

PLYMOUTH CITY COUNCIL

Subject: Internal Audit – Progress Report
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: 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 2017 and based on work performed to date during 2017/18, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control environment.

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.
-

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 Plan 2017/18 – March 2017

Background papers:

None

Sign off:

Fin	pl1718.88	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

Internal Audit Progress Report 2017-18

Plymouth City Council
Audit Committee

September 2017



Robert Hutchins
Head of Audit Partnership

Auditing for achievement



Devon Audit Partnership

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

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

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

This report provides a summary of performance in the year up to 18 August 2017 against the internal audit plan for the 2017/18 financial year, highlighting the key areas of work undertaken and summarising our main findings and audit opinions. The key objectives of the Devon Audit Partnership (DAP) are to provide assurance to the Audit Committee, Section 151 Officer (Interim Joint Strategic Director for Transformation & Change) and senior management on the adequacy and security of the systems and controls operating within the Council and to provide advice and assurance to managers and staff.

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

Review of Audit Coverage

Overall, good progress has been made against the plan agreed with management for the 2016/17 financial year. Progress in the period up to 18 August 2017 has included completion of work carried forward from 2016/17, undertaking follow up audits, and in completing assignments in accordance with timescales agreed with management.

A summary of Internal Audit's opinion on the individual reviews that have been carried out or concluded for the period from 1 April 2017 is included in Appendix A.

Internal Audit Opinion

In carrying out systems and other reviews, Internal Audit assess whether key, and other, controls are operating satisfactorily within the area under review, and an opinion on the adequacy of controls is provided to management as part of the audit report.

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

Overall, and based on work performed to date during 2017/18, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control environment.

Inherent Limitations

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

Recommendations

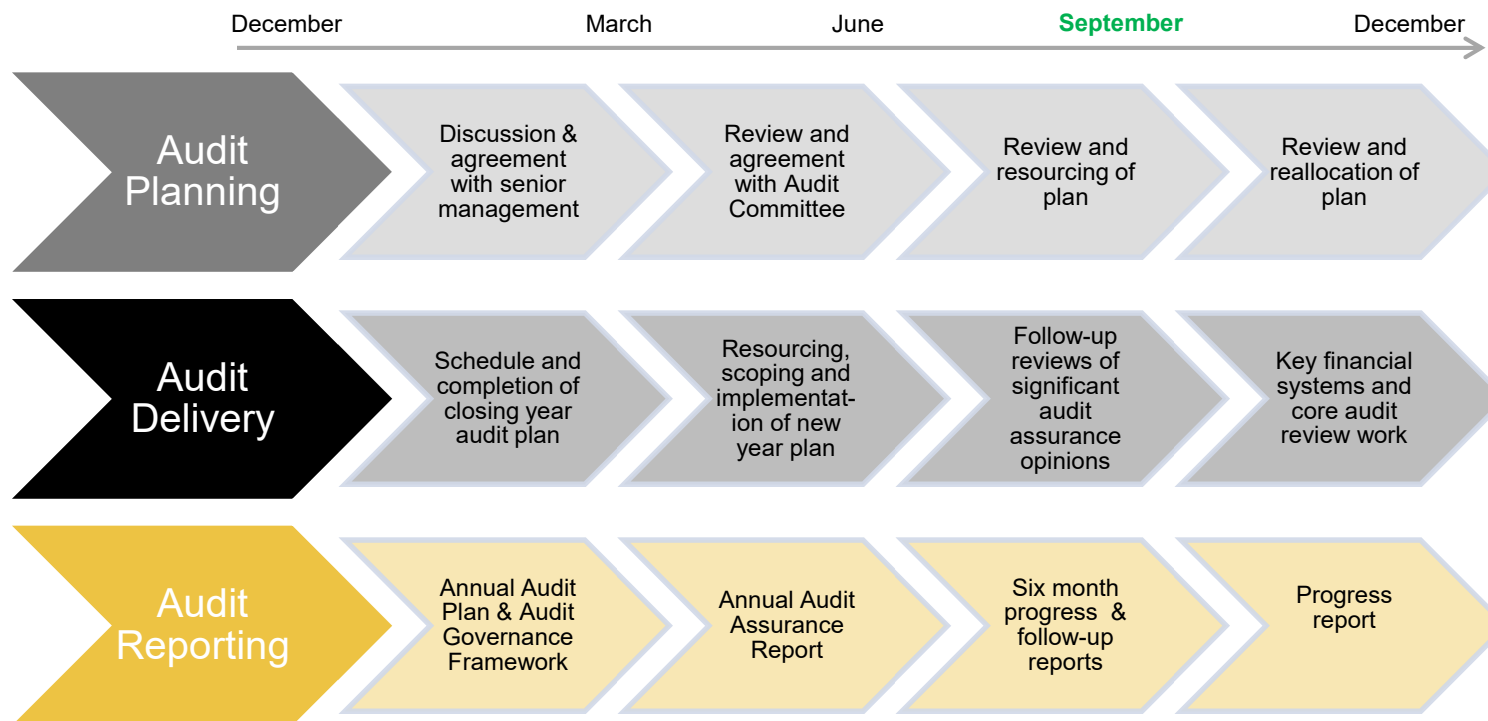
It is recommended that the report be noted.

