

PLYMOUTH CITY COUNCIL

Subject:	Internal Audit – Half Year Audit Report 2014/15
Committee:	Audit Committee
Date:	18 December 2014
Cabinet Member:	Councillor Lowry
CMT Member:	Malcolm Coe, (Assistant Director for Finance)
Author:	Robert Hutchins, Head of Devon Audit Partnership
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Ref:	AUD/RH
Key Decision:	No
Part:	1

Purpose of the report:

This report provides Members of the Audit Committee with a position statement on the audit work carried out since our last report of September 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? No

Recommendations and Reasons for recommended action:

It is recommended that:-

1. 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.

Background papers:

None

Sign off:

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

Internal Audit


Half Year Report 2014/15

Plymouth City Council
Audit Committee

December 2014

Not Protectively Marked

Robert Hutchins
Head of Audit Partnership



Auditing for achievement

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Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of 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 along with other best practice and professional standards.

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

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.

Introduction

The Audit Committee, under its Terms of Reference contained in Plymouth City Council's Constitution, is required to consider the Chief Internal Auditor's audit reports, to monitor and review the internal audit programme and findings, and to monitor the progress and performance of Internal Audit.

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.

The Internal Audit plan for 2014/15 was presented to and approved by the Audit Committee in March 2014. The following report and appendices set out the current position of the audit service provision; reviews work undertaken to date in 2014/15 and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide a report providing an opinion that can be used by the organisation to inform its governance statement. This report provides a position statement at half year on the progress towards that opinion.

Expectations of the Audit Committee from this half year report

Audit Committee members are requested to consider:

- the assurance statement within this report;
- the completion of audit work against the plan;
- the scope and ability of audit to complete the audit work;
- progress impact against strategic aims
- audit coverage and findings provided;
- the overall performance and customer satisfaction on audit delivery.

In review of the above the Audit Committee are required to consider the assurance provided alongside that of the Executive, Corporate Risk Management and external assurance including that of the External Auditor as part of the Governance Framework and satisfy themselves from this assurance that the internal control framework continues to be maintained.

Robert Hutchins
Head of Audit Partnership

Assurance Statement

Overall, and based on work performed during 2014/15 and that of our experience from the current year progress and previous years audit, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control framework.

This assurance statement will provide Members with an indication of the direction of travel for their consideration for the Annual Governance Statement.

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.

All final audit reports 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.

Directors have been provided with details of Internal Audit's opinion on each audit review carried out in 2014/15. If significant weaknesses have been identified in specific areas, these will need to be considered by the Authority in preparing its Annual Governance Statement later in the year when preparing the Statement of Accounts for 2013/14.

Our work across the Council has been affected by on-going changes that our client is undertaking with operational business needs being examined in many areas as part of the Transformation Programme. Audit continue to be flexible in our approach and timetabling of audits so that our work can be delivered at the most effective times.

This statement of opinion is underpinned by our consideration of :



Progress Against Plan

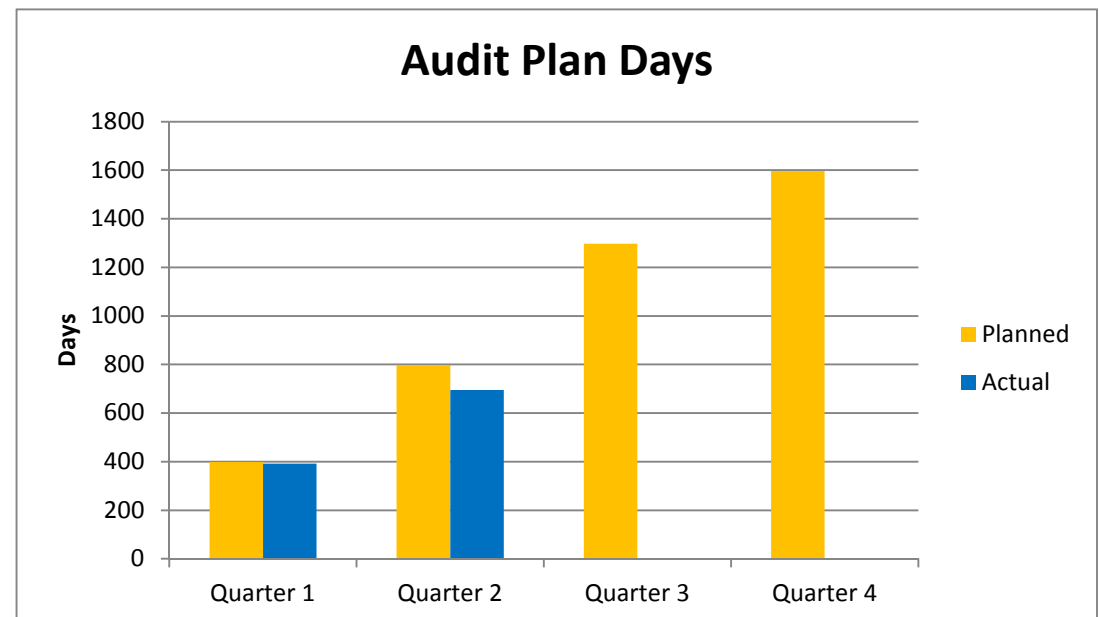
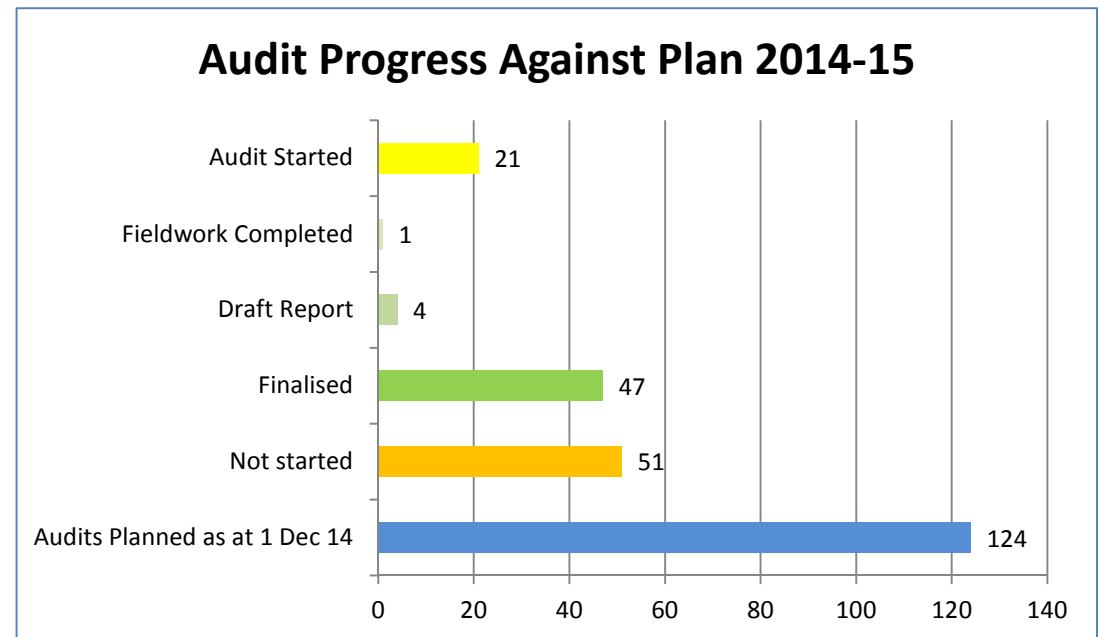
This report compares the work carried out with the work that was planned through risk assessment, presents a summary of the audit work undertaken, includes an opinion on the adequacy and effectiveness of the Authority's internal control environment and summarises the performance of the Internal Audit function against its performance measures and other criteria. The report outlines the level of assurance that we are able to provide, based on the internal audit work completed during the year. It gives:

