

Internal Audit

Annual Audit Report 2016-17

Plymouth City Council
Audit Committee

June 2017

Robert Hutchins
Head of Audit Partnership



Auditing for achievement

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 annual report, to review and approve the Internal Audit programme, and to monitor the progress and performance of Internal Audit.

The Accounts and Audit (Amendment) (England) Regulations 2015 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 2016/17 was presented and approved by the Audit Committee in March 2016. The following report and appendices set out the background to audit service provision; a review of work undertaken in 2016/17, 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 an annual report providing an opinion that can be used by the organisation to inform its governance statement. This report provides that opinion.

Expectations of the Audit Committee from this annual report

Audit Committee members are requested to consider:

- the assurance statement within this report;
- the basis of our opinion and the completion of audit work against the plan;
- the scope and ability of audit to complete the audit work;
- 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 (see appendix 1) and satisfy themselves from this assurance for signing the Annual Governance Statement.

Robert Hutchins
Head of Devon Audit Partnership

Contents	Page
Introduction	1
Opinion Statement	2
Value Added	3
Audit Coverage & Progress Against Plan	4
Summary Audit Results	5
Fraud	7
Audit Standards & Customer Delivery	8
Appendices	
1 – AGS Assurance Framework	9
2 – Basis for Opinion	10
3 – Audit Authority	11
4 – Summary of Audit Reports & Findings	12
5 – Performance Indicators	23
6 – Customer Service Excellence	24

Opinion Statement

This statement of opinion is underpinned by :

Overall, based on work performed during 2016/17 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 opinion statement will support Members in their consideration for signing the Annual Governance Statement see appendix 1.

Internal Audit assesses whether key, and other, controls are operating satisfactorily within audit reviews, 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. Implementation of action plans is the responsibility of management yet may be 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 to assist them with compilation of their individual annual governance assurance statements. If significant weaknesses have been identified in specific areas, these have been considered by the Authority in preparing its Annual Governance Statement which will be accompany the published Statement of Accounts for 2016/17.

Performance against plan is generally as expected. Changes have been agreed with management, with resources targeted to support the changes in a continually evolving organisation. Further explanation is provided in the sections on Basis for Opinion, see appendix 2.

Internal Control Framework

The control environment comprises the Council's policies, procedures and operational systems and processes in place to:

- Establish and monitor the achievement of the Council's objectives;
- Facilitate policy and decision making;
- Ensure the economical, effective and efficient use of resources;
- Ensure compliance with established policies, procedures, laws and regulations;
- Safeguard the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.

During the year, core financial and administrative systems were reviewed by Internal Audit either through specific reviews (e.g. debtors, creditors, payroll & Main Accounting) or generally in the reviews undertaken in respect of directorate systems. The Council's overall internal control framework operated effectively during the year. Where internal audit work has highlighted instances of none or part compliance, none are understood to have had a material impact on the Authority's affairs.

Risk Management

Risk management is utilised widely across the Council and monitored by officers & through to members. The creation of the new Integrated Assurance Service will result in risk management being more formally aligned and working alongside other compliance functions and corporate governance processes to promote a joined-up approach to all aspects of governance.

Governance Arrangements

Work continued within Social Care / Health integration with Audit being a member of the Finance & Assurance Review Group (FARG), focussed around governance, finance and risk framework. We have considered governance in several areas inc. that of an Intelligent Client Function for commissioned services including the new Highways Maintenance contract.

Performance Management

The strategy is key to the successful delivery of services and is established for 'business as usual' and transformation programmes. Regular reporting to management, leadership team and the Council should ensure effective performance management. This is of particular importance as the Council develops new ways of working.

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.	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.
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.	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.

Value Added

We know that it is important that the internal audit service seeks to "add value" whenever it can and we believe 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.

We trust that officers have found our engagement, support as a "trusted advisor" effective and constructive in these significantly changing times.

Detailed below is some of the feedback received from those audited during 2016/17.

Transformation and Change

The Corporate Information Management review was delivered with complete professionalism backed by a high level of subject knowledge and an evident passion and commitment to improving our information governance resilience. The findings of the audit and delivery of the resultant action plans will be key to the achievement of improved information governance resilience for the Council.

Audit worked with the Treasury Management team so that it did not disrupt the daily cash transactions. Talking through some of the processes and looking at ways to change things was a good way to take a step back and review some of the processes. Audit also looked at stopping doing some things if it did not add to the process or if the information was not being used.

Audit's involvement in system improvements within HR attracted the following comments "there are huge benefits getting Audit involved, challenging us on why we do things the way we do. We are looking to streamline and simplify our processes to improve customer satisfaction. The work being done now will help us resolve some technical problems which are on our risk register. Resolving those issues will enable us to move forward confidently with the knowledge that we have undertaken all reasonable steps to manage those risks."

Place

The Planning Service found the audit review helpful and rewarding and that it "identified key issues and made relevant recommendations which were likely to secure the greatest benefits to the Council and its customers in terms of

planning compliance activities." They felt that it would help them to be "better organised and work more systematically, with improved performance monitoring built in, to secure improved services."

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;

Audit's participation in the Highways Maintenance (HM17) project has contributed to ensuring that the final outcome was reached correctly by following best practice and the processes published in the tender documentation. This included involvement in the design of the evaluation process, the checking of key documents and the monitoring of the moderation process.

People

"The auditor involved is" always great to work with and has a way of getting to the heart of issues but also being very solution focussed. She does a great job in holding us to account in a way that doesn't feel confrontational."

"Very helpful report" and the auditor "helped with brokering the final action plan between ourselves and commissioning."

"The team provided us with support with an external provider when we raised a concern and requested input. Their expertise, approach and support were extremely helpful."

Audit have "provided additional capacity in terms of our skill set and made positive suggestions for service improvement."

"I always value the input from DAP as partners working to ensure we meet our goals and provide the best value for money."

"I value the input throughout a project and the strategic support."