Robert Hutchins
Head of Audit Partnership

Acknowledgements

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

Our Audit Team and the Audit Delivery Cycle



Date	Activity
Dec / Jan 2017	Directorate planning meetings
March 2017	Internal Audit Plan presented to Audit Committee
	Internal Audit Governance Arrangements reviewed by Audit Committee
	Year-end field work completed
Apr / May 2017	Annual Performance reports written
June 2017	Annual Internal Audit Report presented to Audit Committee
Sept 2017	Follow –up work of previous years audit work commences
Sept 2017	Follow-up and progress reports presented to Audit Committee
Dec 2017	Six month progress reports presented to Audit Committee
Mar 2018	2016 Internal Audit Plan preparation commences

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Appendix 1 – Assurance Opinion and extract Executive Summaries – Up to 18 August 2017

Risk Assessment Key

SRR /ORR – Local Authority Strategic or Operational Risk Register reference

ANA - Audit Needs Assessment risk level

Client Request - no risk assessment information available

Assurance Progress Key Where Report Issued

Green – action plan agreed with client or 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



Assurance Progress Key For Project Work



Green – progressing well




Amber – continuing to progress but some issues to address



Red – significant delays or issues to address



Risk Area / Audit Entity	Audit Report		
	Assurance Opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Transformation and Change			
Core Assurance – Key Financial System			
The key financial reviews will be commenced in the second half of 17/18			
<ul style="list-style-type: none"> ➤ Civica Financials: <ul style="list-style-type: none"> ❖ Creditors ANA - High ❖ Main Accounting ANA - High ❖ Debtors ANA - Medium ➤ Treasury Management ANA – Medium ➤ I.T.Systems ANA - High ➤ Academy Revs & Bens: <ul style="list-style-type: none"> ❖ Housing Benefits ANA - High ❖ Council Tax ANA - Medium ❖ Business Rates NNDR ANA - Medium ➤ iTrent – Payroll ANA - Medium 			
Core Assurance - Other			
Corp Information Management <ul style="list-style-type: none"> • ILOG, FoI, DPA, Policies & P's, EDRMS, End User Computing SRR - Amber ANA – High	Status: On-going	DAP continues to provide “trusted advisor” support to the Information Lead Officers Group (ILOG) and has regular contact with both the Council’s Corporate Information Manager and Corporate Records Manager. DAP continue to monitor progress against recommendations made in its 2016/17 Information Management report and has issued a Situation Report to capture progress and current challenges facing the Council in this area. 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). Excellent work continues to be conducted by ILOG, the Information Governance Manager and the Corporate Records Manager in helping the Council meet	


