

PLYMOUTH CITY COUNCIL

Subject: Internal Audit – Half Year Report
Committee: Audit Committee
Date: 3 December 2015
Cabinet Member: Councillor Lowry
CMT Member: Lesa Annear (Strategic Director for Transformation & Change)
Author: Robert Hutchins, Head of Devon Audit Partnership
Contact details: Tel: 01752 306710
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 April 2015 and based on work performed to date during 2015/16, 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, 2011 and 2015.

Published work / information:

Internal Audit Annual Plan 2015/16 – June 2015

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?													



devon **audit** partnership

Internal Audit

Half Year Report 2015/16

Plymouth City Council
Audit Committee

December 2015

Not Protectively Marked

Robert Hutchins
Head of Audit Partnership

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Devon Audit Partnership	Confidentiality and Disclosure Clause
<p>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.</p> <p>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.</p>	<p>This report is protectively marked in accordance with the government security classifications. 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.</p> <p>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.</p>

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 2015 require 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 2015/16 was presented to and approved by the Audit Committee in March 2015. The following report and appendices set out the current position of the audit service provision; reviews work undertaken to date in 2015/16 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, based on work performed during 2015/16 and our experience from the current year progress and previous years audit, the Head of Internal Audit’s Opinion is of “Significant Assurance” on the adequacy and effectiveness of the Authority’s internal control framework.

This assurance statement is in line with the definitions below and will provide Members with an indication of the direction of travel for their consideration for the Annual Governance Statement.

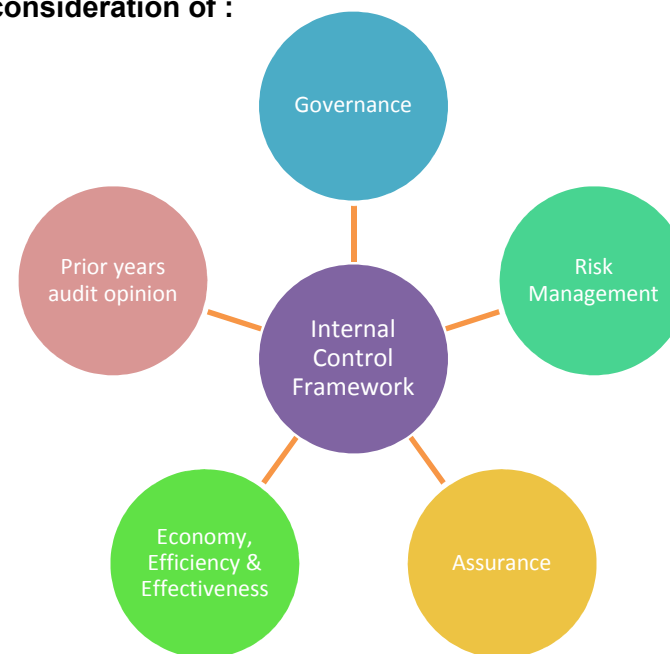
The Authority’s internal audit plan for the current year includes specific assurance, risk, governance and value added reviews which, together with prior years audit work, provide a framework and background within which we are able to assess the Authority’s control environment. These reviews have informed the Head of Internal Audit’s Opinion on the internal control framework.

Directors have been provided with details of Internal Audit’s opinion on each audit review carried out in 2015/16. Where significant weaknesses have been identified in a specific area, 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 2015/16.

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 rests with management and these are reviewed during subsequent audits or as part of a specific follow-up process.

We continue to be flexible in our approach and with the timetabling of audits to ensure that resources are assigned to specific areas of the plan to enable our work to be delivered at the most effective time for the organisation.

This statement of opinion is underpinned by our consideration of :



Full Assurance	Risk management arrangements are properly established, effective and fully embedded, aligned to the risk appetite of the organisation. The systems and control framework mitigate exposure to risks identified & are being consistently applied in the areas reviewed.
Significant Assurance	Risk management and the system of internal control are generally sound and designed to meet the organisation’s objectives. However, some weaknesses in design and / or inconsistent application of controls do not mitigate all risks identified, putting the achievement of particular objectives at risk.
Limited Assurance	Inadequate risk management arrangements and weaknesses in design, and / or inconsistent application of controls put the achievement of the organisation’s objectives at risk in a number of areas reviewed.
No Assurance	Risks are not mitigated and weaknesses in control, and /or consistent non-compliance with controls could result / has resulted in failure to achieve the organisation’s objectives in the areas reviewed, to the extent that the resources of the Council may be at risk, and the ability to deliver the services may be adversely affected.

Progress Against Plan

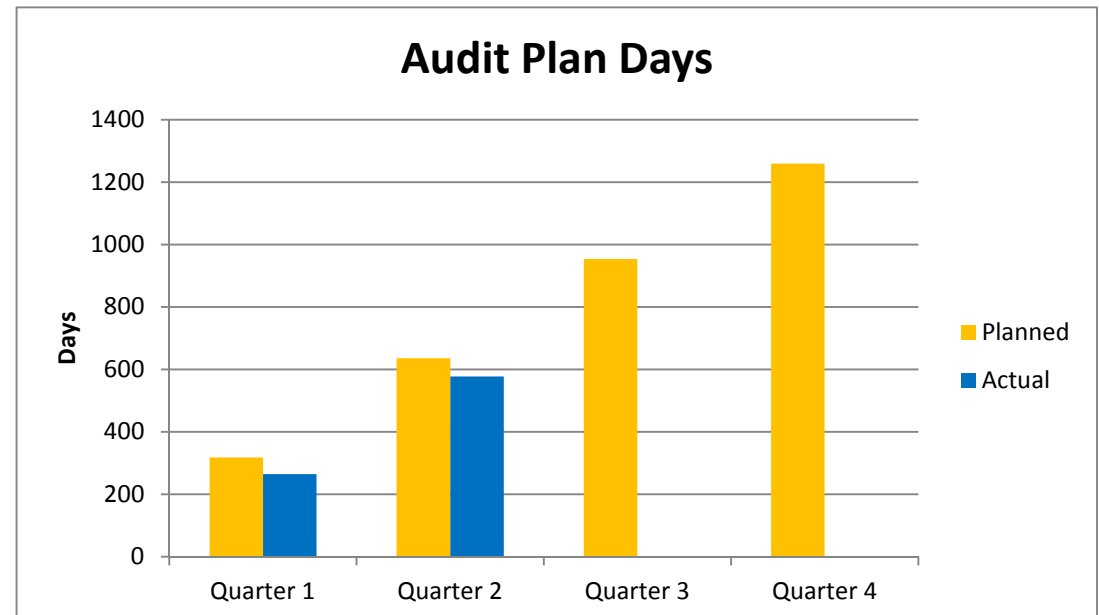
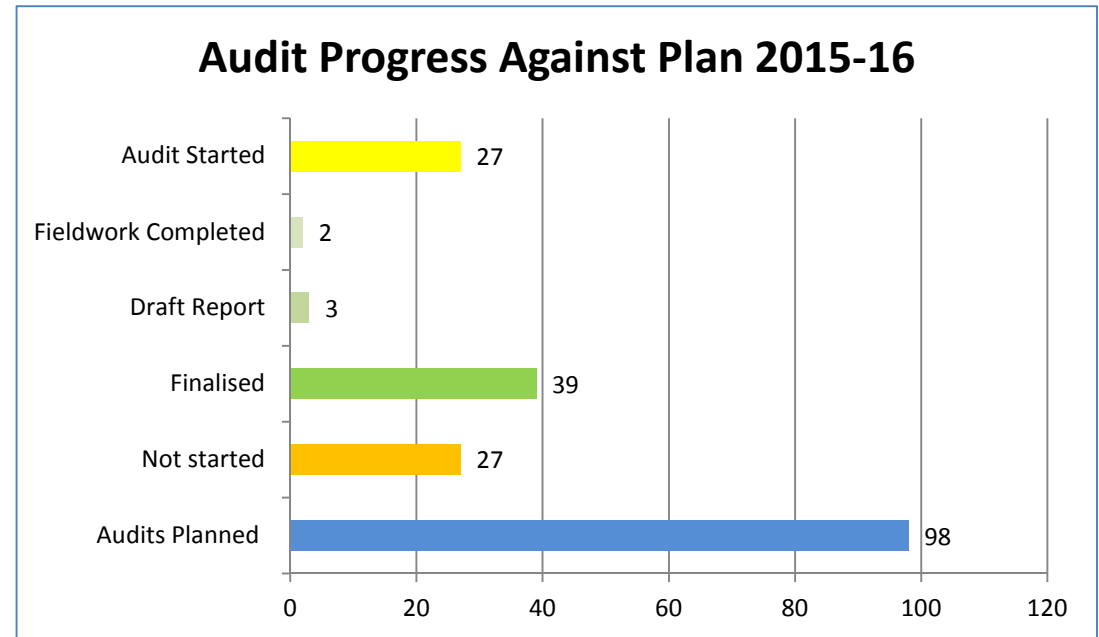
This report compares the work carried out with the work that was planned through risk assessment, presents a summary of the audit work undertaken, includes an opinion on the adequacy and effectiveness of the Authority's internal control environment and summarises the performance of the Internal Audit 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.

