following grant claims will be reviewed in the second half of 14/15 in accordance with the requirements of the grant determinations:

- Disabled Facilities Grant - Regulatory Requirement
- Local Transport Fund Capital Block 31/2150 Additional 31/2163 – Regulatory Requirement
- Green Deal Communities Fund – Regulatory Requirement