Schools

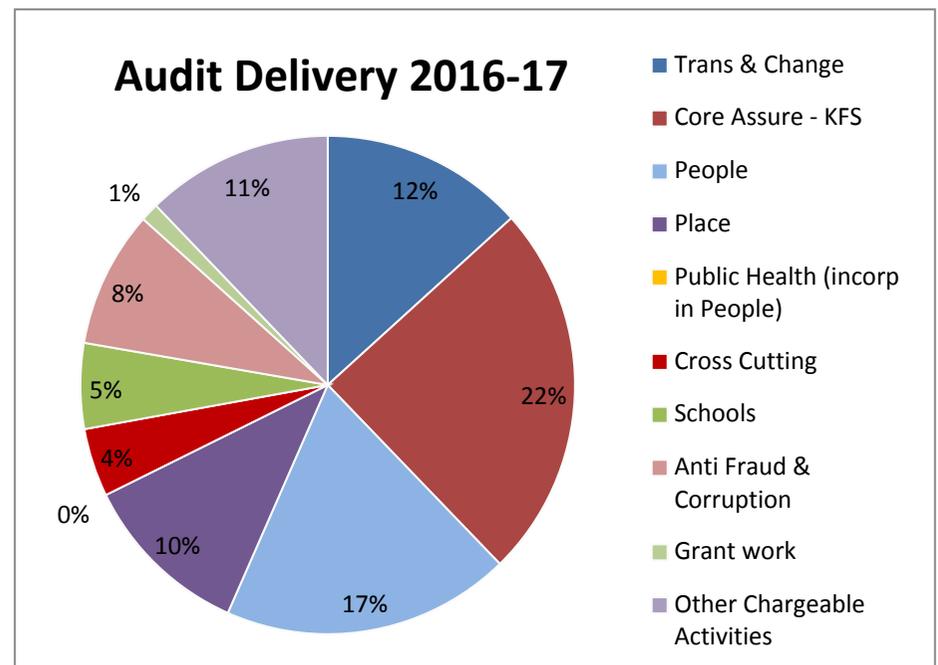
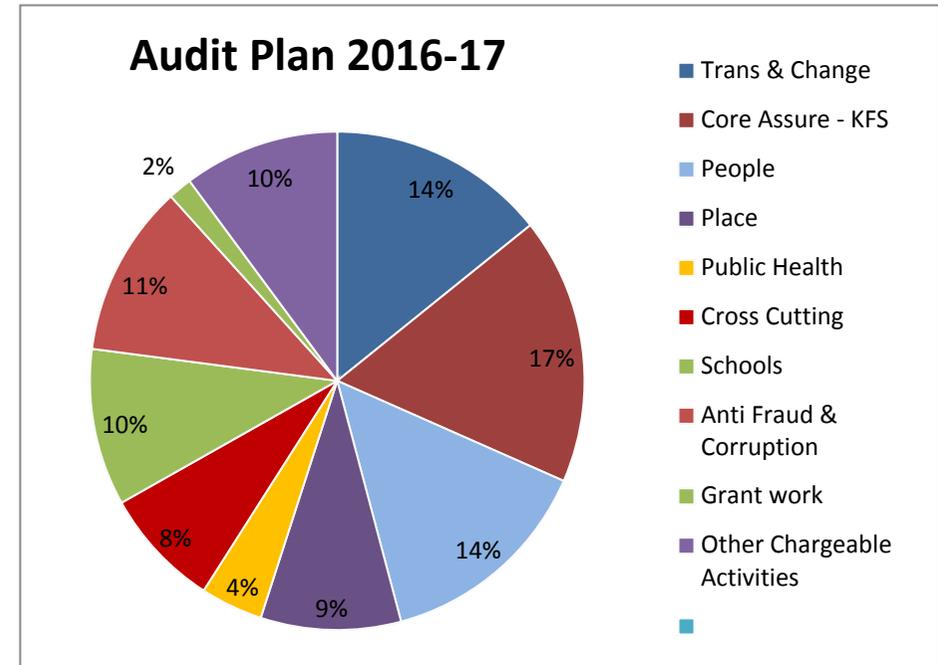
The Partnership has supported the School Health Check process through the provision of internal audit performance data providing a greater focus on schools causing concern in the wider control environment. The result of our input has been the intervention and review of schools by internal audit follow-up audits, governor support and school improvement to raise standards. The culmination of this work has lifted the performance of these schools with the exception of our DBS dip test on the single central record which, for the sample, showed insufficient checks and evidence maintained.

Audit Coverage and Performance Against Plan

The pie charts right shows the breakdown of audit days planned by service area / type of audit support provided. The balance of work has varied during the year as can be seen from comparison with the second chart. Variations have been with the agreement of the client.

Appendix 4 to this report provides a summary of the audits undertaken during 2016/17, along with our assurance opinion. Where a “high” or “good” standard of audit opinion has been provided we can confirm that, overall, sound controls are in place to mitigate exposure to risks identified; where an opinion of “improvement required” has been provided then issues were identified during the audit process that required attention. We have provided a summary of some of the key issues reported that are being addressed by management. It should be pointed out that we are content that management are appropriately addressing these issues.

Appendix 5 shows the performance indicators for audit delivery in 2016/17 against the revised audit plan. It will be noticed that there was a small variation in the total number of audit days provided during the year. When we prepare our plans we make an educated assessment of the number of days that an audit is likely to take. When the fieldwork is actually completed there is inevitably a variance from the planned days. In addition we provide an allowance for work on areas such as fraud and corruption; in some years the requirement will exceed the planned budget and in others the need for our resource will be less than planned. It should also be noted that some audits required a richer mix of staff resource due to the complexity / sensitivity of the area under review.



Summary audit results

Transformation and Change

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.

We had previously highlighted that “system ownership and control roles” for the Business Rates system were unclear and are pleased to report that the Service Improvement team within Customer Services now have responsibility for system administration processes, including daily income reconciliations. Business Rates income collection for 2016/17 is 99.1%.

More robust quality assurance (QA) procedures have been developed within Housing Benefits and where errors are identified, the service now instigates training to address individual gaps in knowledge. In order to continue to improve, the service should utilise the information arising from the QA procedures to formally identify possible trends across the service and deliver a co-ordinated awareness programme.

The ICT processes common to all key financial systems were reviewed for the first time since the foundation of Delt Shared Services and found to be of a good standard.

‘Cyber Security’ is currently receiving a high level of exposure from the Government and mainstream media. It is pleasing to report that the first audit review of the Council’s cyber security found controls were of a good standard when measured against the Government’s Cyber Essentials scheme.

People & Public Health

The processes and guidance in place for Residential Care Payments were found to be effective with recovery action being taken in respect of any overpayment; work is being undertaken to improve links between CareFirst Dashboard and General Ledger to enhance reporting.

The Council has taken substantial steps in respect of its ability to ensure that clients receiving adult social care are financially assessed, and in turn made aware of their responsibility to contribute to their care. Financial assessments are underpinned by the Council’s Fairer Charging Policy which was found to conform to national legislation and guidance. Full Council has enacted the 2% Council Tax levy as announced by the Government in November 2015.

Domiciliary care providers are effectively monitored via quarterly contract meetings and the weekly review of dashboards by the Commissioning Officer. The use by Brokerage of the “new services” report, rather than creating paper lists to record changes to packages, would further strengthen and streamline the system

The key risks within this area are linked to the ongoing evolution of the integration with health and social care partners, as success in this area will continue to improve services, drive efficiency and allow more controlled management of reductions in funding levels.

Direct Payments continues to be highlighted as an area where, despite the progress made, improvements are still required, and these requirements have been identified and recorded in an updated action plan.

