

PLYMOUTH CITY COUNCIL

Subject:	Internal Audit – Follow-Up Work
Committee:	Audit Committee
Date:	14 September 2017
Cabinet Member:	Councillor Darcy
CMT Member:	Andrew Hardingham (Interim Joint 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:	I

Purpose of the report:

This report is to provide assurance to Members of the Audit Committee that where an audit has been undertaken and that an opinion of “Improvements Required” or less has been provided, Devon Audit Partnership have undertaken follow up audit reviews, wherever possible, or discussed progress with relevant officers and the results from this process are contained in this report. It should be noted that we did not give an opinion of “Fundamental Weaknesses Identified” for any of the audits we undertook in 2015/16 to date and reported on.

The Corporate Plan 2016 - 19:

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.
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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.
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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 2015.

Published work / information:

Internal Audit Annual Report 2016/17 – June 2017

Background papers:

None

Sign off:

Fin	pl1718.89	Leg	lt/28837	Mon Off	lt/dvs/28837/2	HR		Assets		IT		Strat Proc	
Originating SMT Member: Andrew Hardingham, Interim Joint Strategic Director for Transformation and Change													
Has the Cabinet Member(s) agreed the content of the report?													

Internal Audit Report

Follow Up Report on Areas Requiring Improvement

Plymouth City Council

September 2017

Robert Hutchins
Head of Audit Partnership

Devon Audit Partnership

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

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

Confidentiality and Disclosure Clause

This report is protectively marked in accordance with the 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.

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

Introduction

At the June Audit Committee, members were provided with the Annual Internal Audit report for the Council. Appendix 4 of that report provided a summary of the audits undertaken during 2016/17, along with our assurance opinion. Where a “high” or “good” standard of audit opinion was been provided we confirmed that, overall, sound controls were in place to mitigate exposure to risks identified; where an opinion of “improvements required” was provided then issues were identified during the audit process that required attention. We provided a summary of some of the key issues reported that were being addressed by management and pointed out that we were content that management were appropriately addressing these issues.

As part of adding value, Devon Audit Partnership has completed follow up reviews to provide updated assurance to members. The results from this process are contained in this report at Appendix A.

Assurance Statement

Our assurance opinion remains as reported in our Annual Audit Report 2016/17; ‘Significant Assurance’.

Progress Impact Assessment

The progress made means the previously identified risks are being managed or mitigated where appropriate.

Improvements in the areas affecting operational and strategic risks have progressed. There remains areas where progress is ongoing and some of these areas will be subject to further examination later in the year as part of our planned work or the issues raised have been taken into account in developments within the service area.

In addition, where the agreed actions are set for future dates and have therefore not formed part of this follow up exercise, the identified risks will remain until such time as the actions are complete.

This follow up activity was an opportunity to facilitate, review and expedite progress for individual audits, to inform Management of the current position and to integrate the outcomes into the organisation’s strategic management.

Internal Audit Coverage and Results

Overall we can report that overall good progress is being made against the agreed recommendations following our initial work and this is shown in the direction of travel chart in Appendix A of this report.

It should be noted that where the opinions remain unchanged at this time, this does not reflect lack of action. In a number of instances, action is being taken to address the issues identified, but this is ongoing and therefore, we have been unable to form a

new overall assurance opinion. It is acknowledged that the need to make changes to some processes can take time to achieve, and as a consequence not all recommendations have been actioned in full, but this is as expected.

During our initial audit work we made reference to areas where risk exists; however, in some cases management may consider it is either not economically appropriate to address this risk, or technical solutions are not yet available. In such cases management will need to agree to accept this risk, and use other monitoring arrangements to ensure that the risk is kept to a minimum. In such cases we are unable to provide an improved audit opinion, although we fully appreciate that the risk is identified and recognised and that management will resolve the issue as and when opportunities arise.

Appendix A of this report sets out the audits which, at the end of 2016/17, were identified as 'improvements required'. The appendix shows the original and current assurance opinions together with an indication of 'direction of travel'. We have also provided some more detailed commentary on progress being made and the remaining risks. Appendix B provides a definition of the assurance opinion categories.

Annual Governance Statement

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

These should be considered along with the conclusions from the Annual Audit Report 2016-17 presented to the Committee in June 2017.

Process

For each service area where an overall audit opinion of "improvements required" was provided at the end of 2016/17 we completed a follow up review. The follow up review was undertaken to provide assurance to management and those charged with governance, that the agreed actions identified at our initial audit visit had been implemented, or suitable progress is being made to address the areas of concern.

Our approach was to initially write to the appropriate service manager to obtain an update on progress being made against agreed audit recommendations. The level of assurance we requested was dependent upon the priority of the agreed recommendation.

For "high" priority recommendations we required written confirmation that the action had been enacted upon, or an update on the progress being made, plus some evidence to support this (as above) plus, and depending upon the nature of the recommendation, we considered a physical visit to confirm that the recommendation was operating as expected and that the identified risk had been reduced to an acceptable level.