- a comparison of internal audit activity during the year with that planned, placed in the context of internal audit need;
- a summary of significant fraud and irregularity investigations carried out during the year and anti-fraud arrangements; and
- a statement on the effectiveness of the system of internal control in meeting the Council's objectives.

For People, progress against plan has been slower than expected for the first six months of the year due to the need to schedule work to meet the client's priorities. Our work across the Council has been affected by on-going changes, with operational business needs being examined in many areas as part of the Transformation Programme. In addition, time allocated for the review of various aspects of ICT provision has been utilised on our support and challenge during the implementation of DELT.

The bar charts (right) shows the status of audit progress against plan as at 1st December 2014 and the audit days delivered for the first six months of 2014/15.

Appendix 2 provides further performance information for the first six months of 2014/15.



Progress Impact Assessment

Our audits completed to date this year, in the majority of areas, provide assurance that identified risks are being minimised or mitigated where appropriate.

Transformation and Change

Several areas within the Plan support key elements within transformational change. Our work in the coming months will consider the success of managing the wider strategic risks in these areas. For example new commissioning models require strong contract and performance management frameworks. These frameworks would benefit from the “lessons learnt” as part of our review of contracts from highways and DELT. Key areas are as follows:

- Contract performance management - highways maintenance and ICT service delivery;
- Information management – service compliance;

The principles, in terms of lessons learnt around contract management, need to be taken forward by the Council as a whole and by teams/officers who will be responsible for managing contracts in the future. A working group that includes Audit and officers from across the Council with responsibility for some of the Council’s major contracts, have been sharing their knowledge and experience as the Group review and develop strategies and procedures for the future.

As a result of the period of austerity, budget reductions have been required to set a budget within the reduced funding levels provided by Government in the financial settlement. It is essential that service areas drive the most value out of limited resources and this will include consideration of alternative service delivery vehicles. In support of this, Audit has been working with Transformation Officers in the development of an Alternative Service Delivery options appraisal “Toolkit”, a guide for officers to use in evaluating the various delivery options available.

Place

The original plan allowed 10 days of audit involvement for GAME Transformation. However, at the request of the Head of Development Management, these days have been re-allocated to allow reviews of Tree Preservation Team and Ancient Monuments Team. These reviews will

examine opportunities for exploiting the synergies between Planning and Street Services to improve service delivery.

The work on the development of an Alternative Service Delivery “Toolkit”, will assist officers in their evaluation of the various delivery options available when considering different ways of providing their services.

Officers responsible for major contracts within the Directorate, for example Highways Services and Waste PFI have been contributing to the Contract Management Working Group, sharing their knowledge and experience as the Group review and develop strategies and procedures for the future.

People

The introduction of the Care Act in the very near future will have profound effects both within the Authority and upon those receiving social care services. Changes in processes and procedures will undoubtedly occur through transformation and systems will require to be fit for purpose.

The functionality and responsiveness of IT is paramount. In these times of austerity with budgets set against a scenario of ongoing government funding reductions, efficiencies and achieving more for less are the norm. In support of this Audit have been working with Transformation Officers in development of an Alternative Delivery Toolkit for use across the authority.

Our work for the Adult Safeguarding Board was well received and provides a document from which they can progress forward. Best practice from other authorities where we undertake work will be shared where practical. We are currently involved in exploration of changes within the National Troubled Families programme with movement towards TF Phase 2 and the changing role of internal audit as regards this initiative. Our learning and awareness of best practice from elsewhere will be used to assist our clients.

Work upon Adult Social Care income collection is ongoing and will be reported upon in due course.

Value Added

Our internal audit activity has added value to the organisation and its stakeholders by:

- providing objective and relevant assurance;
- contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.

Senior Management has found our engagement, support as a “trusted advisor” effective and constructive in these significantly changing times.

Our work has identified specific added value benefits in key areas and in mitigating key risks. Notable benefits have been reported in the following areas:

Transformation and Change

- operational effectiveness of the core financial systems supporting reduction on staff resources whilst maintaining the control framework;
- contributing to a “lessons learnt” exercise following the transfer of ICT services to DELT;
- assurance on the governance arrangements on use and appointment of consultants;
- continued support, advice and challenge on the contract management arrangements and the Financial Allocation Mechanism (FAM) relating to the South West Devon Waste Partnership, to ensure that the City Council’s interests are protected;
- providing advice and support to officers within the Council’s Transaction Centre during an exercise to reconcile the payments received for head rents on city centre properties;
- offering knowledge and experience to the Contract Management Working Group, providing support and challenge as the Group review and develop strategies and procedures.

Place

- continued support, advice and challenge on the contract management arrangements and the Financial Allocation Mechanism (FAM) relating to the South West Devon Waste Partnership, to ensure that the City Council’s interests are protected;

- providing advice and support to officers within the Council’s Transaction Centre during an exercise to reconcile the payments received for head rents on city centre properties;
- offering knowledge and experience to the Contract Management Working Group, providing support and challenge as the Group review and develop strategies and procedures.

People

- support to Corporate Accountants following the transfer of School Finance Officer support to PAPH CIC;
- engagement with the Heath Check process for schools enabling targeting for intervention and support at a number of schools;
- resource saving in PSAB made by the audit pulling together’ all the areas of improvement needed in one document, providing a useful template for our response and action plan. Thereby enabling much more efficiency in our forward planning.

Schools

The Partnership has joined the School Health Check process to provide the internal audit view of the financial management of individual schools based on the most recent audit visit. The provision of internal audit’s performance data provides a greater focus on schools causing concern in the wider control environment. The result of our input was:

- six schools were highlighted as of concern for audit to undertake follow-up reviews; and,
- intervention reviews will be made to two further schools by the Governor Consultant and School Improvement.

The culmination of this work should, once complete, lift the performance of these schools.

Executive Summary - Audit findings

Transformation and Change

In our opinion, and based upon our audit work completed during the 2014/15, 'watching briefs' and direct advice provided for on-going projects, we are able to report that internal controls continue to operate effectively and where recommendations for improvements have been made, action plans have been agreed with management.