People & Public Health (continued)

Our review of the “Wellbeing” commissioning strategy concluded that the creation process had been robust, was based on sound assessments of need and the resulting actions appeared feasible and realistic. Systems and processes have been developed to deliver the actions, with monitoring taking place at a number of levels and to a cross section of audiences; the hierarchy of information included a System Performance Scorecard and Highlight Report. Whilst a number of measures have been identified which will show movement within the system over the long term, there was scope to introduce and report more short term measures to support decision making. The use of the Integrated Commissioning System Design Group (SDG) to feed into and shape the delivery of Strategy actions is considered a strength within the overall process.

Place

The Council is fortunate to have well qualified and experienced staff involved in organising Council events. However, the demands placed upon them, particularly during the lead up to, and during major events, does pose a risk in respect of the team’s resilience. This risk has been acknowledged by the team who are keen to explore a potential solution which could see the Events team utilise existing skillsets and knowledge from staff across the Council.

Exemptions to Contract Standing Orders raised late by those responsible for delivering major Council events also pose a risk in respect of the delay in confirmation of costs and afford approving officers little time for challenge and scrutiny. The Events team are working closely with Procurement to reduce such occurrences.

DAP provided support and challenge to those tasked with procuring the new Highways Maintenance contract jointly with Devon County Council. This involved the review of tender documentation, evaluation and pricing models and presence at bid evaluation moderation sessions. Audit then validated evaluation scores, pricing models and “relative merits” prior to the selection of a preferred bidder and contract award, to ensure that a consistent and fair approach was followed throughout. Audit continued to support the project during the subsequent mobilisation phase.

Place (continued)

Following the commencement of the new Highways Maintenance contract with South West Highways, Audit have been asked to continue to provide “Trusted Advisor” support and assurance during its first year of operation.

Schools

Our overall opinion is one of ‘Good Standard’. In general, the systems and controls in schools mitigate the risks identified in many areas. However, there are risks exposed in key areas which reduce overall assurance.

The key matters arising from the audits are the:

- Single Central Record
- Publication of information on the governing body
- Publication of Pupil Premium information
- Business Continuity / Disaster Recovery Plan

The key matters on the single central record (Disclosure and Baring) is that of insufficient records of checks and supporting evidence, in the sample review, to conform with DfE guidance Keeping Children Safe in Education.

The recommendations made, in other areas, serve to strengthen what are reasonably reliable procedures.

The Schools Financial Value Standard (SFVS) is an established tool for maintained schools to self-assess their financial management. The responsibility for it’s preparation lies with the Headteacher and financial support staff, though formal responsibility rests with school governors.

Of the 41 maintained Plymouth schools (as at 31 March 2017), 40 submitted their 2016/17 signed self-assessment by the due date. The one school that did not make a submission was exempted because an Academy Order was in place.

Internal audit arrangements for Plymouth maintained schools are for a planned visit every three years. All of the 2016-17 school audits included a review of their latest SFVS submission and assurance can be provided that we were able to agree with the judgements made by each of those schools in their self-assessments.

Fraud Prevention and Detection

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. For the 2016/17 exercise, DAP co-ordinated the extract of relevant datasets, as defined by the Cabinet Office, from a range of Council systems. Departments supplied their datasets and these were uploaded onto the NFI secure website. The subsequent matching reports were received back from the Cabinet Office in February 2017 and these are currently being reviewed, either by DAP, or provided to relevant departments for their investigation.

DAP have continued to liaise with the Council's Corporate Fraud Team, to exchange information and knowledge.

Irregularities - During 2016/17, DAP has carried out or assisted in five investigations within the Authority. Analysis of the types of investigation and the number undertaken shows the following:-

Issue	Number
IT Misuse	2
Poor Procedures	3

Four of these 5 reviews were reported in our half year report to Audit Committee in December 2016.

DAP were also asked to review the Council's response to an LGO investigation and report with a view to assessing how effectively the response addressed the concerns raised by the LGO and the extent to which the risk of a reoccurrence was reduced. DAP were able to report that following the LGO investigation the Council had improved its procedures and that these improvements would provide some mitigation against the risks of similar occurrences. However, it was also noted that to fully mitigate the risks, reliance would continue to be placed upon the professionalism of Council officers and the relevant department's quality assurance procedures.

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.

Audit Standards and Customer Delivery

Conformance with Public Sector Internal Audit Standards (PSIAS)

Conformance - Devon Audit Partnership conforms to the requirements of the PSIAS for its internal audit activity. The purpose, authority and responsibility of the internal audit activity is defined in our internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. Our internal audit charter was approved by senior management and the Audit Committee in March 2017. This is supported through DAP self-assessment of conformance with Public Sector Internal Audit Standards & Local Government Application note.

Quality Assessment – through external assessment December 2016 “DAP is considered to be operating in conformance with the standards” External Assessment provides independent assurance against the Institute of Internal Auditors (IIA) Quality Assessment & Public Sector Internal Audit Standards (PSIAS). The Head of Devon Audit Partnership also maintains a quality assessment process which includes review by audit managers of all audit work. The quality assessment process and improvement is supported by a development programme.

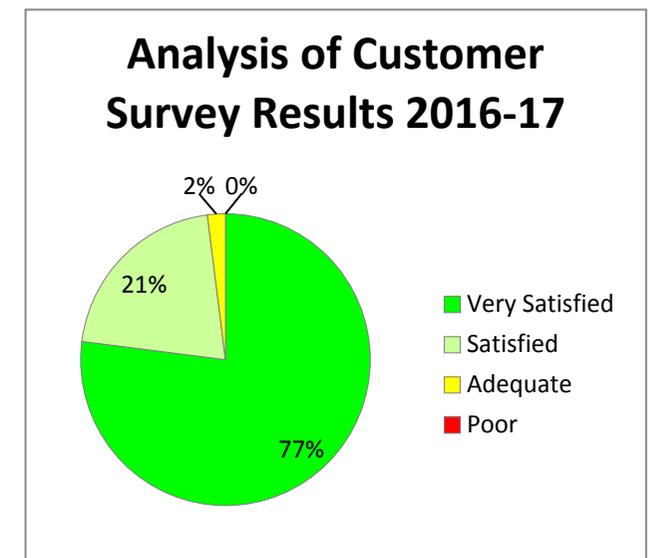
Improvement Programme – DAP maintains a rolling development plan of improvements to the service and customers. All recommendations of the external assessment of PSIAS and quality assurance were included in this development plan and have been completed. This will be further embedded with revision of our internal quality process through peer review. Our development plan is regularly updated and a status report was reported to the Management Board in October 2016.

Performance Indicators

Overall, performance against the indicators has been very good with improvements made on the previous year (see appendix 5). Our draft and final reports have been issued to the customer within the agreed timeframes (15 working days for draft report and 10 working days for final report). We continue to review areas where performance in this area can be improved.

Customer Service Excellence

DAP has been successful in re-accreditation by G4S Assessment Services of the CSE standard during the year. During the period we issued client survey forms with our final reports. The results of the surveys returned are, although low in number, very good and again are very positive. The overall result is very pleasing, with near 98% being "satisfied" or better across our services, see appendix 6. 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.