The extent to which our work has been affected by changes to audit plans has not been notable during the first six months of the year.

The bar charts right show the status of audit progress against plan and audit the days delivered against target planned. The charts demonstrate that progress is largely in line with expectations for the first six months of 2015/16.

Appendix 2 provides further performance information for the first six months of 2015/16.



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 and as our work progresses over the coming months, synergies may be identified with other projects. For example, our mapping of existing and future “missed bins” processes has been shared with the Customer Services Transformation programme to inform aspects of the Digital Services project in terms of intelligence gathering and sharing.

The Council’s review of how it engages with its customers in terms of receiving feedback and using this to drive service improvement continues to progress. Audit will both support the project and, as part of its routine audit work, will obtain an insight into how services currently handle and use the views of their customers and pass this onto the project.

With the first anniversary of DELT providing ICT services and the Council’s retained client function being in place for a number of months, an independent audit review of the function, its role and operation, is due to take place in the near future. The principles, in terms of lessons learnt around contract management, in particular with regard to the level of resourcing of a retained client function, need to be taken forward by the Council as a whole and by teams/officers responsible for managing contracts in the future.

Place

The original plan allowed 70 days for GAME Transformation. Audit has undertaken work on waste collection and tree services and will shortly commence work on integrated transport programme.

Following our review of the service responsible for Tree Preservation Orders, a similar review has been undertaken of Tree Management within Street Services. This is identifying opportunities for closer working between the two teams especially how to better utilise the professional knowledge of Tree Officers and with partners, sharing tree asset information and strategy.

We will continue to provide challenge, advice and best practice guidance on the schedule of rates, the evaluation model and general procurement and contract controls associated with the tender process for a new Highways Maintenance contract due to commence in 2017.

Audit will continue to work with the team overseeing the PFI Waste contract to ensure that robust contract monitoring and assurance plans are in place.

People

Of the audits completed to date this year, in most cases assurance can be provided that identified risks are being minimised or mitigated where appropriate. However, there are instances where swift action has been required to mitigate risks identified as a result of our work.

Changes made by Central Government to the implementation of Care Act Part 2 (deferring most aspects until 2020) have resulted in less support being required for Care Act implementation in year. However, work was undertaken to review and support the ongoing compliance with Care Act Part 1. We are continuing to support the ongoing implementation of deferred payments through the CareFirst system.

The Integrated Health and Wellbeing Programme continues to be supported through both ad hoc dialogue with programme and operational staff, along with more formal pieces of work. This, along with the work linked to the Integrated Fund, is one of the high risk areas where audit resource continues to be focused.

The work carried out to review Domiciliary Care Payments consumed a greater level of resource than initially planned but this is borne out by the resulting findings, as summarised later in this report. It is likely that this will have an impact on the completion of the planned work for 2015/16 but at this stage specific detail is not known.

Work is also underway to clarify the situation regarding restricting access to CareFirst records following receipt of a query related to a staff member having access to CareFirst, where they are also a client. This review was unplanned and may also impact on the planned work that can be completed during 2015/16.

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.

Officers have found our engagement and 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;
- drawing attention to areas where development of the iTrent HR solution could support the Payroll Service in growing the business.

Place

- continued support, advice and challenge on the contract management arrangements relating to the South West Devon Waste Partnership, to ensure that the City Council’s interests are protected;
- review and mapping of existing “Missed Bins” process, working with management and DELT to develop reports that provide better intelligence to assist in understanding the issues within this service. Our work is being used as part of a Street Services review, under Transformation.

- Identification of opportunities for closer working and sharing of knowledge and information between officers with responsibility for tree management, within Street Services and Planning.

People

- identification of weaknesses within the Domiciliary Care payment process with regard to overpayments and lack of service package authorisation;
- benchmarking / analytical review comparing Plymouth’s fostering allowances with other relevant local authorities will be used by Fostering Services when reviewing the fostering allowance policy;
- carrying out an independent review of the evidence supporting the Council’s self assessment of its ability to carry out the Director of Children’s Services role in accordance with Department for Education (DFE) requirements.

Schools

The Partnership informs and attends 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 those schools causing concern in the wider control environment. The result of our input was:

- 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, based upon the audit work completed, 'watching briefs' and direct advice provided for on-going projects so far in 2015/16, we are able to report that, in the main, internal controls continue to operate effectively. The key exception to this is that of domiciliary care payments.

Audit identified key risks with payments to Domiciliary Care providers. Existing processes and contracts have led to the Council overpaying some providers, payments that do not reflect actual levels of provision. In addition, we identified that some key management reports were showing incorrect information. In response to this, some contracts have been amended whilst negotiations continue with remaining providers and report parameters are being reviewed.

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. Issues identified in our previous report on the main accounting system will be addressed in the forthcoming audit where we will review proposed new procedures for balancing, reconciliation and review.

There were no concerns identified from our work on grants and we were able to sign off the small bodies return for Mount Edgcombe.

The continued reductions in government funding have meant that the Council has had to review the provision of services and how they are delivered. As service areas look to review and transform, Audit are providing an independent review of ways to streamline service delivery and processes, for example Street Services, Integrated Health and project management.