Based on audits completed and on indications from previous and on-going work, we are able to report that key financial system controls are well maintained and where weaknesses have been identified, management have responded positively to our recommendations for improvement.

There were no concerns identified from our work on grants. We were able to sign off the small bodies return for Mount Edgcumbe and the Environment Agency's annual CRC submission.

As a result of the period of austerity, budget reductions have been required to set a budget within the reduced funding levels provided by Government in the financial settlement. As service areas look to review and transform, Audit are providing an independent review of ways to streamline service delivery and processes, for example Customer Services, NNDR, contract management.

Audit identified key risks associated with the implementation of DELT Services and brought these to the attention of relevant officers in 'real-time' so that mitigating actions could be taken to protect the interests of both Transformation and Change and the Council as a whole. A subsequent report highlighted issues including the need to establish an Intelligent Client Function and to carry out a post implementation review so that lessons can be learned for future implementations of this nature, the latter of which is taking place and Audit are contributing to it.

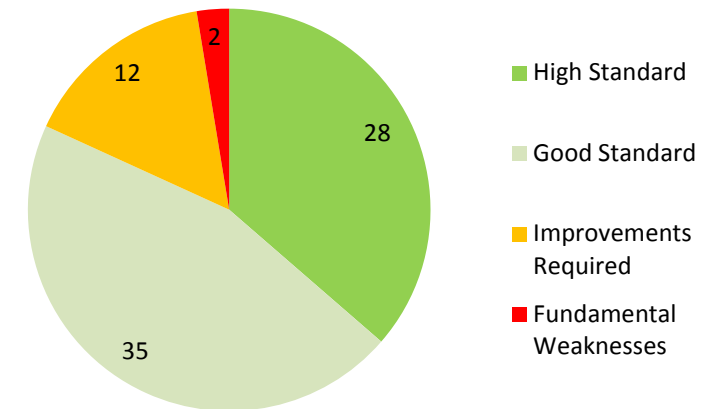
The Appendix 1 details the assurance opinions for individual audits for which the definitions of the assurance opinion ratings are given in Appendix 2.

Key Risks / Issues

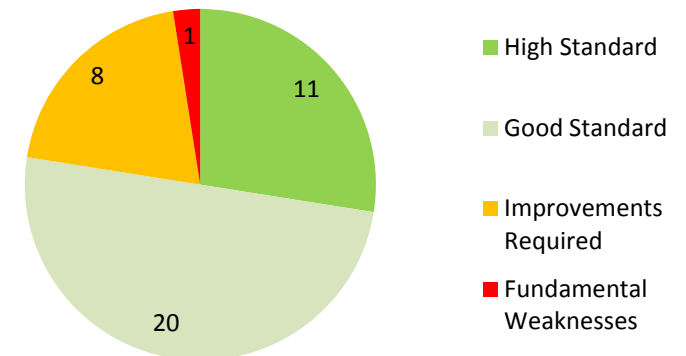
There is currently a lack of an Intelligent Client Function to oversee DELT and other future service providers. Audit will be working with those tasked to see the introduction of such a function, ensuring that it is appropriately resourced, fit for purpose and is "future proof" to meet the ever changing needs of the Council.

Development of an integrated and pooled budget/funding arrangement with NEW Devon CCG. Audit will be working with NEW Devon CCG and their auditors to identify any significant gaps in financial governance and assurance arrangements that are planned for the operation of the integrated fund.

Assurance Opinions 2013/14



Assurance Opinions Apr - Sept 2014/15



Place

In our opinion, and based upon our audit work completed during 2014/15 'watching briefs' and direct advice provided for on-going projects, we are able to report that internal controls continue to operate effectively and where recommendations for improvements have been made, action plans have been agreed with management.

DAP continues to work alongside the South West Devon Waste Partnership. We have been providing the recently appointed Contract Manager with support and challenge on the contract management arrangements as well as on how the Financial Allocation Mechanism (FAM) will operate in practice.

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.

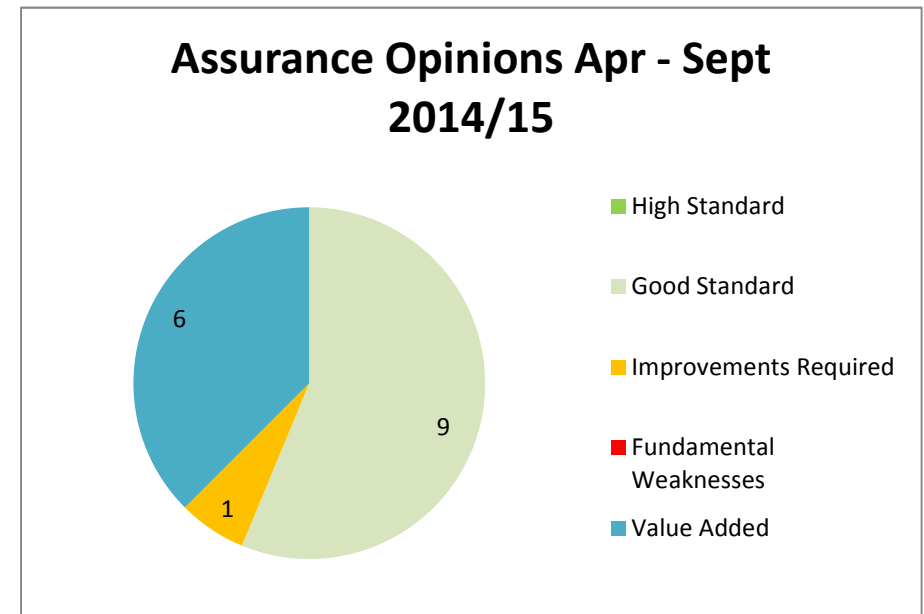
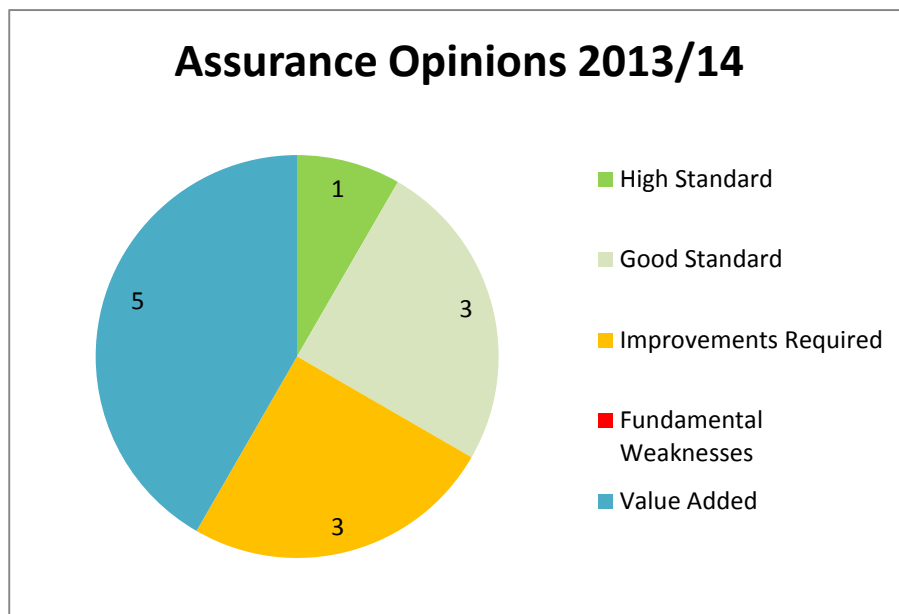
No significant concerns have been identified from our work and management have responded positively to any recommendations for improvement. The Appendix 1 details the assurance opinions for individual audits for which the definitions of the assurance opinion ratings are given in Appendix 2.