Appendix 1 - Annual Governance Framework Assurance

The conclusions of this report provide the internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.

The Annual Governance Statement provides assurance that

- the Authority's policies have been complied with in practice;
- high quality services are delivered efficiently and effectively;
- ethical standards are met;
- laws and regulations are complied with;
- processes are adhered to;
- performance statements are accurate.

The statement relates to the governance system as it is applied during the year for the accounts that it accompanies. It should:-

- be prepared by senior management and signed by the Chief Executive and Chair of the Audit Committee;
- highlight significant events or developments in the year;
- acknowledge the responsibility on management to ensure good governance;
- indicate the level of assurance that systems and processes can provide;
- provide a narrative on the process that has been followed to ensure that the governance arrangements remain effective. This will include comment upon;
 - The Authority;
 - Audit Committee;
 - Risk Management;
 - Internal Audit
 - Other reviews / assurance
- Provide confirmation that the Authority complies with CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. If not, a statement is required stating how other arrangements provide the same level of assurance



The AGS needs to be presented to, and approved by, the Audit Committee, and then signed by the Chair.

The Committee should satisfy themselves, from the assurances provided by the Corporate Risk Management Group, Executive and Internal Audit that the statement meets statutory requirements and that the management team endorse the content.

Appendix 2 - Basis for Opinion

The Chief Internal Auditor is required to provide the Council with an opinion on the adequacy and effectiveness of its accounting records and its system of internal control in the Council. In giving our opinion, it should be noted that this assurance can never be absolute. The most that the internal audit service can do is to provide reasonable assurance, formed from risk-based reviews and sample testing, of the framework of governance, risk management and control.

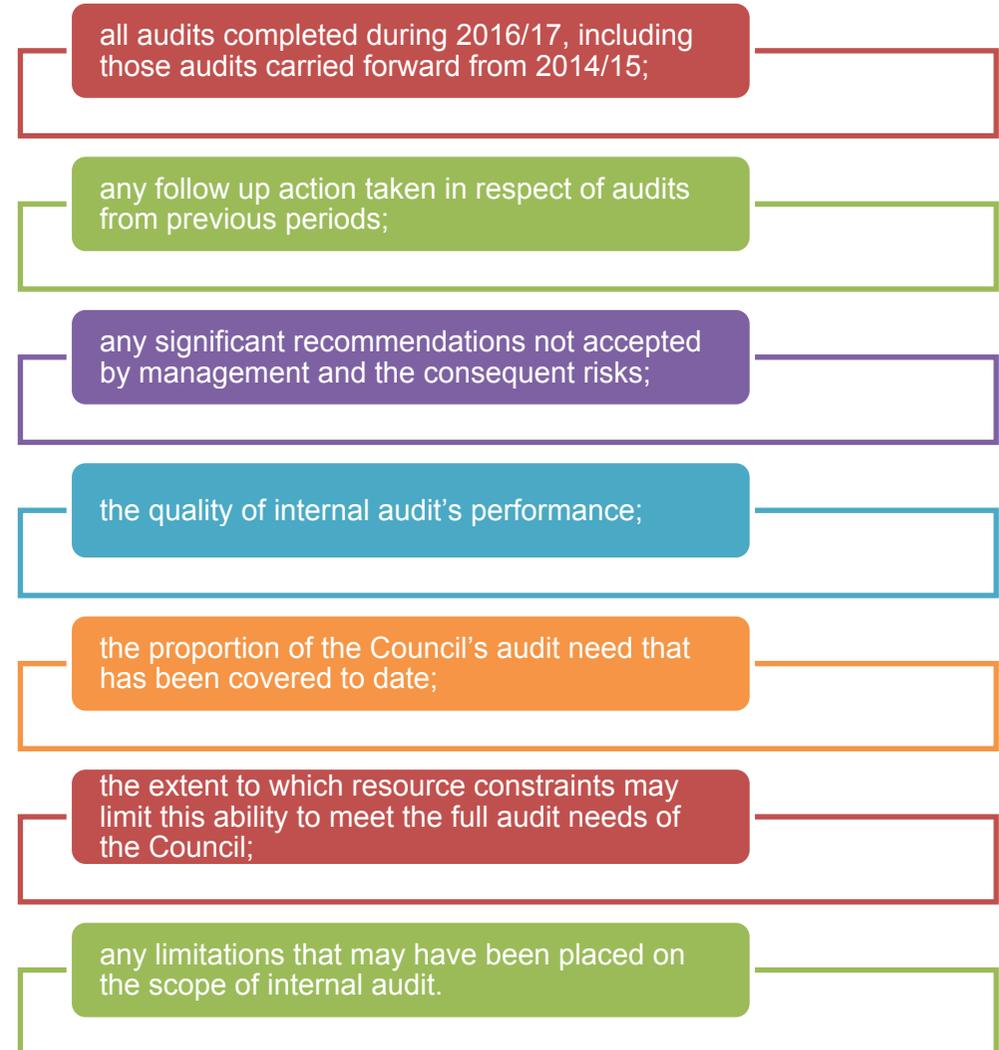
This report compares the work carried out with the work that was planned through risk assessment; presents a summary of the audit work undertaken; includes an opinion on the adequacy and effectiveness of the Authority's internal control environment; and summarises the performance of the Internal Audit 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 statement on the effectiveness of the system of internal control in meeting the Council's objectives;
- a comparison of internal audit activity during the year with that planned;
- a summary of the results of audit activity and;
- a summary of significant fraud and irregularity investigations carried out during the year and anti-fraud arrangements.

In its' drive to deliver quality services within an environment of reducing budgets, increasing costs and changing demand, the Council continues to develop new and innovative models of service delivery. As a result the 2016/17 Audit Plan has been subject to some change, with audit resources being targeted in response to the far reaching changes that are being delivered.

As a result some work originally included within the audit plan was no longer relevant or has been deferred to a later date to fit with client needs and current objectives. These changes to do limit the overall audit assurance opinion.

In assessing the level of assurance to be given the following have been taken into account:



Appendix 3 - Audit Authority

Service Provision

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

Regulatory Role

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

- **Section 5 of the Accounts and Audit Regulations (England) Regulations 2015** which states that ".....a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance....."
- **Section 151 of the Local Government Act 1972**, which requires every local authority to make arrangements for the proper administration of its financial affairs.

Professional Guidelines

We work to professional guidelines which govern the scope, standards and conduct of Internal Audit as set down in the Public Sector Internal Audit Standards.

DAP, through external assessment, demonstrates that it meets the Public Sector Internal Audit Standards (PSIAS).

Our internal Audit Manual provides the method of work and Internal Audit works to and with the policies, procedures, rules and regulations established by the Authority. These include standing orders, schemes of delegation, financial regulations, conditions of service, anti-fraud and corruption strategies, fraud prevention procedures and codes of conduct, amongst others.