Risk Area / Audit Entity	Audit Report		
	Assurance Opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		<p>these challenges.</p> <p>It remains 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. A “Better Information” strand has now been created to support the Way We Work Project and its initial membership is considered appropriate. Internal Audit is to contribute as required.</p>	
HR/Payroll System ANA – High	Status: On-going	<p>Work has been conducted to support the HR/ Payroll Service in their efforts to improve system performance and in confirming key control requirements for the implementation of Schools Self Service functionality. The introduction of increased system memory has not produced results as expected and a meeting is to be held with the software suppliers, to try to get a satisfactory resolution to performance limitations being experienced.</p> <p>Further work is to be conducted to revisit requirements for system management/ audit logs which potentially impact performance and remain a challenge to ensure balance between an appropriate level of log quantity and detail and, any conflicts with performance of capacity.</p>	
<p>The following reviews will be commenced in the second half of 17/18</p> <ul style="list-style-type: none"> ➤ ICT – Cyber Security SRR – Amber, ANA - High ➤ Retained Functions - IT Service Strategy & Design ANA - Medium 			
Transformation & Change – Strategic and Operational			
Housing Benefits Overpayments ORR – Amber ANA – High Client Request	Improvements Required Status: Draft	<p>Housing Benefit debt recovery and write off procedures exist and are adhered to. In the cases subject to audit testing debt had been pursued in accordance with defined procedures and utilised appropriate recovery methods.</p> <p>A diary date system is in use to monitor and review holds on recovery. Whilst this appears to be working well for recent debt but does not appear to have addressed the volume of holds on aged debt and this needs to be addressed.</p> <p>Comprehensive debt management reports are produced on a monthly basis but details were not included within the wider performance reports for senior management.</p> <p>Responsibility for the recovery of overpaid housing benefit has very recently moved to the Corporate Service Centre and we are pleased to report that the new Service Manager is</p>	 *






Risk Area / Audit Entity	Audit Report		
	Assurance Opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		already in the process of reviewing inherited procedures and processes and the findings from this review will help to inform that process.	
Organisational Structure ORR – Amber ANA – High Client Request	Status: In Progress	Initial findings based on the work to date, provides assurance that the move to a hierarchical organisational structure within the iTrent HR/Payroll system has been well managed, with appropriate validation exercises to confirm the accuracy of the new structure. Controls and processes around service area restructures are effective with the restructure processes in respect of making changes to the iTrent system well documented.	
Libraries Transformation ANA – High Client Request	Value Added Status: Final	<p>The consultation process was found to be satisfactory with questions in the consultation survey clearly worded, using plain English. Information was made available in both paper and digital formats and at public sessions, the length of the consultation period provided sufficient time for the public to properly consider and respond to the proposals.</p> <p>Consideration was given to the range of people who may be affected by the proposals and efforts were made to identify and engage with specific and minority groups including people with disabilities, faith groups and the black and ethnic minority community.</p> <p>As part of the audit process, the “engagement tracker” was reviewed to confirm that it recorded comments and communications from communities and citizens, partners, emails and social media. It also contains the final raw report data from the completed questionnaires. A local marketing research company was engaged to provide high standard, independent analysis of the survey results.</p>	
Academy System (Revenues & Benefits) ANA – Medium Client Request	Status: On-going	Trusted advisor support will be provided as the service looks to deploy system changes / more automated functionality in delivery of the services within Revenues and Benefits.	
Purchasing Cards ANA – Medium Client Request	Status: In Progress	<p>Areas being considered as part of this review include:</p> <ul style="list-style-type: none"> • Compliance with Contract Standing Orders, policies and procedures; and • Review of card use and supporting evidence including consideration of the appropriateness of purchases, approval process and monitoring. 	