Key Risks / Issues

The contract for Highways Services is being considered with regard to future provision. DAP will be available to offer its support and challenge to those tasked with delivery.

Contract performance management is subject of audit review in several areas and will continue to be a risk requiring close management. Our recommendations on performance delivery of a car park contract are being implemented.

The History Centre is a significant project with a number of key dependencies, e.g. relocation of the Central Library and Audit will continue to provide a 'watching brief' to support delivery within the required timescales.



People

In our opinion and based upon our audit work completed, 'watching briefs' and direct advice provided, we are able to report that internal controls continue to operate effectively and where recommendations for improvements have been made, action plans have been agreed with management.

Any concerns identified through the on-going work leading to recommendations for improvement are responded to positively by management.

Appendix 1 details the assurance opinions for individual audits: this work in the main relates to 2013/14 audits finalised within the current financial year. Definitions of the assurance opinion ratings are given in Appendix 2.

The overall assurance from schools audit is of good standard. The risk and control framework is of a good standard although there is some non-compliance or poor practice in a small number of schools on governance and use of resources to achieve school improvement. Detailed assurance is provided under a separate report.

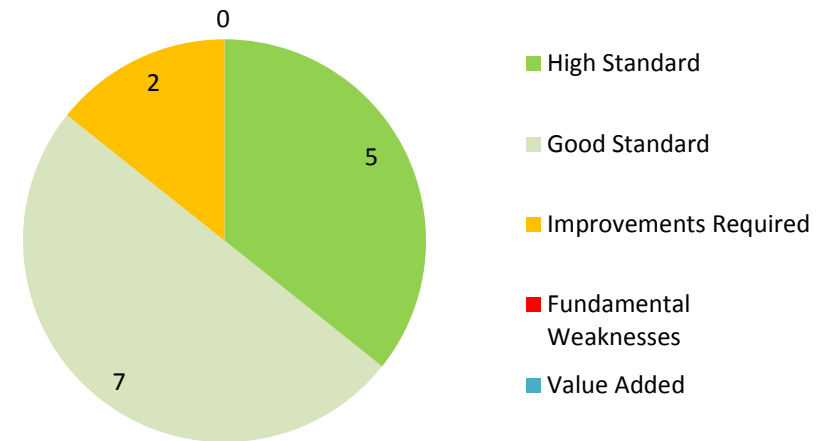
Key Risks / Issues

Two audits detailed within Appendix 1 have an assurance opinion of 'Improvements Required'.

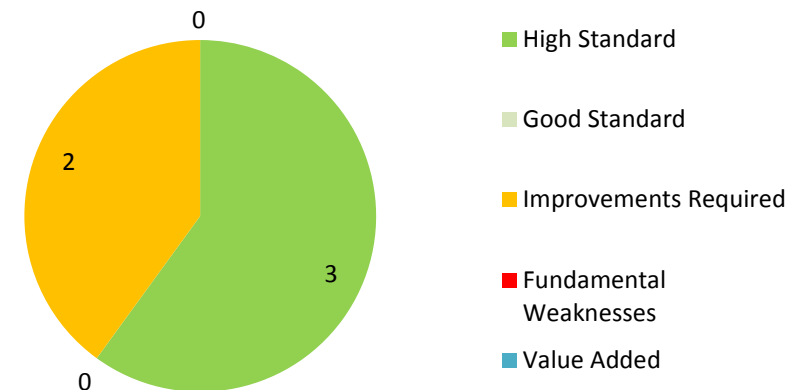
The Plymouth Adult Safeguarding Board report identified areas for improvement, particularly around the governance of the Board. This along with the retirement of the independent Chair has resulted in a period of uncertainty. The report reflected that the Board was between Chairs and some actions would have to wait for the incoming Chair. Appropriate action has already been taken following our guidance to ensure continuity of the Board's functions in this interim period. The Board's October 2014 set of published minutes confirmed that a meeting was planned with the incoming Chair to go through our report and to formulate a plan to address issues identified.

The second report with a continuing opinion of improvements required was the follow-up on the Carefirst – Creditors report. Although responses were provided as part of the follow-up process and management being aware of the associated risks, new processes were scheduled to be introduced in October 2014 as part of the phased transformation process of Adult Social Care and the decommissioning of the NSIBS support software. These new processes have yet to be subject to an internal audit review. This will be integrated where practical with other planned work on Care First billing.

Assurance Opinions 2013/14



Assurance Opinions Apr - Sept 2014/15



Schools

We have made good progress in the delivery of our audit plan to schools and schools have again been very appreciative of the quality of our service. The Schools Financial Value Standard is now an established tool for maintained schools as a self-assessment of their local financial management. The maintained schools are required to annually submit their self-assessment to their local authority by the 31 March.

From 1 April 2014, the direct financial support for the schools became the responsibility of PAPH CIC. The Schools Finance Officers are now employed through PAPH CIC following restructuring of the Corporate Accountants. Following the loss of the Schools Accountancy Team from the corporate structure, we have supported the Corporate Accountants with the reorganisation of the Council's responsibilities for accounting support and budget monitoring requirements for schools. This will enable the City Council to meet its statutory responsibilities for monitoring school finances

Another significant change will be the introduction of the Financial Reporting Suite (FRS) in the autumn term to replace the 'Budget Monitor' report as Scomis will no longer be supporting this software from the end of December 2014. The Partnership's school audit team have attended

training for FRS in preparation for the introduction of this system and amended work programmes to support schools.