Appendix 4 – Summary of audit reports and findings for 2016/17

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

Direction of Travel Assurance 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.

TRANSFORMATION AND CHANGE

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Core Assurance – Key Financial System			
Creditors Risk / ANA: ANA - Medium	Good Standard Status: Draft	<p>The Creditors system continues to ensure that the Council's financial data is appropriate, complete and accurate. The in-house development of duplicate payments software has proved successful in identifying potential duplicate payments in advance of the payment run, effectively taking out one whole stage in the payment process.</p> <p>Civica Intelligent Scanning was implemented in December 2016 but the perceived benefits have not yet been realised due to the manual intervention currently required. The number of non-order invoices was found to be on the increase. Whilst this is a corporate issue and cannot be controlled by the Creditors Team, the importance of having the commitment on the financial systems needs to be communicated and will in turn improve the efficiency of the Intelligent Scanning process.</p>	 *
Main Accounting System Risk / ANA: ANA - High	Good Standard Status: Final	Main accounting system processes are operating effectively within an overall sound control environment with most processes operating as expected and as required by the organisation. There are some areas where consideration and implementation of additional measures would further enhance the existing control framework and will be considered as part of the Finance Fit transformation programme.	
Debtors Risk / ANA: ANA - Medium	High Standard Status: Final	The systems and internal controls within the Debtors system continue to operate effectively. The drive to improve overall operational efficiency continues, with training being delivered to staff to enable working across other areas within the Transaction Centre. Debt recovery performance is subject to regular monitoring by both Operational and Senior Management.	
Payroll – iTrent Risk / ANA: ANA - Medium	High Standard Status: Final	<p>Consistent application of internal controls has ensured that staff are paid accurately, on time and in accordance with their contract of employment.</p> <p>Self-service is now in operation across the Council with responsibility for the accuracy, completeness and validity of all authorised amendments to payroll data resting with Managers.</p>	

TRANSFORMATION AND CHANGE

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		<p>Payroll Operations have implemented a robust process of control and agreement to ensure the accuracy and completeness of payroll expenditure.</p> <p>System performance issues continue to cause concern as these impact the Payroll service's ability to develop capacity, create efficiencies and generate savings, management are working with Midland iTrent to maximise system functionality.</p>	
Housing Benefits Risk / ANA: ANA - High	Improvements Required Status: Final	<p>Performance is being closely monitored with weekly performance meetings focussed on productivity and outstanding workloads. In-year performance of new claims processing has improved significantly but due to the ongoing challenge of managing resources against competing work demands, there has been a minor drop in processing times for changes in circumstances.</p> <p>The “refreshed” Quality Assurance procedures are identifying errors and training and mentoring is being provided with a view to reducing the error rate. It is important for the service to track the success of the interventions.</p> <p>Risk based verification (RBV) of claims has been reinstated, but evidence is not currently available to show if RBV is having a positive impact upon the identification of fraud and error. In accordance with Department for Works & Pensions guidance the RBV Policy should be formally approved by the Section 151 Officer and Members.</p>	
Council Tax Risk / ANA: ANA - Medium	Good Standard Status: Final	<p>Overall, the level of internal control within the Council Tax system continues to operate at a good standard with the collection rate increasing slightly from the previous year to 96.9%.</p> <p>Discounts and exemptions are supported by appropriate evidence and subject to a satisfactory level of review. With the assistance of a credit reference agency, a Single Persons Discount (SPD) review was undertaken during 2016/17. The value of the SPD's removed was £224,000 and the service plan to repeat the exercise during 2017/18.</p>	
Business Rates - NNDR Risk / ANA: ANA - Low	Good Standard Status: Final	<p>There are no significant matters arising from the audit which found the overall system and control environment to be operating to a good standard. Effective debt recovery procedures are reflected in the collection rate, which increased from 98.66% in 2015/16 to 99.1% in 2016/17.</p> <p>An updated Income and Credit Management Policy has received approval at Assistant Director and Portfolio Holder level but now requires Cabinet approval before publication.</p>	

TRANSFORMATION AND CHANGE

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Treasury Management Risk / ANA: ANA - Medium	High Standard Status: Final	Testing of the overall control environment found that it is sufficiently robust in relation to the inherent risks present. Approved procedures are in place, and our review found that these had been adhered to in terms of both investment and borrowing and performance is monitored.	
ICT Material Systems Risk / ANA: ANA - High	Good Standard Status: Draft	The first Material Systems review conducted since Delt Shared Services Ltd was launched in October 2014 identified that the core IT processes that are common to the Council's key financial systems are of a good standard. Whilst some activities are conducted by Council staff, the vast majority of controls examined are owned by Delt and the review, therefore, focusses on Delt organisational and operational controls. As with the Cyber Security review, a revisit will be made in the first quarter of 2017/18 to confirm that all new processes are effective.	 *
Grants x 7 Risk / ANA: n/a	Certified Status: Complete	Grants certified without amendment – Rogue Landlord, Derriford Transport Scheme, DFT Local Transport Capital Block, DFT Challenge Fund, DECC Green Deal Communities Fund, DCLG Plymouth City Deal (South Yard), LGF - Derriford Hospital Interchange	
Core Assurance - Other			
Corp Information Management (ILOG, FoI, DPA, Policies & P's, EDRMS, End User Computing) Risk : SRR46 Amber	Value Added Status Final	<p>DAP continues to provide “trusted advisor” support to 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. DAP continue to monitor progress against recommendations made in its 2016/17 Information Management report and supports the Information Management project, as appropriate.</p> <p>The Council is facing many challenges in the form of ever increasing cyber security threats, managing its data effectively and compliantly and, the pending General Data Protection Regulation (GDPR). It is pleasing to report that excellent work has been conducted by ILOG, the Information Governance Manager and the Corporate Records Manager in helping the Council meet these challenges. However, it is essential that the Information Management Project is successfully delivered. Management should support the cultural change required to embed effective information asset ownership within the Council, without which the benefits of the technical and procedural improvements will not be fully realised.</p>	
ICT Active Directory Risk: SRR46 - Amber	Value Added Status: Ongoing	A review of the Council's Active Directory (system that governs access to the Council's ICT network and logical assets) was recommended within our Information Management report. Working with the Information Governance Manager, an initial assessment has been completed. It is considered that improvements can be made to strengthen user administration processes. The Delt Operations Director recognises our concerns and issues raised.	