For "medium" priority recommendations we required written confirmation that the

action has been enacted upon, or an update on the progress being made, plus some evidence to support this. For example, if the recommendation was for a monthly imprest reconciliation to be produced and signed as correct, then a copy of the most recent reconciliation was required.

For recommendations of "low" priority we required written confirmation that the action had been enacted upon, or an update on the progress being made.

Following the completion of our review we considered the progress made against of the agreed recommendations. This then enabled us to reconsider our assurance opinion against each of the risk areas identified, and has enabled us to reconsider our overall assurance opinion enabling an updated opinion to be provided where appropriate.

It should be noted that this updated opinion is based upon the assumption that systems and controls as previously identified at the original audit remain in operation and are being complied with in practice. The purpose of our follow up exercise has not been to retest the operation of those previously assessed controls, but to consider how management have responded to the agreed action plans following our previous work

Recommendations

It is recommended that the report be noted.




Robert Hutchins
Head of Audit Partnership


Summary of Audit Follow-Ups and Findings 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

Direction of Travel Key (RAG Rating)

 Green – recommendations implemented, assurance opinion upgraded
 Amber – implementation of recommendations continues and / or some issues remain
 Red – significant delays or issues to address

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel
		Audit Assurance Opinion as at 31 March 2017	Updated Audit Assurance Opinion as at XX August 2017	Commentary and residual risk	
People					
Independent Placements (Children)	ANA - Medium	Improvements Required	Good Standard	<p>Shortly after the agreement of the action plan and issue of the final report, the Admin Support Manager (ASM) left the Authority and it was not until the new ASM came into post in April that the recommendations started to be implemented.</p> <p>The new ASM has worked with Devon Audit Partnership (DAP) to gain an understanding of the original audit report and is committed to implementing recommendations as quickly as possible.</p> <p>Good progress has been made and although there are a few recommendations left to be implemented we are of the view that the assurance opinion can be updated to Good Standard.</p>	
Retained Client, Deprivation of Liberty Safeguards (DoLS) –	ANA - Medium	Improvements Required	Improvements Required	Positive action has been taken to implement all of the recommendations made in the original audit report but due to the sheer volume of DoLS applications there remains a backlog of	

Statutory Compliance				<p>cases. Actions taken include:</p> <ul style="list-style-type: none"> • The use of a prioritisation tool, • Analysis of high priority cases used to inform planning, • Analysis of costs associated with increasing performance and managing risk, • Additional staff allocated by Livewell to undertake Best Interest Assessments, • Training for all new staff undertaking Best Interest Assessments. <p>It is important to recognise that other Councils are in a similar situation with a current a backlog of more than 100,000 cases nationwide. Whilst the Authority is managing and monitoring the applications to the best of its ability, it is not possible to award a "Good Standard" when the Authority is not able to meet its statutory requirements.</p> <p>Plans that were drawn up by the Law Commission for a full-scale replacement to the DoLS have been put on hold until at least 2019 and emergency measures are now under consideration.</p>	
Direct Payments (Pre-Paid Cards)	SRR – Amber ANA – High Client Request	Improvements Required	Not Assessed	<p>Previous work on the use of pre-paid cards resulted in an action plan to be managed within PCC adult social care. The subsequent transfer of adult social care to Livewell Southwest removed the direct oversight for the implementation of a number of the original recommendations.</p> <p>This has led to a project group being set up to look at the end to end processes from support plan through to card closure and we have time in the 2017/18 audit plan to undertake a full audit review of the end to end processes. Work is planned to commence in quarter 3.</p>	N/A

Place					
Trade Waste	ANA – Medium Client Request	Improvements Required	Improvements Required	<p>The most significant areas of concern arising at the time of the initial audit related to significant weakness with invoicing arrangements, with unacceptable delays in generating invoices appearing to be commonplace. In particular, the invoicing relating to a 3rd party contractor were four months behind and it appeared that the relationship between the Council and contractor had never been formalised.</p> <p>We are pleased to report that the current invoicing arrangements in operation appear to be greatly improved. A fresh sample of new accounts were tested as part of this follow up and in all cases it was found that invoices were raised in a timely manner. In respect of the 3rd party contractor, all outstanding invoices have been raised and settled and the commercial relationship terminated.</p> <p>The service still lacks documented procedures and the systems in operation to manage workloads and record information are inefficient with information needing to be duplicated across a series of databases and spreadsheets.</p> <p>However the implementation of a new structure should enable these matters to be addressed and ensure that performance measures are set and reported upon, and data is captured and analysed, in order to drive performance and service improvement.</p>	

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.

Definition of Recommendation Priority

Priority	Definitions
High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision. Important recommendations made to improve internal control arrangements and manage identified risks.
Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.

Confidentiality under the Government Security Classifications

Marking	Definitions
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.