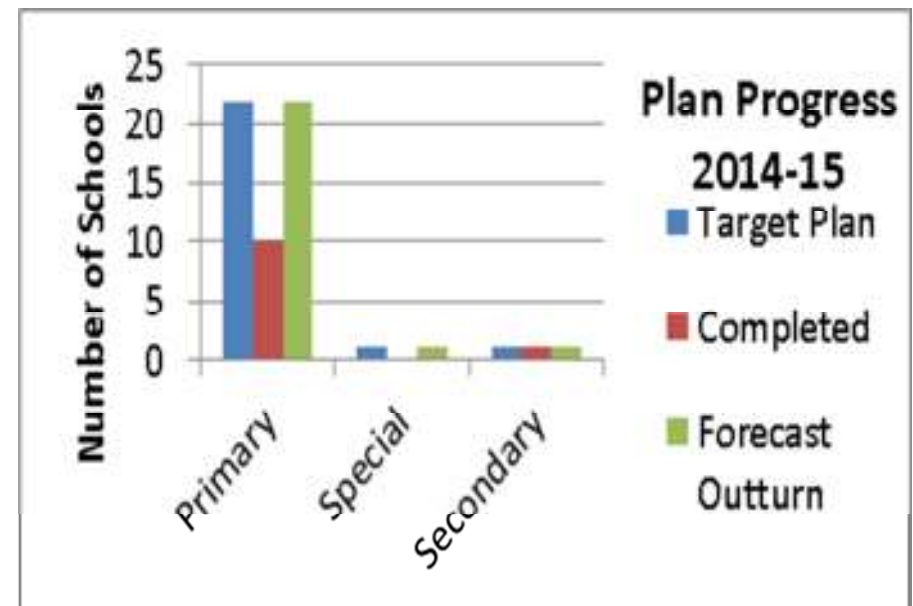
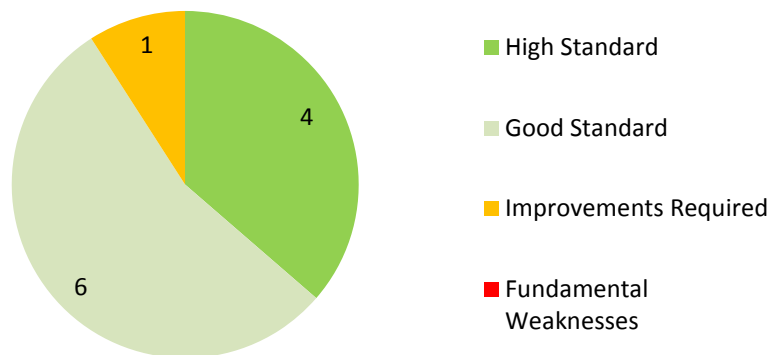
Good Standard - our opinion is that the systems and controls in schools mitigate the risks identified in many areas. Although specific risks have been identified on the core element of the audit review at some schools, recommendations have been made to reduce risks and in other areas and are made to strengthen what are reliable procedures.

Key Risks / Issues

- understanding of financial management by governors as evidenced by the requirements of the Standard, skills assessment and absence of key business from meetings;
- demonstrable benchmarking & financing of plans for raising standards and attainment;
- business continuity planning;
- purchasing procedures and,
- inventories and asset management.

Recommendations have been made to reduce risks and in other areas, recommendations made serve to strengthen what are reasonably reliable procedures.

Assurance Opinions Apr - Sept 2014/15



Fraud Prevention and Detection

Fraud Prevention and Detection and the National Fraud Initiative

Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. The Audit Commission runs a national data matching exercise (National Fraud Initiative - NFI) every two years. For the 2014/15 exercise, Internal Audit has been co-ordinating the extract of relevant datasets, as defined by the Audit Commission, from a range of City Council systems including Creditors, Payroll, Housing Benefits and Insurance. Departments have supplied their datasets and these have been uploaded onto the NFI secure website. Note that Council Tax and Electoral Roll are to be uploaded in December. The subsequent matching reports should be received back from the Audit Commission at the end of January 2015 and these will be examined either by Internal Audit or provided to relevant departments for their investigation.

Irregularities - During 14/15, Internal Audit have carried out, or assisted in a total of seven new irregularity investigations within the Authority, including schools. Analysis of the types of investigation and the number undertaken shows the following:-

Issue	Number
IT Misuse	5
Employee Conduct	2

With the cases of IT misuse, DAP were able to supply management with internet usage reports that could be analysed for evidence of mis-use and trends and in one of the case, telephone logs. In another case, DAP were asked to review the contents of a Council employee's personal laptop following that employee alerting the Council that work related documents were stored on it and the laptop had subsequently become inoperable, the screen had stopped working. Using forensic software, an image of the hard drive was taken and reviewed. Work related documents were identified some containing personal information relating to clients and colleagues.

The owner of a local business raised concerns about the conduct of a Council employee, citing examples of abuse of position. The officer resigned from their position before any formal action was taken. In the second case, DAP were informed of an employee who was carrying out his duties without a licence with the valid category of vehicle. DAP are currently making enquires with DVLA.

In addition to the specific investigations outlined above, DAP were asked to investigate whistleblowing and grievance issues raised by an officer in respect of alleged detriments suffered as a consequence of service restructure . A report was subsequently issued to management.

In addition to the specific investigations outlined above, DAP have also provided management with a range of advice and support on courses of action or improvements to controls.

Customer Value

Performance Indicators - Resources

Overall, performance against the indicators has been very good (see appendix 2). We are aware that some of our draft and final reports were not issued to the customer within the agreed timeframes (15 working days for draft report and 10 working days for final report). We have identified areas where performance has been poor, and are working with our staff to ensure improvement is achieved.

Customer Service Excellence (CSE)

DAP continues to be maintain accreditation by G4S Assessment Services of the CSE standard. We highly value customer comments on our service and how we can improve our work.

During the period we issued client survey forms with our final reports. The results of the surveys returned are very positive. The overall result is very pleasing, with near 99% being "satisfied" or better across our services, see appendix 3. It is very pleasing to report that our clients continue to rate the overall usefulness of the audit and the helpfulness of our auditors highly.

What Our Customers Said

We have had some very complimentary feedback in the last six months. More details can be found on our website (www.devonaudit.gov.uk) but some of the more relevant comments include:-

"The Auditor was extremely helpful and responsive throughout the planning phase. The Auditor was efficient and flexible which helped us respond and plan appropriately. The reporting was timely, and the outcome of the audit was as expected by the board and senior safeguarding staff. The process has provided a useful vehicle to help us plan next steps and future requirements".
"The Auditor was accessible and pragmatic in his approach recognising the range of issues we were dealing with and it has been a positive experience".
"I cannot praise the Auditor's professionalism highly enough"