TRANSFORMATION AND CHANGE

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		DAP are currently reviewing the Council's Human Resources and Organisational Development (HROD) starters and leavers process and will highlight any opportunities to strengthen end-to-end user management process, including processes that are owned by Delt. DAP will liaise with ILOG and feed into the Transformation Corporate Centre (TCC) programme as appropriate.	
ICT Retained Client Risk / ANA: ANA – High	Opportunity Status: Final	<p>A formal review of the 'retained client' function has been completed which assessed key retained functions and controls and the effectiveness of the Council's ability to meet transformational requirements and operate on a more commercial basis. Nine potential opportunities for continual service improvements were identified within the report and these were discussed with senior management who are considering them whilst defining the Retained Client activity going forward. The function now needs development to enable the ability to optimise the value of the retained client through more "intelligent" and performance related activities and these are now being introduced.</p> <p>Ongoing findings identify that the all-important relationship between Delt and those undertaking retained activities within the Council are becoming increasingly effective.</p>	
Cyber Security Risk: SRR113 - Amber	Good Standard Status: Final	Our 'high level' review found that the ICT service provided by Delt Shared Services (Delt) appropriately satisfies many of the baselines included within the Government's "Cyber Essentials" scheme. Investment has been made to commission specialist companies to identify and rectify potential historic weaknesses in infrastructure, backup processes and the primary data centre located at Windsor House, Plymouth. Whilst the audit was not able to assess the effectiveness of changes recommended within these reviews, DAP are to conduct a further review during the first quarter of 2017/18 so that appropriate assurance can be given with regard to the new processes.	
Transformation & Change – Strategic and Operational			
Risk Management Risk / ANA: ANA - High	Opportunity Status "Working"	Reported to Audit Committee December 2016	
Recruitment - Pre Employment Checks	Good Standard Status: Final	The Council has an established process governing pre-employment screening and this is supported by a recruitment policy and guidance for recruiting managers. Existing procedures cover all recruitment risk areas including the requirements relating to posts working with children, young people or vulnerable adults, in accordance with the Warner Report 'Choosing with Care'.	

TRANSFORMATION AND CHANGE

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		In addition, the pre-employment procedures in operation at the Council's temporary recruitment agency were found to be consistent with the Council's and in all of the cases tested, were found to have satisfactory levels of pre-employment screening.	
Registrars Office Client Request	Good Standard Status: Final	A good system of internal control was found to be operating in respect of the collection, recording, banking and reconciliation of income received for Registration Service. Some recommendations were made which if implemented, could further enhance current arrangements.	
The following audits have either been cancelled by the client as they are no longer required due to organisational change or deferred until 2017-18 The Management of Delt Transformation Process Risk ANA: ANA – High Risk / ANA: SRR95 – Red ANA – High			

PEOPLE

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Core Assurance – Key Financial System			
CareFirst - Residential Care Payments (Adults) Independent Risk / ANA: ANA - High	Good Standard Status: Final	Processes and guidance are in place for the input, checking and batching of Residential Care Payments and the approved Scheme of Delegation is adhered to. Budgets are monitored and work is being undertaken to improve links between CareFirst Dashboard and General Ledger to enhance reporting. Whilst reconciliation of payments made on behalf of the NEW Devon Clinical Commissioning Group (CCG) are performed on a regular basis, delays were identified in the subsequent raising of the invoices to the CCG.	
CareFirst - Income Collection (Adults – Deferred Payments) Risk / ANA: ANA – High	In Progress	From April 2015 a new Deferred Payments system was implemented under the Care Act 2014. Prior to this date the Council was already offering the facility to defer payments for people in residential care and therefore there are currently two separate systems in operation. The review is in progress and we are: <ul style="list-style-type: none"> Considering the adequacy of the systems and controls in operation for the historic Deferred Payments to ensure the Council, in the appropriate circumstances, can effectively recover the monies due; Gaining an understanding of the new system for Deferred Payments to enable us to evaluate the design and effectiveness of the controls and procedures in operation. 	N/A

PEOPLE			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Domiciliary Care Payments (Detailed Follow-Up to 2015/16 Review)	Good Standard Status: Final	The key issue of provider pre-payment was addressed promptly after the original audit review. The more detailed follow-up review has confirmed that the systems and controls put in place are effective with providers being monitored via quarterly contract meetings and the Commissioning Officer reviewing the dashboards for each provider on a weekly basis. Adoption by Brokerage of the “new services” report rather than creating paper lists to record changes to packages would further strengthen and streamline the system.	
Independent Placements (Children) Risk / ANA: ANA - Medium	Improvements Required Status: Final	Reported to Audit Committee December 2016 - to be followed-up 2017/18.	
Direct Payments (Pre-Paid Cards) Risk / ANA: ANA - High	Improvements Required Status: Final	Reported to Audit Committee December 2016 - to be followed-up 2017/18.	
Core Assurance – Other			
Income Collection Strategy / Maximisation Risk / ANA: ANA – Critical	Good Standard Status: Final	Reported to Audit Committee December 2016	
Retained Client, Deprivation of Liberty Safeguards (DoLS) – Internal Processes Risk / ANA: ANA – High	High Standard Status: Final	Reported to Audit Committee December 2016	
Retained Client, Deprivation of Liberty Safeguards (DoLS) – Statutory Compliance Risk / ANA: ANA – High	Improvements Required Status: Final	Reported to Audit Committee December 2016 - to be followed-up in 2017/18.	
Early intervention – Families with a Future Risk / ANA: ANA - High	Certified Status: Complete	DAP have verified and certified nine claims across the year with 106 families having achieved significant and sustained progress and 36 families having achieved continuous employment. This has realised income of £174k. We continue to work with the Families with a Future Team to ensure the accuracy and completeness of key data and that demonstrable evidence of intervention is maintained.	

PEOPLE			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Schools Financial Value Standard Risk / ANA: n/a	Good Standard Status: Final	SFVS Dedicated Schools Grant Chief Finance Office assurance statement for 2016/17 submitted to the Department for Education.	
Grammar School Admissions Client Request	Value Added Status: Final	The systems for the administration and handling of grammar school admissions papers have been reviewed and there are no significant matters arising from our work. The recommendations which were made serve to strengthen current procedures and highlight some areas for possible consideration going forward.	
Integrated Health and Wellbeing (Integrated Fund)			
Compliance with - Delivery of Commissioning Strategies Risk / ANA: ANA - Critical	Good Standard Status: Final	The review concluded that the creation process for the Wellbeing Strategy was robust and inclusive of a variety of stakeholders from across the system and is based on sound assessment of need. Monitoring takes place at a number of levels to a cross section of audiences and there is a hierarchy of information. There is scope to introduce and report more short term measures to support decision making and provide more relevant timely feedback. The use of the System Design Group to feed into and shape the delivery of the Strategy actions is a real strength within the overall process. There is a solid base from which to move forward and continue to deliver and evolve.	
CCG Success Regime Risk / ANA: ANA – High	Value Added Status: Ongoing	The Success Regime Case for Change has been incorporated into the Sustainability and Transformation Plan (STP) that was published in November 2016. The STP provides direction to work towards over the next five years and local health and care partner organisations will develop delivery plans within that framework. Where delivery plans are linked to areas in the 2017/18 audit plan they will be examined as part of that review.	
Plymouth and Western System Development Board Risk / ANA: ANA – High	N/A	The Council and New Devon CCG have pooled and aligned budgets for health integration of circa £460m and it has been agreed that DAP have a presence at board meetings, the knowledge gained is used to inform strategic audit work within People.	N/A
Governance and Risk Management Risk / ANA: ANA – High	Good Standard Status: Final	Reported to Audit Committee December 2016	
Integrated Fund Financial Reporting Risk / ANA: ANA – High	Good Standard Status: Final	Reported to Audit Committee December 2016	
Integrated Fund Risk / ANA: SRR83 – Amber	Value Added Status:	DAP has continued to monitor and support the actions of the Integrated Fund (IF). Assurance has been sought, and support provided through attendance and input at the IF Finance and	