Risk Area / Audit Entity	Audit Report		
	Assurance Opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Finance Fit ORR – Amber ANA – Medium Client Request	Status: On-going	DAP continues to provide “trusted advisor” support, working co-operatively with officers involved in the Finance Fit work stream as they continue to develop finance and procurement systems to streamline processes and deliver efficiencies.	
Schools Financial Value Standards (SFVS) Statutory ANA – Low	Good Standard Status: Final	SFVS Dedicated Schools Grant Chief Finance Office assurance statement for 2016/17 submitted to the Department for Education.	
The following reviews will be commenced in the second half of 17/18			
<ul style="list-style-type: none"> ➤ Contract Management ORR – Amber, ANA – High ➤ Risk Management ANA – High ➤ Customer Feedback ANA – Medium, Client Request ➤ Plymouth Community Homes Contract ANA - Medium 			
People			
Core Assurance – Key Financial System			
CareFirst - Care Leavers (Payments) ANA – Medium	Status: In Progress	The focus of this review is the adequacy and effectiveness of the systems and procedures in place for the payments associated with young people leaving care including their allowances, voucher schemes and care leaver grants.	N/A
CareFirst - Income Collection (Adults – Deferred Payments) Risk / ANA: ANA – High	Improvements Required Status: Draft	<p>The Care Act 2014 requires all Councils in England, from April 2015, to provide a deferred payment scheme for local residents who go to live in a Residential/Nursing home, own a property and have other assets below a certain threshold. Prior to April '15 the Council offered a deferred payment scheme under Section 55 of the Health and Social Care Act 2001.</p> <p>There is a framework for the post April '15 scheme which clearly identifies the roles and responsibilities of the departments involved but it would be further strengthened if it included the debt recovery process / lines of responsibility.</p> <p>Details of deferred payments are recorded on a spreadsheet but as there was no requirement to maintain a record of deferred payments under the pre Care Act scheme it cannot be guaranteed that this is a complete record. With a significant number of manual, resource intensive processes the current system is inefficient. Debt collection in relation to Adult Social Care, with its high number of vulnerable clients is particularly difficult and sensitive but with the continuing budget constraints it is essential that the income due to the</p>	 *

Risk Area / Audit Entity	Audit Report		
	Assurance Opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		<p>Council is maximised.</p> <p>Plans to implement specialist software have, to date, been frustrated due to the complexity of the scheme and the module's inability to accommodate the pre Care Act cases.</p>	
Follow-Up of 2016/17 Children Independent Placements (Payments)	Good Standard Status: Final	See follow-up report included elsewhere on this agenda for details.	
<p>The following review will be commenced in the second half of 17/18:</p> <p>➤ CareFirst - Fostering (Payments) ANA – Medium</p>			
Core Assurance - Other			
Adult & Community Learning Contract Client Request	Value Added Status: Final	<p>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 the audit was delivery against the contract and included review of the evidence to support learner engagement. Although two sub-contractors were underperforming, we can provide assurance that the officers responsible for monitoring of the contract had identified the situation and appropriate action was taken.</p> <p>A set monthly amount has been retained by the Council to cover any underspend by the main contractor with 25% of sub-contractors contract values also being retained. In our opinion this is a prudent approach and should be more than sufficient to cover any “clawback” for the Skills Funding Agency resulting from any underperformance.</p>	
Legal Care Proceedings (Children's) SRR – Amber ANA – High Client Request	Status: In Progress	The focus of this review is on the processes used to initiate and progress care proceedings and whether these processes are working effectively.	
Pre-Paid Cards - Direct Payments Delivery Method SRR – Amber ANA – High	Planned start date w/c 11 Sept	<p>The objective of this review is to evaluate and report on the adequacy of the controls operating for Adult Social Care Direct Payments, including the:</p> <ul style="list-style-type: none"> Processing, issuing and monitoring of direct payments/prepaid cards; 	

Risk Area / Audit Entity	Audit Report		
	Assurance Opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Client Request		<ul style="list-style-type: none"> Processes and guidance for dealing with suspected misuse and fraud. 	
Lessons Learned From Schools in Deficit ANA – Medium Client Request	Status: In Progress	Our work involves a review of the processes employed by Plymouth City Council for the approval of licensed deficits in respect of maintained schools. Consideration will also be given to the communication channels between a school, the Council and Plymouth Learning Partnership in the management of the annual budget process and the subsequent monitoring of progress in delivery of any recovery plan.	
Community Connections ORR – Amber ANA - High		The service has recently been reorganised and new ways of working rolled out. A risk workshop has been scheduled for late September to determine where audit resource can add most value.	
Deprivation of Liberty Safeguards (DOLS) Follow-Up ANA - Medium	Improvements Required Status: Final	See follow-up report included elsewhere on this agenda for details.	
The following review will be commenced in the second half of 17/18:			
➤ Social Care Business Solutions ANA – High, Client Request			
Integrated Fund			
Finance & Assurance Review Group (FARG) SRR - Red ANA – High Client Request	Status: On-going	DAP continues to monitor and support the actions of the Integrated Fund (IF). Assurance has been sought, and support provided through attendance and input at the Finance and Assurance Review Group which is tasked with coordinating assurance, financial reporting and risk management for the Integrated Commissioning Board.	