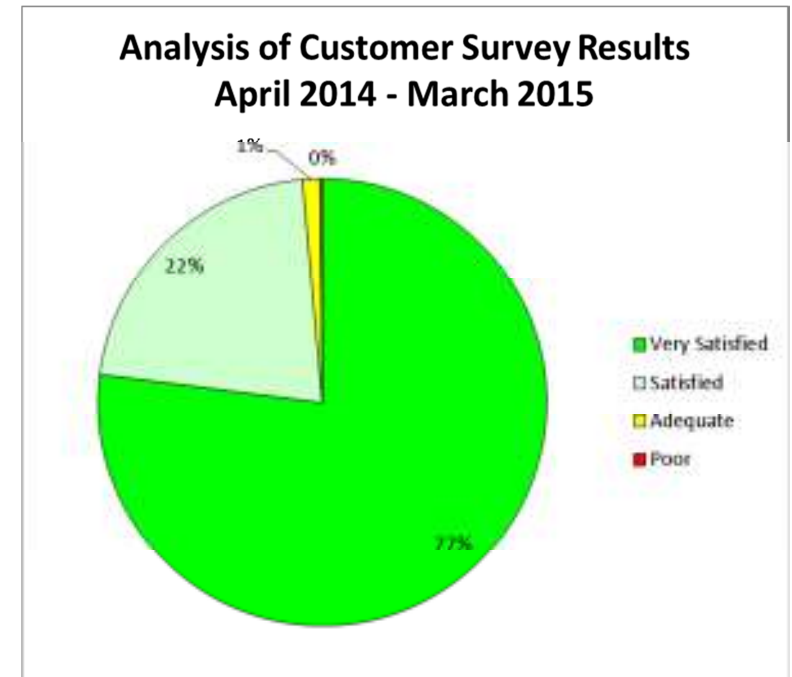
Added Value

We aim to provide a cost effective, efficient and professional internal audit service that takes the opportunity to add value whenever possible. Some of the specific examples of where our team have been able to add value to the Council in the first six months of 2014/15 include:-

"The main area of added value is the resource saving made by the audit 'pulling together' all the areas of improvement needed in one document, and providing a useful template for our response and action plan".

"From my perspective, the benefits of using the audit service is that it provides objective and balanced feedback from auditors who know their subject area. It provides assurance that the service is effective as well as offering recommendations for improvement (which is sometimes difficult to see when you are working with it day to day)".

We continue to develop and train our staff so that they can add value to the organisation as it faces the difficult challenges ahead.





Appendix 1 – Summary of audit reports and findings for 2014/15



Risk Assessment Key

LARR – Local Authority Risk Register score Impact x Likelihood = Total & Level
 ANA - Audit Needs Assessment risk level as agreed with Client Senior Management
 Client Request – additional audit at request of Client Senior Management; no risk assessment information available

Assurance Progress Key

Green – action plan agreed with client for delivery over an appropriate timescale;
 Amber – agreement of action plan delayed or we are aware progress is hindered;
 Red – action plan not agreed or we are aware progress on key risks is not being made.
 * report recently issued, assurance progress is of managers feedback at debrief meeting.
 ** for transformation & other projects, the direction of travel reflects our view of how effective the project is run.

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Transformation – Overall Programme					
Programme Delivery	SRR – Red ANA - High			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	In Progress	Value Added	Audit is a member of the Contract Management Working Group, a group that includes officers from Directorates with responsibility for some of the Council’s major contracts e.g. Highways, Waste PFI, Leisure Management and Social Care. Together, these officers and DAP have been able to offer their knowledge and experience to the Project Manager with Audit providing support and challenge as the Group review and develop strategies and procedures.	 **
Mobilisation of DELT	SRR – Red ANA - High	In Progress	Value Added	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 both Transformation and Change and the Council as a whole. A report has subsequently been issued in draft which has highlighted a number of issues including the need to establish an Intelligent Client Function and to carry out a post implementation review so that lessons can be learned	 **

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				for future implementations of this nature. Audit are pleased to report that such a review is taking place and Audit are contributing to it.	
Alternative Service Delivery Vehicles (ASDVs)	Client Request	In Progress	Value Added	Auditors have used their knowledge and experience to assist the Project Team in the development of an options appraisal toolkit that will be made available to officers to use when considering different ways of delivering their service(s).	 **
Category Management	Client Request	In Progress	Value Added	Audit has 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	Completed	Value Added	Auditors assisted 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					
Care Act		In Progress		Meetings have been held with Directorate staff to provide information on how the requirements of the Care Act will be implemented. Regular updates have been scheduled.	
Transformation – People & Organisation Development					
Decant of Civic Centre	SRR – Red ANA - High	Ongoing	Value Added	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, to	



Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				ensure that the intended benefits are delivered in an efficient and effective manner. Such advice has included the retention of documents and security of information, as well as assurance over project management.	

Work will commence on the following areas within Transformation in the second half of 14/15.

- 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)
- Integrated Approach to Health & Wellbeing - Adult Social Care / Health Integration
 - Alternative Service Delivery Models

Time allowed for in the original plan for Street Services has been re-allocated for work relating to the team responsible for Tree Preservation Orders which is currently underway and a review of the systems for 'Ancient Monuments' which will commence in quarter 4.

Major Infrastructure & Investment Projects

Waste PFI	SRR – Green ANA - High	On-Going	Value Added	DAP's guidance continues to be sought to benefit this project. We have been providing the recently appointed Contract Manager with support and challenge on the contract management arrangements as well as providing guidance on how the new Financial Allocation Mechanism (FAM) will operate in practice.	 **
History Centre (Record Office)	ORR – Amber ANA - High	On-Going	Value Added	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. Until recently, Audit attended Programme Board meetings but it continues to provide support, advice and assurance to the Project.	 **

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	



The following major infrastructure and investment project reviews will be commenced in the second half of 14/15:

- Civic Centre (ANA – Medium, Client Request)
- City Deal (Plymouth & SW Peninsula (ANA – Medium, Client Request)

The following review will not be undertaken in light of the transfer of ICT services to DELT

- Data Centre (SRR – Red, ANA – High)

Value Added



Use of Consultants & Advisors	ANA - High	Complete	Value Added	Audit has completed their review of the appointment of interim chief officers and the findings have been reported to management.	
People – Income Collection	ANA – High Client Request	In progress		Adult social care charging policy and income contributions required from adults for their social care.	
Early Intervention (Families With a Future)	ANA – High Client Request			Q3 – further delayed due to the Ofsted inspection of Children’s Services	
Place - SMRF	Client Request	Final	Good Standard	Assurance was given to the Project Manager that the procurement process was followed correctly, in line with European, National and Council regulations and procedures.	
Planning – Tree Preservation Orders	Client Request	In Progress		To ensure the best possible service provision to the customer the focus of this review is on the robustness of processes and procedures relating to the authorisation of works on trees covered by tree preservation orders. Also considered will be any synergy with Street Services tree officers and possible opportunities for commercial activities.	
Contract - Mutley Plain Car Park	Client Request	Final	Improvements Required	The Parking Manager raised concerns relating to a contract which has been in place for a number of years and requested an audit review.	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				To address the weaknesses identified, it was recommended that: clear procedures need to be put in place for the remainder of the contract, legal advice needs to be sought relating to increases in annual costs, and; the possible financial implications of negative income figures needs to be understood.	
Claim for Overpaid Rents	Client Request	In Progress		Following representations to the Council regarding alleged overpayment of head rents by the Head Lessee, in respect of a number of premises within the city centre, DAP are providing advice and support to officers within the Transaction Centre during the exercise to reconcile the payments received and determine the extent of any possible overpayment. This work will also consider if there are any improvements in the system to prevent similar occurrences in the future.	