PEOPLE

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
	Complete	<p>Assurance Review Group which is tasked with coordinating assurance, financial reporting and risk management for the Integrated Commissioning Board.</p> <p>In addition, more formal input has been provided through the provision of an advisory paper on the role of the Pooled Fund Manager and presentation of Audit Report Summaries which are relevant to the IF.</p>	

Integrated Health and Wellbeing (Transformation Programme)

Transformation Programme Board (IHWB) Risk / ANA: ANA - Medium	Value Added Status: Complete	<p>During 2016/17, DAP has observed the Integrated Health and Wellbeing Programme Board to gain assurance on the processes and transformation actions, along with using the opportunity to provide audit input to those with operational responsibility. Additionally we have provided summaries of the work undertaken which is relevant to IHWB Transformation and the ongoing work with the CCG and other partners.</p> <p>The IHWB Board was formally closed on 19th August 2016 and realigned with the One System One Aim priorities through the Plymouth and Western System Development Board.</p>	
--	--	---	---

System Enablers Risk / ANA: ANA - High	Value Added Status: Complete	<p>The System Enablers Board is a subgroup of the IHWB Programme, tasked with ensuring that IT requirements are identified and addressed. DAP has worked closely with the Project Manager to challenge and support ongoing work and provide an independent view on the longer term projects such as the 2020 Digital Partnership.</p>	
--	--	---	---

The following audit has been incorporated into the 2017-18 audit plan.
 Adult Social Care Retained Client Function
 Risk / ANA: ANA – High

PUBLIC HEALTH

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Joint IHWB Commissioning - Design of Future Service Delivery Risk / ANA: ANA – High	Good Standard Status: Final	<p>The review concluded that the creation process for the Wellbeing Strategy was robust and inclusive of a variety of stakeholders from across the system and is based on sound assessment of need. Monitoring takes place at a number of levels to a cross section of audiences and there is a hierarchy of information. There is scope to introduce and report more short term measures to support decision making and provide more relevant timely feedback. The use of the System Design Group to feed into and shape the delivery of the Strategy actions is a real strength within the overall process. There is a solid base from which to move forward and continue to deliver and evolve.</p>	

PEOPLE

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance

Due to organisational change the review detailed below was no longer required as a “stand alone” audit and the planned work around the around performance was incorporated into the “Design of Future Service Delivery” detailed above.
 Joint IHWB Commissioning – Service Delivery Performance Frameworks
 Risk / ANA - High

PLACE

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance

Highways Maintenance Contract – letting and mobilisation Risk / ANA: SRR107 - Amber ANA - Critical	Value Added Status: Complete	Throughout 2016/17, Audit continued its involvement in the letting of a new Highways Maintenance Contract, providing support and challenge to both Devon and Plymouth Councils at the various stages of the procurement, in particular the receipt and evaluation of final bids in August 2016. Audit provided independent assurance in the lead up to bid submission, attending meetings of the Programme Board and training sessions given to evaluators, and during the evaluation of these bids. Audit supported moderation sessions and validated evaluation scores, pricing models and “relative merits”, to ensure that a consistent and fair approach was followed throughout. Audit provided assurance and support to officers through the project’s mobilisation phase which culminated in the contract with South West Highways going live at the beginning of April.	
---	-------------------------------------	---	---

Highways Act 1980 – Section 38 and Section 278 Agreements Risk / ANA: ANA – Low Client Request	Good Standard Status: Final	The processes and procedures in operation to manage the adoption of new roads and improvements and changes to existing highways undertaken by developers are effective. With the revision of the agreement fees following a review of fees charged by neighbouring authorities at the start of 2016 calendar year, the Council has endeavoured to maximise its income whilst at the same time being mindful of charges being applied by other local authorities.	
--	------------------------------------	--	---

History Centre Risk / ANA: SRR108 Red - ANA – Medium	Value Added Status: Complete	Audit monitored the Project Board’s activity through board papers providing “trusted advisor” challenge and insight on decisions and actions.	
--	-------------------------------------	---	---

Plymouth City Market - Income Collection Risk / ANA: ANA – Medium Client Request	Good Standard Status: Draft	Controls around cash collection were found to be quite robust but there may be opportunity to realise efficiencies in the longer term.	
---	------------------------------------	--	---

PEOPLE			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Events Planning and Delivery Risk / ANA: ANA – Low Client Request	Good Standard Status: Final	<p>Within the Council's Events Programme MTV concerts pose the greatest risk due to the financial success of the event being largely reliant upon ticket sales. The 2016 MTV event saw improved financial performance due, in part, to greater income generation in respect of bar arrangements during the concerts.</p> <p>The Council has a well qualified and experienced events team. However, the demands placed upon those officers, particularly in the lead up to, and during major events, do pose a risk in respect of the team's resilience. This has been acknowledged by management who are keen to explore a potential solution which could see the Events team utilise existing skillsets and knowledge from staff across the Council.</p> <p>The review highlighted some instances where exemptions to Contract Standing Orders were raised late in the event delivery process. The Events team are working closely with Procurement to reduce such occurrences.</p>	
Fleet Management inc Tranman and Operators Licences Risk / ANA: ANA - Medium	Status: In Progress	There are acknowledged issues with the ICT system from a financial reporting perspective which makes budget forecasting and the identification of potential overspends difficult. Audit work is ongoing to identify the root cause of these issues with a view to escalating with the system provider and learning from system users at other sites.	N/A
Waste PFI Risk / ANA: ANA - Medium	Value Added Status: Complete	Audit continued its participation with the South West Devon Waste Partnership, attending meetings of the Project Executive, providing support and advice on contract management issues and the annual reconciliation process.	
Planning Compliance Risk / ANA: ANA – Low Client Request	Good Standard Status: Final	Reported to Audit Committee December 2016	
On-Call Service Risk / ANA: Client Request	Good Standard Status: Final	Reported to Audit Committee December 2016	
Trade Waste Risk / ANA: Client Request	Improvement Required Status: Final	Reported to Audit Committee December 2016 - to be followed-up 2017	
The following audit was not required by the client. Environmental Projects Risk ANA: ANA - Medium			