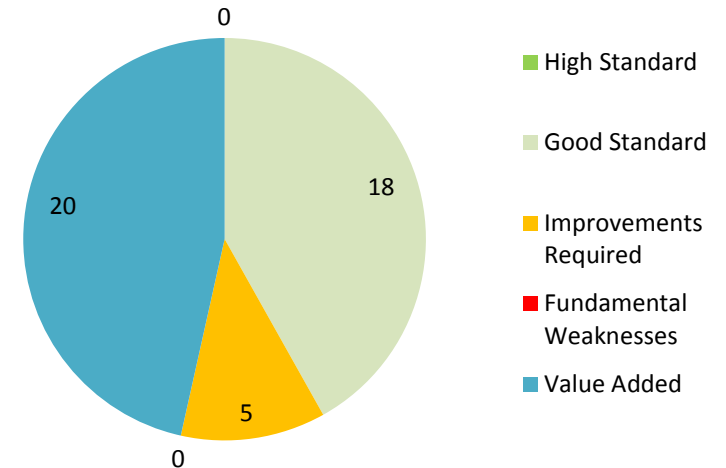
The Appendix 1 details the assurance opinions for individual audits for which the definitions of the assurance opinion ratings are given in Appendix 2.

Key Risks / Issues

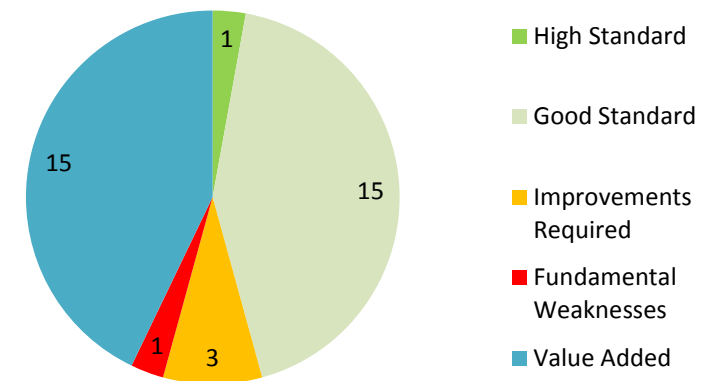
Audit has been liaising with the Intelligent Client Function with particular emphasis on DELT as well as other future service providers. Audit will be reviewing the function to ensure that it is appropriately resourced, fit for purpose and is "future proof" to meet the ever changing needs of the Council.

With continued development of an integrated and pooled budget/funding arrangement with NEW Devon CCG, exceeding £460m, Audit will be working with CCG and their auditors to examine and comment on various aspects of the programme, including the reporting of financial information and governance.

Assurance Opinions 2014/15



Assurance Opinions Apr - Sept 2015/16 (inc GAME & IHWB Transformation Programmes)



Place

In our opinion, and based upon our audit work completed during 2015/16, '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.

The Energy from Waste plant in North Yard officially became operational in September and Internal Audit have continued to work with the Project Executive and Contract team, providing support and challenge on contract management arrangements and the development of an audit and assurance plan.

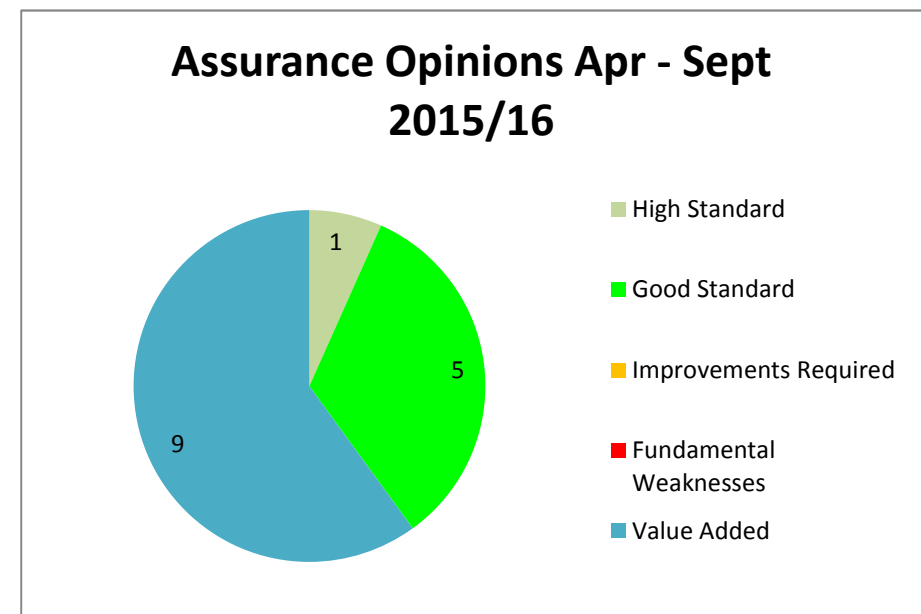
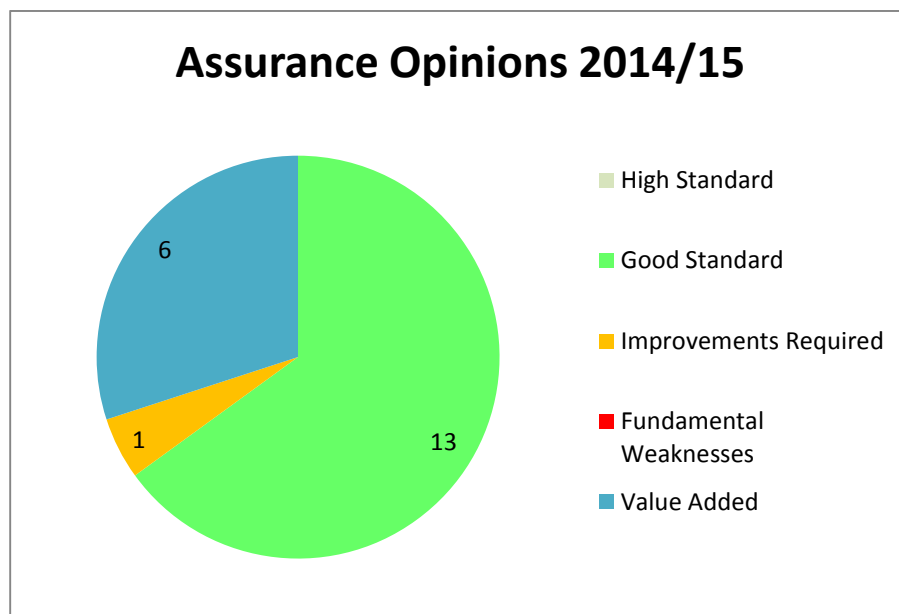
DAP is providing support and challenge to those tasked with procuring the future Highways Maintenance contract jointly with Devon and Somerset County Councils.

No significant concerns have been identified from our work and management have responded positively to any recommendations for improvement. Appendix 1 details the assurance opinions for individual audits, for which the definitions of the assurance opinion ratings are given in Appendix 4.

Key Risks / Issues

DAP will assist in ensuring an effective, fair and as-simple-as-possible tendering procedure for the joint Devon, Somerset and Plymouth Highways contract, which attracts tenders from a strong range of contractors and that will ultimately provide enhanced value for money for the Authority.

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 which also includes watching briefs and direct advice, we are able to report that suitable internal controls are in place, or where internal controls have required update, corrective actions have been designed. If the planned actions are implemented, effective controls will be in place in the majority of cases. We can also confirm that any concerns identified through the on-going work leading to recommendations for improvement are responded to positively and swiftly by management.

Appendix 1 details the assurance opinions for individual audits which includes 2014/15 audits finalised within the current financial year, and a number of pieces of work from the 2015/16 plan. Definitions of the assurance opinion ratings are given in Appendix 4.