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

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

Core Assurance – Key Financial System

Capital Accounting (Asset Register)	ANA - Low	Final	Good Standard	Assurance was reported in the September 2014 progress report; please refer to that report for details.	
Civica Financials – Debtors	ANA - Low	In Progress			
Academy System Parameters	ANA - High	Draft	Good Standard	Whilst relevant systems and controls are generally sound, recommendations for improvements in control have been made in the following areas:	



Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				<ul style="list-style-type: none"> Where staff have undertaken procedures for the first time or new ways of working have been trialled, there has been a lack of supporting evidence retained regarding the key controls in place. The NNDR (business Rates) opening debit reconciliation required reconstructing during the course of the audit as supporting evidence was not captured at the time the reconciliation was undertaken 	
iTrent - Payroll	ANA - High	In Progress			




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



- | | |
|--|--|
| <ul style="list-style-type: none"> • Civica Financials: (ANA High/Medium) <ul style="list-style-type: none"> ➢ Creditors ➢ Main Accounting • Academy Revs & Bens (ANA High/Medium/Low) <ul style="list-style-type: none"> ➢ Housing Benefits ➢ Council Tax ➢ Business Rates | <ul style="list-style-type: none"> • Fixed Asset Register (ANA – Medium) • Treasury Management (ANA – Low) • CareFirst – Adults (ANA – Medium / Low) <ul style="list-style-type: none"> ➢ Residential Care Payments ➢ Residential Care Billing |
|--|--|


The following core assurance / key financial system review will not be undertaken as a consequence of the transfer of ICT services to DELT




- ICT Material Systems (ANA – Low)



Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Core Assurance – Other					
Absence Management	ANA - High	Draft	Improvements Required	<p>The steps taken to reduce the amount of sickness absence have had a positive affect resulting in a significant decrease in the number of days absence per FTE. There is regular monitoring of the Top 100 reports and a sickness is also a standing agenda item at meetings of the Corporate Management Team.</p> <p>Detailed guidance is available on Staffroom for both employees and line managers but the absence management framework would be further enhanced if a system is put in place which would ensure that newly promoted employees, or Line Managers new to the organisation attend training workshops. This should ensure a more consistent approach to absence management across the organisation.</p>	 *
Corporate Landlord	ANA - High	In Progress			
ICT Access Management	ANA - High	Draft	Good Standard	<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. <p>The draft report was issued to the former Head of ICT but with the transition to DELT an action plan has not been agreed.</p>	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
People – CareFirst Creditors Follow-Up		Final	Improvements Required	Testing was carried out on potential duplicate payments. However, due to systems and processing being changed and the decommissioning of NSIBS in October 2014 it was not possible to carry out wider testing. Managers were informed that testing would need to be carried out in the future on the new systems in place as a separate audit exercise and should be added to the audit plan.	
Corp Information Management & Security <ul style="list-style-type: none"> • Business • IT Inc. PSN 	SRR - Amber ANA - High	In Progress		<p>Ongoing advice, consultancy and liaison with the Council’s Information Governance Manager and attendance at Information Officers Lead Group (ILOG) meetings, a Group on which Transformation and Change are represented.</p> <p>Following a DAP review of compliance with the Data Protection Act in 2013/14 and the visit of the Information Commissioner’s Office in April 2014, ILOG developed action plans to cover the recommendations made. DAP are monitoring the progress being made with implementing those action plans.</p>	
Schools Financial Value Standards (SFVS)	ANA - Low	Final	Good Standard	SFVS Dedicated Schools Grant Chief Finance Office assurance statement for 2013/14 submitted to the Department for Education.	
People – Plymouth Teaching School Alliance (PTSA)	Client Request	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> <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</p>	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				<p>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	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	Final	Improvements Required	<p>Several matters raised had been identified by the Board and were also raised previously in the October 2011 audit report; namely: implementation of an Annual Report, Risk Register and Business Plan. The lack of a PSAB operational risk register is considered a high priority.</p>	








Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				<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.</p> <p>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>	
Disclosure and Barring Service (DBS)		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</p>	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				<p>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>	
Community and Voluntary Sector Contracts	Client Request	In Progress		Work was commissioned to examine the awarding and monitoring of contracts.	
Maintained Schools audit programme	Agreed programme through 'buy back'	On-going		The overall opinion for the routine school audit visits has been maintained as 'good standard'. The Partnership has joined the School Health Check process to provide the internal audit view of the financial management of individual schools based on the most recent audit visit. The provision of internal audit's performance data provides a greater focus on schools causing concern in the wider control environment.	
Schools Finance Support	ANA – Medium Client Request	On-going		From 1 April 2014, the direct financial support for the schools became the responsibility of PAPH CIC. The Schools Finance Officers are now employed through PAPH CIC following restructuring of the Corporate Accountants. We have supported the Corporate Accountants with the reorganisation of the Council's responsibilities for accounting support and budget monitoring requirements for schools. This will enable the City Council to meet its statutory responsibilities for monitoring school finances. In addition, we have met with PAPH CIC to develop a new working relationship between the School Finance Officers and Internal Audit.	
Street Cleaners On-Call System – Follow up of 2013-14 review	ANA Medium risk	Final	Good Standard	All recommendations have been implemented except for one of a low priority. In respect of the outstanding recommendation, regarding the analysis of call-outs, given the improvements made to the system and the low priority rating, it has been agreed with management that	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				implementation will only be necessary if there is a material increase in the current demand and type of on-call activity.	
Control of Fuel, Fuel Cards and Fuel Containers – Follow up of 2013-14 review	ANA Medium risk	In Progress		There has been a considerable amount of activity which has resulted in the majority of recommendations being implemented in full. The introduction of a new system has yet to take place which has prevented this audit from being completed.	
Mount Edgcumbe - Small Bodies Return	Regulatory Requirement	Complete	Good Standard	Overall arrangements are of a good standard. The focus of the Mount Edgcumbe Joint Committee has been to drive forward the transformational change of Mount Edgcumbe Park with the objective of securing its future sustainability. Whilst operational delivery and budget monitoring reports to the Mount Edgcumbe Joint Committee do communicate the risks to Mount Edgcumbe these are not presented in a formal format that enables the overall risks to be considered and used to inform effective decision making.	
CRC Return	Regulatory Requirement	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 core assurance (other) reviews will be commenced in the second half of 14/15:

- | | |
|---|---|
| <ul style="list-style-type: none"> • Business Continuity (SRR – Green, ANA Medium) | <ul style="list-style-type: none"> • 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	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Grants					
Local Pinch Point Fund	Regulatory Requirement	Complete	Certified	No issues identified	
Local Transport Capital Block Funding 31/2150	Regulatory Requirement	Complete	Certified	No issues identified	
LTP Additional Highways Maintenance Funding 31/2163	Regulatory Requirement	Complete	Certified	No issues identified	
LTP Severe Weather Recovery Grant 31/2277	Regulatory Requirement	Complete	Certified	No issues identified	
Troubled Families (Families With a Future)	Regulatory Requirement	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	Complete	Certified		
Rogue Landlord Funding	Regulatory Requirement	Complete	Certified		