Cross Cutting			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Review of Major Contracts Risk / ANA: ANA - High	Status: In Progress	The former Plymouth Adults & Community Learning Service (PACLS) is a “spun out” company funded by a contract held by the City Council to deliver learning opportunities to adults. The focus of this review is delivery against the contract.	N/A
Firmstep Digital Platform Risk / ANA: ANA – High	Status: Ongoing	The Firmstep Platform is a single, centralised interface through which customer interactions can be managed. When undertaking audits within service areas, we consider how Firmstep (if not already in use) could support channel shift, create efficiencies and improve service delivery.	
Civica Financials Project Risk / ANA: ORR F7, ANA - High	Value Added Status: Complete	The work to improve the Civica systems has been included within the scope of the technology workstream within the Finance FIT project. Any enhancements to system functionality and the resulting changes to practices and procedures have been incorporated into our work on Creditors, Debtors and the Main Accounting System.	
Business Continuity Risk / ANA: SRR08 – Green ORRCS5 – Amber, ANA - High	Value Added Status: Complete	DAP continued to be a member of the Council’s Business Continuity Strategy Group as Trusted Advisor. In addition, Audit gave consideration to issues relating to Business Continuity plans within individual service reviews and projects that it had involvement in.	
The following audits have either been cancelled by the client as they are no longer required / circumstances have changed, or deferred until 2017-18 Alternative Service Delivery Vehicles (ASDV) Risk / ANA: ANA – High Contract Management Strategy / Retained Client Function Risk / ANA: ANA – High Co- operative Review of Services Risk / ANA: ANA – High Commercialisation Risk / ANA: ANA – High			

Appendix 5 – 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:

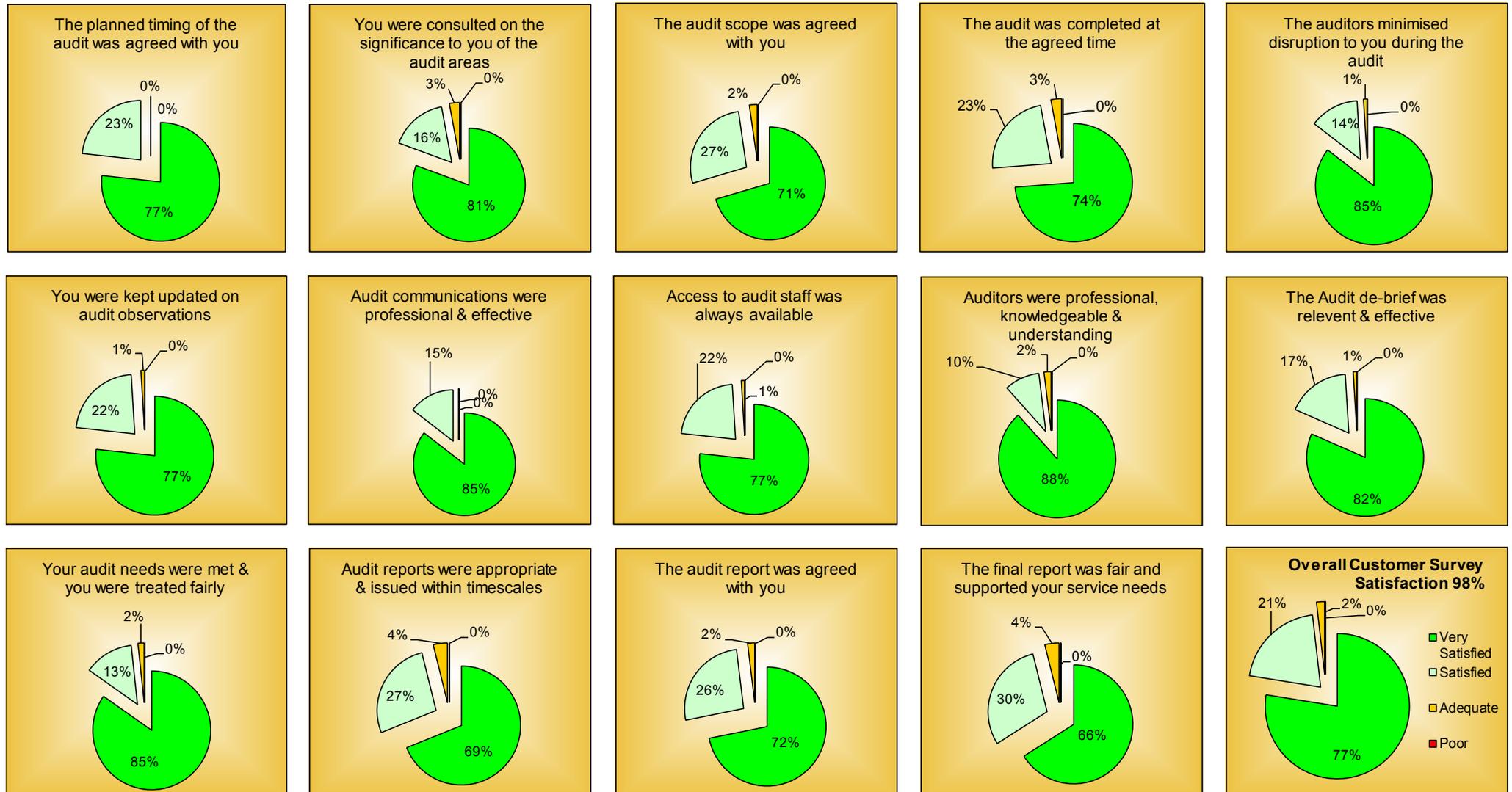
Local Performance Indicator (LPI)	2015/16	2015/16	2016/17	2016/17
	Target	Actual	Target	Actual
Percentage of Audit plan Commenced (Inc. Schools)	100%	100%	100%	99%
Percentage of Audit plan Completed (Inc. Schools)	93%	97%	93%	95%
Actual Audit Days as percentage of planned (Inc. Schools)	95%	101%	95%	82%
Percentage of fundamental / material systems reviewed annually	100%	100%	100%	100%
Percentage of chargeable time	65%	69%	65%	71.4%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	99%	90%	98%
Draft Reports produced within target number of days (currently 15 days)	90%	87%	90%	95%
Final reports produced within target number of days (currently 10 days)	90%	94%	90%	98%
Average level of sickness absence (DAP as a whole)	2%	2%	2%	3.2%
Percentage of staff turnover (DAP as a whole)	5%	5%	5%	21%
Out-turn within budget	Yes	Yes	Yes	Yes

Overall, performance against the indicators has been very good and has maintained improvement on 2015/16 in relation to the issue of draft and final reports to the customer within the agreed timeframes.

Appendix 6 - Customer Service Excellence

Customer Survey Results April - March 2017

The charts below show a summary of 103 responses received.



This page is intentionally blank.

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 .