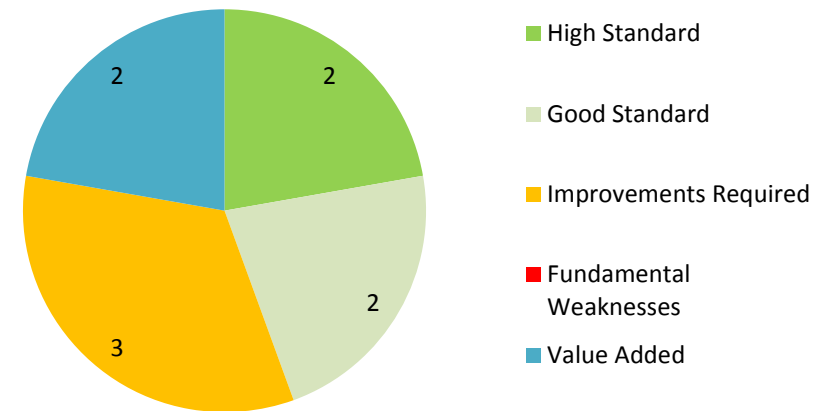
The overall assurance from schools audit is of good standard. The risk and control framework is of a good standard although there is some non-compliance or poor practice in a small number of schools on governance and use of resources to achieve school improvement. Detailed assurance is provided under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

Key Risks / Issues

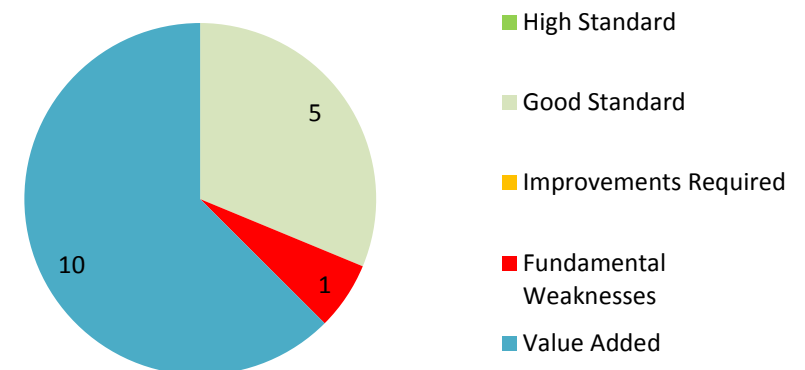
The Domiciliary Care Payments Audit was rated as Fundamental Weakness in the main due to overpayments being made to providers and lack of evidence of care package authorisation. Changes to payment processes and contract terms are being implemented which, once in place, should mitigate the risks.

The ASC Client Billing situation report, issued in April 2015, detailed issues with the Fairer Charging Policy, including the inability to carry out Client Financial Assessments due to a lack of resources. Following on from this, a memo was issued to the CareFirst Deferred Payments Implementation Team, highlighting some of the lessons learnt from the Client Billing review which are relevant to Deferred Payments, such as the availability of Client Finance Staff (who are now part of the Transaction Centre), and the risk of delayed billing of clients and interruption of service provision.

Assurance Opinions 2014/15



Assurance Opinions Apr - Sept 2015/16



Schools

Good progress is being made against plan with six schools being visited to date and the chart shows that we forecast completion of the plan by year end. We have completed one additional audit at the request of the Principal Leadership Adviser under Schools Intervention. Visit arrangements have been made with a further eight schools with the remainder being planned for the spring term 2016.

The key objectives for Devon Audit Partnership (DAP) are to provide assurance to the Director for People and the Assistant Director for Finance, as the Council's S151 Officer, on the adequacy and security of the financial systems and controls operating within the maintained schools and to provide advice and assurance to governors, head teachers and the Local Authority.

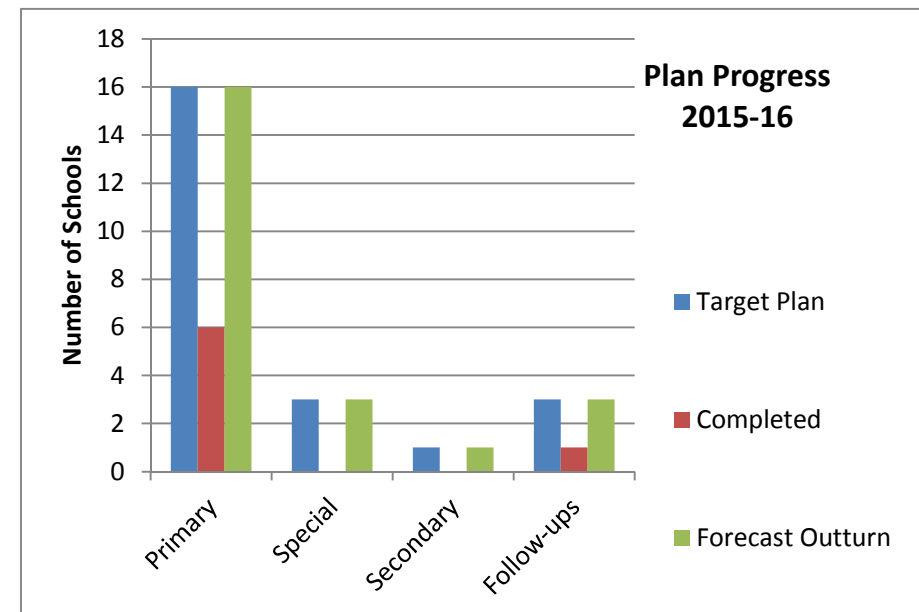
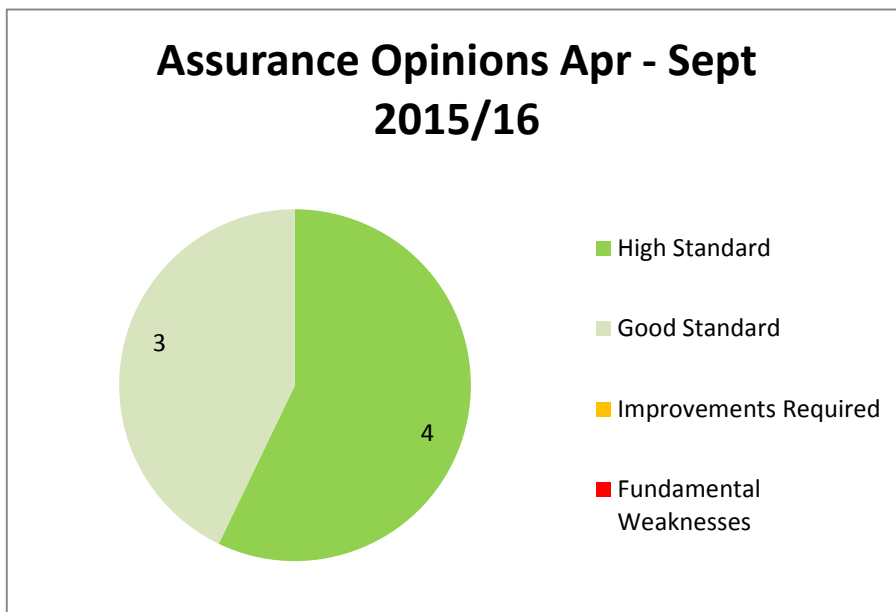
Good Standard - our opinion is that the systems and controls in schools mitigate the risks identified in many areas. Although specific risks are identified in the core element of the audit review, for some schools, recommendations have been made to mitigate risks in other areas with the aim of strengthening what are mainly reliable procedures. To date we have not reported any issues relating to the Annual Governance Statement.

Key Risks / Issues across schools

- 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.

These risks will be addressed in coming audits this year.