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
- Green Deal Communities Fund – Regulatory Requirement

Appendix 2 – Performance Indicators

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

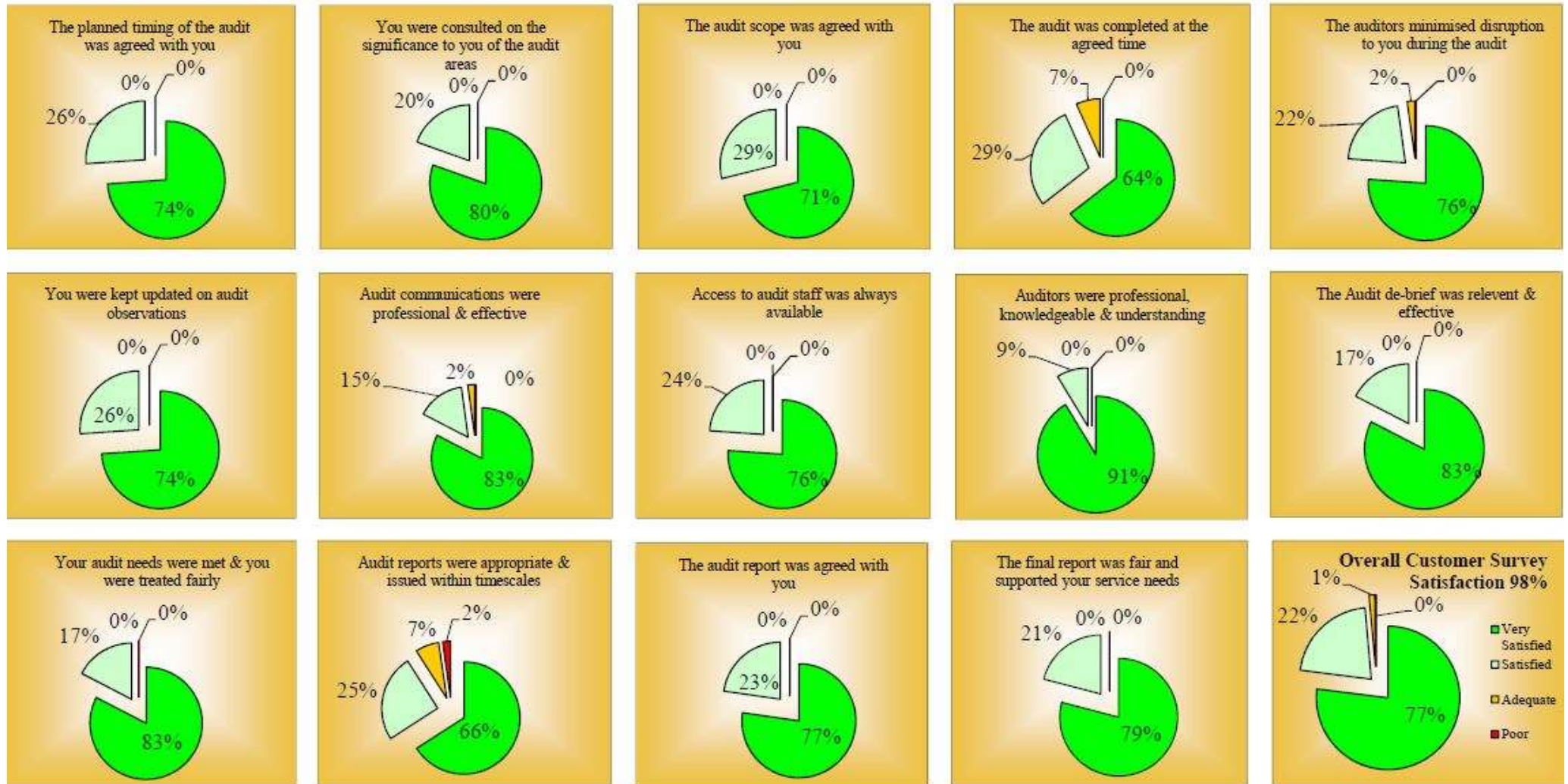
Annual Local Performance Indicators (LPI)	2012/13	2012/13	2013/14	2013/14	2014/15	2014/15
	Target	Actual	Target	Actual	Target	Actual
Percentage of Audit plan Commenced (Inc. Schools)	95%	97.75%	100%	96.5%	100%	62%
Percentage of Audit plan Completed (Inc. Schools)	90%	94.3%	93%	94.6%	93%	36%
Actual Audit Days as percentage of planned (Inc. Schools)	90%	99.7%	95%	97.5%	95%	44%
Percentage of fundamental / material systems reviewed annually	100%	100%	100%	100%	100%	On target
Percentage of chargeable time	65%	66.1%	65%	69.3	65%	66.6%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	94.5%	90%	98%	90%	99%
Draft Reports produced within target number of days (currently 15 days)	90%	79.7%	90%	80.1%	90%	84%
Final reports produced within target number of days (currently 10 days)	90%	86.4%	90%	89.1%	90%	90%
Average level of sickness absence (DAP as a whole)	2%	2.9%	2%	3%	2%	2.5%
Percentage of staff turnover (DAP as a whole)	5%	8.5% (3 people)	5%	3%	5%	2% (one person)
Out-turn within budget	Yes	Yes	Yes	Yes	Yes	On target

Overall, performance against the indicators has been very good. We are aware that some of our reports were not issued to the customer within the agreed timeframes (15 working days for draft report and 10 working days for final report). We have identified areas where performance has been poor, and are working with our staff to ensure improvement is achieved.

Appendix 3 - Customer Service Excellence

Customer Survey Results April 2014 - Sept 2014

The charts below show a summary of 46 responses received.



Appendix 4 – Definitions

Definitions of Audit Assurance Opinion Levels

Confidentiality under the National Protective Marking Scheme

Assurance	Definition	Marking	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.	Not Protectively Marked or Unclassified	Documents, information, data or artefacts that have been prepared for the general public or are for the public web pages or can be given to any member of the public without any exemptions or exceptions to release applying, have the classification NOT PROTECTIVELY MARKED. Some organisations will also use the word UNCLASSIFIED for publicly available information.
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.	Official	The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.
Improvements required.	In our opinion 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.	Secret	Very sensitive information that justifies heightened protective measures to defend against determined and highly capable threat actors. For example, where compromise could seriously damage military capabilities, international relations or the investigation of serious organised crime.
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.	Secret and Top Secret	The most sensitive information requiring the highest levels of protection from the most serious threats. For example, where compromise could cause widespread loss of life or else threaten the security or economic wellbeing of the country or friendly nations.