Risk Area / Audit Entity	Audit Report		
	Assurance Opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
One System One Aim			
Plymouth & Western System Development Board SRR - Red ANA - High	Status: On-going	The Council and New Devon CCG have pooled and aligned budgets for health integration of circa £460m and the knowledge which DAP gains through attending these meetings is used to inform strategic audit work within People.	
Multi-Agency Hub SRR - Amber ANA – High Client Request	Planned start date w/c 6 Sept	The Multi Agency Hub went live in June 2016 with the aim of providing effective, dynamic, timely, joint decision making based on effective information sharing to ensure better outcomes for Children, Young People and families. This review will evaluate the Multi Agency Hub and provide Plymouth City Council with an independent audit opinion on the effectiveness of the process, highlighting opportunities for further development as appropriate.	N/A
Early Help Gateway (CSC) SRR - Amber ANA – High Client Request	Planned start date w/c 6 Sept	The Early Help Gateway went live in Dec 2015 with the aim of providing intervention, care and support at the earliest point to help the child and prevent the escalation or need. This review will evaluate the Early Help Gateway and provide Plymouth City Council with an independent audit opinion on the effectiveness of the process, highlighting opportunities for further development as appropriate.	N/A
The following reviews will be commenced in the second half of 17/18:			
<ul style="list-style-type: none"> ➤ One System One Aim, The Seven Priorities ➤ Livewell South West ANA – High, Client Request 			
Public Health			
Business Continuity Planning SRR - Amber ANA – High Client Request	Status: In Progress	The focus of our work is on the adequacy of existing processes to ensure that key suppliers have appropriate Business Continuity Plans (BCPs) in place to deal with disruption to their operations; which in turn minimises any potential disruption to the Council.	N/A
The following review will be commenced in the second half of 17/18:			
Public Protection Service SRR – Amber, ANA – Medium, Client Request			

Risk Area / Audit Entity	Audit Report		
	Assurance Opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Place			
Review of Major Contracts SRR - Amber ANA - High	Status: On-going	Supporting officers in the early management of new Highways Term Maintenance contract and a mid-year review of the works ordering processes around the new highways management system.	
Trade Waste Follow-Up ANA – Medium Client Request	Improvements Required Status: Draft	See follow-up report for details.	
Waste PFI ORR – Amber ANA – Medium Client Request	Status: On-going	Audit continues its participation with the South West Devon Waste Partnership, attending meetings of the Project Executive, providing support and advice on contract management issues.	
The following reviews will be commenced in the second half of 17/18:			
<ul style="list-style-type: none"> ➤ Commercial Properties SRR95 – Red, ANA – High ➤ Street Services ANA – High, Client Request ➤ Modernisation of Garage ANA – Medium, Client Request 			
Grants			
Early intervention – Families with a Future Regulatory Requirement ORR - Amber	Certified Status: Ongoing	DAP have verified and certified four claims in the year to date. 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.	
Grants x 2 Regulatory Requirement	Certified Status: Complete	Grants certified without amendment – GD18 Northern Corridor Junction Improvements and GD19 Eastern Corridor Cycle Route.	
Certification for the following three grants is required by 30 September 2017:			
<ul style="list-style-type: none"> ➤ Local Transport Capital Block Funding (Integrated Transport & Highways Maintenance) ➤ Pothole Action Fund ➤ Highways Maintenance Challenge Fund 			
Certification work in respect of the following grant will be undertaken in the second half of 17/18.			
➤ DCLG Plymouth City Deal (South Yard) - Regulatory Requirement			

Appendix B

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.