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



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 Cabinet Office runs a national data matching exercise (The National Fraud Initiative - NFI) every two years and the Council are in the process of concluding its review of the data matches that were received as part of the 2014/15 exercise. DAP are currently collating the results obtained across the various departments that have participated in this exercise, identifying potentially erroneous or fraudulent payments in areas such as housing benefits, awards of council tax single persons discounts, personal budgets, private residential care home costs, blue badge parking permits and concessionary bus travel passes.

Irregularities - During 15/16, Internal Audit have carried out, or assisted in a total of eight new irregularity investigations within the Authority, including schools. Analysis of the types of investigation and the number undertaken shows the following:-

Issue	Number
Employee Conduct	4
IT Misuse	2
Financial Irregularity	1
Conflict of Interest	1

DAP have assisted an investigation into alleged misappropriation of Council and staff property. DAP's initial enquiries has led to the commissioning of a formal disciplinary investigation.

A member of staff failed to declare a personal relationship relevant to their work and subsequently resigned when informed that this was under consideration.

An agency member of staff failed to declare a previous criminal conviction. The individual concerned was removed from his position and a subsequent audit review of the Council's recruitment procedures has commenced.

Audit investigations into potential misuse of the Council's internet and email facilities have taken place with management being provided with any relevant evidence found.

DAP investigated an alleged financial irregularity involving the potential of falsely claiming on insurance. It was concluded that there was insufficient evidence to suggest that there had been intent to pursue such a claim.

An investigation into a potential conflict of interest concerning the personal circumstances of an officer which should have necessitated restrictions being placed on their access to a Council I.T. system lead to an audit review of the procedures governing access to the system and will be reported upon shortly.

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 reports were not issued to the customer within the agreed timeframes (15 working days for draft 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 auditors were professional, courteous and respectful at all times. They showed an excellent understanding our current position."

"We value the assistance that the audit provides and particularly appreciate the auditor's relaxed yet very thorough and perceptive approach which promotes a culture to enable best practice to be established."

"The response to my request for support was immediate and pro-active."

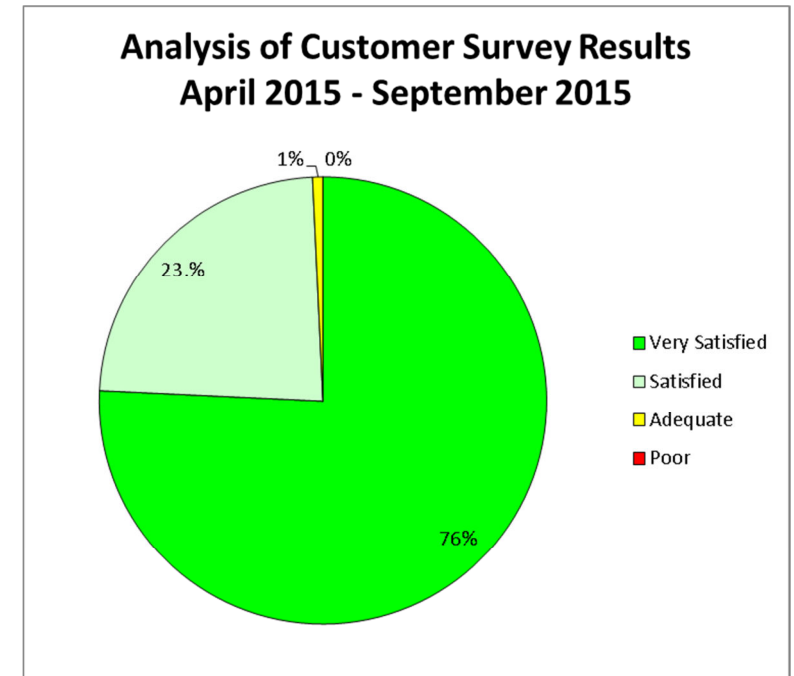
Added Value

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 2015/16 include:-

"The audit drew attention to Value Adding Activities beyond the aspects of the material payroll system audit which will assist the service in making improvements."

"The audit added value by providing an independent element to the process with the outside organisation, these enabled agreement to be obtained. Also recommendations contained in the report were very helpful."

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 2015/16



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 Boards	SRR – Red ANA - High	On-Going		See below under specific programmes where attendance at programme boards is reported.	
Transformation - Co-operative Centre of Operations (CCO)					
Strategic Centre	SRR – Red ANA - High			The allocated resource in the original audit plan are being utilised on audit areas as shown below, in agreement with officers. Further areas could be identified as the year progresses.	
Assure Project		Complete	N/A	The strategic design for Integrated Assurance has been put on hold with resources focussed on Corporate Fraud commercialisation business case. DAP have fed into this process providing information and recommendations regarding: <ul style="list-style-type: none"> • corporate debt recovery; • industry standards; • reporting lines. 	
Service Integration and Management inc. Intelligent Client, Commissioning and Procurement, Category Management and Contract Management	SRR – Red ANA - High	On-going	Value Added	DAP have offered our knowledge and experience to the Commercial Services Team through support and challenge as strategies and procedures are reviewed and developed.	 **

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Civica Financials Project	ANA - High	Not Started		The Civica Fweb project forms part of the Finance Transformation project which is now scheduled to commence in quarter 3 &4 of 2015/16. DAP input will be required at this stage to support successful implementation and robust controls in place.	
Transformation – Customer & Service					
Co-operative Reviewing of Service Areas	SRR – Red ANA - High	Not Started		The allocated resource in the original audit plan are being utilised on audit areas as shown below, in agreement with officers. Further areas could be identified as the year progresses.	
Customer Feedback		In Progress	Value Added	In liaison with the Project Manager, Internal Audit has provided support to the Customer Feedback Focus Group, part of the project to improve customer engagement in respect of comments, compliments and complaints. A draft policy has been produced and Audit will continue its support as business, process, system and reporting requirements are captured to inform the re-engineering of customer engagement end-to-end solutions.	 **
Transformation – Growth, Assets & Municipal Enterprise (GAME)					
Street Services Review – See Below	SRR – Red ANA - High	N/A	N/A	The allocated resource in the original audit plan are being utilised on audit areas as shown below, in agreement with officers. Further areas could be identified as the year progresses.	
Street Services – Missed Bins		Ongoing	Value Added	<p>Following the implementation of the City’s domestic waste collection routes earlier in the year, the service area asked audit to review the start to finish process relating to the reporting and collection of “missed” bins. The work involved understanding the systems currently in operation, analysing the problems and making recommendation to improve the efficiency of the service.</p> <p>The report provided assurance on areas, including:</p> <ul style="list-style-type: none"> • Software and technical solutions; • Interaction and interface with the local community; • Reporting and metrics and, included • “As Is” and “To Be” process maps. 	 **

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				This work is being made use of as part of the CST led Street Services Review to which Internal Audit are continuing to provide support and advice. Work has also been undertaken to assist with the improvement of key reports on the existing Dynamics CRM platform.	
Street Services – Tree Management		Draft	Value Added	<p>The objective of this review was to ensure the best possible service provision from the Street Services Tree Team. Current working arrangements and procedures were determined and evaluated and the following areas highlighted to improve efficiency, reduce costs and release capacity to develop proactive work, adding value to the overall service:</p> <ul style="list-style-type: none"> • improve customer information available through the Council website and develop a specific clear route for reporting tree related problems; • implementation of a stricter risk based approach to tree inspection and maintenance; • development of a single complete, accurate and up to date record of tree asset information and maintenance activity; • manual, resource intensive processes and procedures; • consider how to better utilise the professional knowledge of Tree Officers across the Council and with partners through shared ownership of tree asset information and strategy. 	 *
Fleet Management	SRR – Red ANA – Medium Client Request	Not Started		Audit will undertake a gateway review of the Integrated Transport Programme.	
Transformation – Integrated Approach to Health & Wellbeing					
Integrated Community Health and Social Care Service Delivery	SRR – Red ANA - High	N/A	N/A	The allocated resources in the original audit plan are being utilised on the Integrated Health and Wellbeing Board, in agreement with officers.	
Integrated Commissioning	SRR – Red ANA – High	N/A	N/A	The allocated resources in the original audit plan are being utilised on the Integrated Health and Wellbeing Board, in agreement with officers.	



Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Integrated Health & Wellbeing Board	SRR – Red ANA - High	In Progress	Value Added	<p>Work to support the IHWB Programme has included attendance at the IHWB Programme Board. Through this we have been able to keep informed of, challenge and support the key aspects of IHWB. Specific audit reviews which are being planned and scoped include:</p> <ul style="list-style-type: none"> Financial Framework update review; Review of the PCC Retained Client Functions (following transfer of Adult Social Care to Plymouth Community Healthcare). 	
IHWB Governance & Risk Management	SRR – Red ANA - High	In Progress	Value Added	<p>We have commenced our work to map the governance structures associated with IHWB and the integrated Fund. We are also doing the same with the processes for the management of the associated risks, with a view to ensuring that there is clear, efficient and accountable governance and risk management in place.</p>	
Implementing the Care Act	SRR – Red ANA – High	N/A	N/A	<p>The allocated resources in the original audit plan are being utilised on Phases 1 & 2 of the Care Act implementation, as agreed with officers; see below.</p>	
Implementing the Care Act (Phase 1)	SRR – Red ANA - High	Draft	Value Added – Situation Report Issued	<p>Phase 1 of the Care Act was implemented on 1 April 2015. We carried out a specific review of the key aspects and resulting Council compliance and issued a situation report in July 2015. This commented on areas including Care Act Training, Client Finance Services workloads, invoicing and Safeguarding Adult Board (SAB) requirements. Areas for improvement included:</p> <ul style="list-style-type: none"> Ensuring that eLearning packages are suitable and accredited; Ensuring that project documentation is stored centrally and available for all related persons; The need to improve the way invoices are produced so that there is clear information on charges applied for services billed; Arranging final sign off for the SAB Strategic Plan and evidencing the agreement to formally share information. 	**
Implementing the Care Act (Phase 2)	SRR – Red ANA - High	In Progress	Value Added	<p>Work commenced in April 2015 on the implementation of Phase 2 of the Care Act with a deadline of April 2016. Phase 2 included:</p> <ul style="list-style-type: none"> Introducing a cap on Care Costs; 	**




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"> • Providing a Statement which outlines eligible costs for the cap, accrued for those not receiving their care through the Council; • Care Accounts for recording costs; • A system of appeals linked to the implementation of Part 1. <p>In July 2015, the Government announced the delay of Phase 2 until 2020 to allow further consideration of the impacts. In light of this, the Care Act Part 2 Project has been refined to look at implementation of the Deferred Payments module to CareFirst and actions required to ensure ongoing Part 1 compliance. Audit have provided the Project Manager with guidance on project governance.</p>	
Co-operative Children, Young People and Family Services	SRR – Red ANA - High	In Progress	Value Added	The Co-operative Children, Young People and Family Services (CYPF) project within the IHWB Programme contains a number of strands. Work was undertaken by the project to identify these and audit support provided through the Project Board. Due to the completion of work streams and scheduled phased implementation of the Early Help Gateway, the project board has been reformed to outline the next phases and review its operation e.g. by reducing the number of meetings being attended by the same people.	










Transformation – People & Organisation Development

DAP provided support and challenge to the workstreams that come under the responsibility of the People and Organisation Development Transformation programme, in particular Accommodation and Infrastructure as officers worked to ensure that remaining services were decanted from the Civic Centre in line with the agreement with Urban Splash. This was achieved in October.




Major Infrastructure & Investment Projects

Waste PFI	SRR – Green ANA - High	On-Going	Value Added	DAP has continued its presence on the Project Executive Board and working with the Contract Manager to establish Audit and Assurance Plans.	 **
History Centre (Record Office)	ORR – Amber ANA - High	On-Going	Value Added	DAP have provided support, advice and assurance to the Project as it progresses through the design stages.	 **


Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Value Added					
People – Completion of Fostering Review	ANA – High Client Request	Complete	Value Added	Further to a request from management, DAP has undertaken benchmarking / analytical review comparing Plymouth’s fostering allowances with those of its ‘nearest neighbours’ (as defined by CIPFA / Audit Commission), with other relevant local authorities in the South West and “South Coast” unitary authorities. The findings from this review will be used by Fostering Services in future consultation with Plymouth’s in-house foster carers when developing a revised fostering allowance policy.	
Early Intervention (Families With a Future)	Statutory Client Request	Ongoing	Part - Certified	Advice and support has continued to be provided as systems have been developed to evidence and track outcomes under Phase 2 of the Families With a Future programme. The robustness of the new recording, monitoring and reporting tool developed in house has been evaluated and the first claim under the extended programme was signed off by DAP at the end of September.	
Highways Contract Procurement	ANA – High Client Request	In Progress	Value Added	DAP attends the Highways Project Board, set up to oversee the re-tendering of the City’s Highways maintenance contract, a joint procurement with Devon and Somerset Councils, to ensure that risks and issues are identified and mitigated. Challenge, advice and best practice guidance has been provided to officers on the evaluation model and general procurement and contract controls.	 **
Pension Advice	Client Request	Complete	Value Added	A briefing note was prepared outlining key points such as legal requirements, guarantees, valuations and the information needed to be included in any tender documentation, that finance officers should consider when dealing with pension arrangements associated with the introduction of new service delivery vehicles.	N/A
The following value added reviews will be commenced in the second half of 15/16:					
<ul style="list-style-type: none"> ➤ Management of DELT Contract ➤ Plymouth Community Homes Contract 	<ul style="list-style-type: none"> ANA – High (Client Request) ANA – Medium (Client Request) 		<ul style="list-style-type: none"> ➤ Capital Programme Governance ➤ Financial Regulations ➤ Historic Environment Advice 	<ul style="list-style-type: none"> ANA - High (Client Request) ANA – Medium (Client Request) ANA – Low (Client Request) 	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Core Assurance – Key Financial System					
Civica Financials – Debtors	ANA - Low	Final	Good Standard	Assurance for these key financial system audit reviews was reported in the 2014-15 annual report; please refer to that report for details.	
Civica Financials – Creditors	ANA - High	Final	Good Standard		
Civica Financials - Main Accounting	ANA - Medium	Final	Improvements Required		
Academy – NNDR (Business Rates)	ANA - Low	Final	Good Standard		
Academy - Council Tax	ANA - Medium	Final	Good Standard		
Academy - Housing Benefits	ANA - High	Final	Improvements Required		
iTrent - Payroll	ANA - High	Final	Good Standard		
Fixed Asset Register	ANA - Medium	Final	Good Standard		
Domiciliary Care Payments (originally Residential Care Payments)	ANA – High Client Request	Final	Fundamental Weaknesses	<p>Block providers have been paid monthly in advance which has resulted in overpayments being made. Providers were not being invoiced for the outstanding funds, instead they are requested to submit credit notes which were offset against future payments. Some providers have queried the figures owed, causing delays of up to several months for credit notes to be submitted. This leaves the Council at risk of non-recovery of overpayments if the provider ceases trading.</p> <p>Additionally, due to the way the accounts for block providers were set up within the payments system, periodic payments continued to be made in line with the contract despite there being outstanding credit notes.</p> <p>These issues were highlighted during the audit and management put steps in place to change the process from September 2015, after which providers would be paid in arrears. Some periodical payments were reduced in the meantime but</p>	







Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				<p>contract terms prevent this happening in all cases as a reduction in payment would result in a need to renegotiate the rates charged for service provision. The new arrangements and changes have not been fully implemented for three of the eight block providers and therefore Internal Audit has not been able to test that they work effectively.</p> <p>The reconciliation of Domiciliary Care payments for 2014/15 was completed using estimated figures, as providers queried the figures presented to them. Also, there has been no reconciliation to date of payments made to providers on behalf of Health for 2015/16.</p> <p>A report used to support the review and authorisation of care packages was found to give inaccurate data, in particular, for support plan authorisation. The parameters of the report were reviewed but issues still remained. Prior to identifying issues with accuracy, there was no evidence to suggest it was being used or reviewed.</p> <p>The Weekly Service Usage report shows that Dom Care block, spot and health payments are below the contracted spend figures. The report also identifies how many clients are over/under their planned hours but when not used correctly or regularly, could have a financial impact for the Council and service users.</p> <p>The original processes are considered flawed but the steps outlined for improving processes in the departments action / implementation plan will reduce the risks to both the Council and service users. The overpayments and lack of adequate evidence of authorisation of packages are significant factors in the overall assurance rating of Fundamental Weaknesses, but these risks will be mitigated by the plan being put in place.</p>	
Academy - System Parameters	ANA - High	In Progress		Work is underway to check the accuracy of system parameters for Housing Benefits, Council Tax & NNDR and that figures carried forward from 2014/15	
The following core assurance / key financial systems will be commenced in the second half of 15/16:					
Civica Financials:		ANA – High / Medium / Low		Academy Revs & Bens: ANA – High / Medium / Low	
<ul style="list-style-type: none"> • Creditors • Main Accounting 				<ul style="list-style-type: none"> ➤ Housing Benefits 	

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"> Debtors Retained Client (People) Client Billing Direct Payments	ANA - High Follow Up Review ANA - High			<ul style="list-style-type: none"> Sys Parameters Council Tax Business Rates Treasury Management Payroll	ANA – Low ANA – High
Core Assurance - Other					
People – Director of Children’s Service’s Local Assurance Test Review	ANA – High Client Request	Complete	Good Standard	The Strategic Director for People holds the dual role of Director of Children’s Services (DCS) and Director of Adult Services (DAS) and in accordance with Department for Education (DFE) requirements the Council is required to review its ability to carry out the DCS role. Following completion of the self-assessment known as the Local Assurance Test (LAT), DAP carried out an independent review of the responses to and the evidence supporting the LAT. Our review concluded that overall the responses addressed the majority of points included in the self assessment and these were suitably evidenced.	
Barclays “Spend Management”	ANA – High	Final	Good Standard	The design of the system contains inbuilt controls which prevent users from exceeding their monthly credit and transaction limits. Purchases can only be made against merchant codes allocated to each specific cardholder in accordance with their role and service needs. Areas highlighted which would further strengthen the system include:- <ul style="list-style-type: none"> documenting the roles and responsibilities which are split between the Transaction Centre and the Financial Systems Team to ensure clarity and understanding; developing a short VAT training session to ensure cardholders/ approvers:- <ul style="list-style-type: none"> gain a better understanding of the complexities of VAT and how it applies in their specific areas of spend; and understand the rules around VAT recovery and how this is needed by the Authority to help minimise expenditure. 	
Mount Edgcumbe Joint Committee – Small Bodies Return	Statutory	Complete	High Standard	Mount Edgcumbe Joint Committee's focus for 2014/15 was to drive forward the transformational change of Mount Edgcumbe Park.	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				Cornwall Council and Plymouth City Council made a total annual contribution of £284k for 2014/15, a reduction of £30k from 2013/14. As part of on-going business planning, budget monitoring and transformation projects, risks to objectives are considered and a formal risk register was developed and presented to the Joint Committee in July 2015.	
Schools Financial Value Standards (SFVS)	ANA - Low	Final	Good Standard	SFVS Dedicated Schools Grant Chief Finance Office assurance statement for 2014/15 submitted to the Department for Education.	
Print & Document Services (PADS)	ANA - High	Draft	Improvements Required	<p>Procedures for the processing of print runs have recently been reviewed by the service area, with additional controls introduced to enable reconciliation of the print files to actual output. Documented working practices now need to be updated to accurately reflect current procedures.</p> <p>Issues were also identified relating to the physical security of the service accommodation and recommendations included:</p> <ul style="list-style-type: none"> consideration of the security options available, together with the resultant cost(s), versus the risk of a malicious incident which, due to some of the personal information handled by the service, could in the event of a reported security breach, result in a financial penalty from the Information Commissioner and damage the reputation of the Council; and print runs containing personal data which are not packed and dispatched the same day are held overnight in a locked cabinet. <p>We can confirm that immediate action has been taken by management to secure print runs which are not dispatched the same day.</p>	
Corp Information Management & Security <ul style="list-style-type: none"> Business IT Inc. PSN 	SRR - Amber ANA - High	On-Going	Value Added	DAP continues to attend and support the Information Lead Officers Group (ILOG) and has regular contact with the Council's Corporate Information Manager regarding matters concerning data / information management and security for example information handling within Print and Document Services (see above)	
Business Continuity	SRR – Green ANA - Medium	On-Going	Value Added	DAP continues to be a member of the Council's Business Continuity Strategy Group. In addition, Audit give consideration to issues relating to Business Continuity plans within individual service reviews and projects that it has	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				involvement in.	
ICT <ul style="list-style-type: none"> • Service Strategy • Service Design 	ANA - High	On-Going		<p>Internal Audit have performed a watching brief in respect of the developing retained client functions and controls that have been put in place since ICT service provision moved from 'in-house' to Delt Services. Both management and operational processes continue to develop as the business relationship between the Council and Delt Services evolves. Internal Audit is to commence a review of arrangements in the near future.</p> <p>As planned, ICT audit resources are being focused on new business solutions, system development and potential areas of service improvement that will deliver better value for money. Service areas being supported include Waste and Customer Services, where process re-engineering and information technologies are fundamental to the transformational change process.</p> <p>No work has been undertaken in respect of the Service Strategy process itself as strategic direction is being defined by the Transformation Programme.</p>	 **
Travel and Subsistence	ANA - Medium Client Request	In Progress		<p>Following the roll-out of HR self-service earlier this year for mileage and expense claims, it was agreed that we would:-</p> <ul style="list-style-type: none"> • review a random sample of employees from various departments to check that all receipts are retained, as required by HM Revenues & Customs and in line with the published process, and • capture any feedback in respect of the new system. 	
Commissioning of Events	ANA - Medium	In Progress		<p>In isolation the budget and associated spend of the Events team is not material. However, events are high-profile and attract interest and scrutiny from the media, members and the public. The focus of this review is to evaluate and report on the adequacy of controls, process and management practice in connection with the planning and staging of public events involving the Council.</p>	

The following Core Assurance reviews will be commenced in the second half of 15/16:

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"> ➤ Capital Programme Governance ➤ Planning Application Conditions Compliance ➤ Highways Act – Section 38 and Section 278 			ANA – High (Client Request) ANA – Low (Client Request) ANA – Low (Client Request)		
Grants					
Rogue Landlord Funding	Regulatory Requirement	Complete	Certified	No issues identified	
Autism Innovation Capital Grant 31/2424	Regulatory Requirement	Complete	Certified	No issues identified	
Community Capacity Grant 31/2393	Regulatory Requirement	Complete	Certified	No issues identified	
Local Sustainable Transport Fund	Regulatory Requirement	Complete	Certified	No issues identified	
Local Transport Capital Block	Regulatory Requirement	Complete	Certified	No issues identified	
Pinch Point Funding	Regulatory Requirement	Complete	Certified	No issues identified	

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:

<i>Annual Local Performance Indicators (LPI)</i>	2012/13	2012/13	2013/14	2013/14	2014/15	2014/15	2015/16	2015/16
	Target	Actual	Target	Actual	Target	Actual	Full Year Target	Six month Actual
Percentage of Audit plan Commenced (Inc. Schools)	95%	97.75%	100%	96.5%	100%	98%	100%	68%
Percentage of Audit plan Completed (Inc. Schools)	90%	94.3%	93%	94.6%	93%	94%	93%	44%
Actual Audit Days as percentage of planned (Inc. Schools)	90%	99.7%	95%	97.5%	95%	96%	95%	42%
Percentage of fundamental / material systems reviewed annually	100%	100%	100%	100%	100%	100%	100%	On target
Percentage of chargeable time	65%	66.1%	65%	69.3	65%	67.8%	65%	67.3
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	94.5%	90%	98%	90%	99%	90%	99%
Draft Reports produced within target number of days (currently 15 days)	90%	79.7%	90%	80.1%	90%	94%	90%	88%
Final reports produced within target number of days (currently 10 days)	90%	86.4%	90%	89.1%	90%	99%	90%	96%
Average level of sickness absence (DAP as a whole)	2%	2.9%	2%	3%	2%	5.5%	2%	2.1%
Percentage of staff turnover (DAP as a whole)	5%	8.5% (3 people)	5%	3%	5%	16.6%	5%	6%*
Out-turn within budget	Yes	Yes	Yes	Yes	Yes	Yes	Yes	On Target

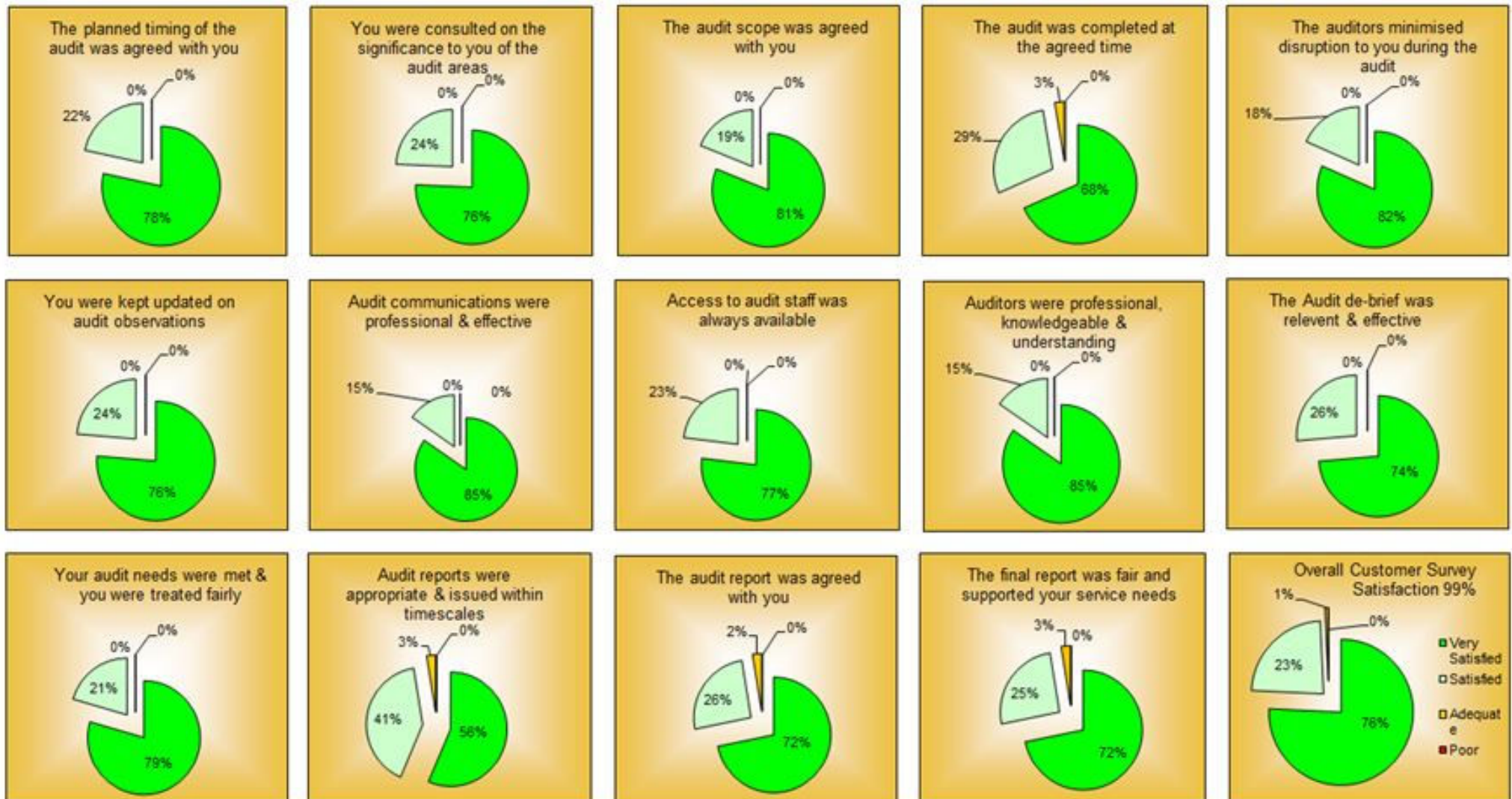
Overall, performance against the indicators has been very good. We are aware that a small number of our reports were not issued to the customer within the agreed timeframes (15 working days for draft report). We have identified areas where performance has been poor, and are working with our staff to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

Note * - 2 staff on secondment to other services

Appendix 3 - Customer Service Excellence

Customer Survey Results April 2015 - Sept 2015

The charts below show a summary of 39 responses received.



Appendix 4 – Definitions

Definitions of Audit Assurance Opinion Levels

Assurance	Definition
High Standard.	The system and controls in place adequately mitigate exposure to the risks identified. The system is being adhered to and substantial reliance can be placed upon the procedures in place. We have made only minor recommendations aimed at further enhancing already sound procedures.
Good Standard.	The systems and controls generally mitigate the risk identified but a few weaknesses have been identified and / or mitigating controls may not be fully applied. There are no significant matters arising from the audit and the recommendations made serve to strengthen what are mainly reliable procedures.
Improvements required.	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.
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.

Confidentiality under the Government Security Classifications

Marking	Definition
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.
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.
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.