

PLYMOUTH CITY COUNCIL

Subject: Internal Audit – Annual Report 2017/18
Committee: Audit and Governance Committee
Date: 31 May 2018
Cabinet Member: Councillor Lowry
CMT Member: Andrew Hardingham (Interim Strategic Director
Transformation & Change)
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Ref: AUD/RH
Key Decision: No
Part: I

Purpose of the report:

This report summarises the work undertaken by Devon Audit Partnership during 2017/18, reviews the performance and effectiveness of the Internal Audit service, and provides an audit opinion on the adequacy of internal control. Our work has provided objective and relevant assurance and contributed to the effectiveness and efficiency of the governance, risk management and internal control processes.

Our Annual report is particularly relevant, to the preparation of the Authority's Annual Governance Statement which is required under the Accounts and Audit Regulations 2015.

Corporate Plan

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 needs and expectations;
 - Confident Plymouth - the Government and other agencies have confidence in the Council and partners.
-

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land

None.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:

The work of the internal audit service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.

Equality and Diversity

Has an Equality Impact Assessment been undertaken? No

Recommendations and Reasons for recommended action:

1. The Audit Committee note that overall and based on work performed during 2017/18, and that of our experience from previous year's audit, the Head of Internal Audit's Opinion is of "Significant Assurance" on the adequacy and effectiveness of the Authority's internal control framework.
2. Members note the performance and achievements of the Internal Audit Team during 2017/18.

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 (Mar 2017)
- Internal Audit Progress Report (Sept 2017)
- Internal Audit – Follow-Up Work (Sept 2017)
- Internal Audit Half Year Report (Dec 2017)

Background papers:

None.

Sign off:

Fin		Leg		Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member: Andrew Hardingham, Interim Strategic Director Trans & Change													
Has the Cabinet Member(s) agreed the contents of the report? Rec'd a copy.													

Internal Audit

Annual Audit Report 2017-18

Plymouth City Council
Audit & Governance Committee

May 2018

Robert Hutchins
Head of Audit Partnership



Auditing for achievement

Introduction

The Audit and Governance 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 2017/18 was presented and approved by the Audit Committee in March 2017. The following report and appendices set out the background to audit service provision; a review of work undertaken in 2017/18, 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 and Governance 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

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Opinion Statement

This statement of opinion is underpinned by :

Overall, based on work performed during 2017/18 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 2017/18.

The Summary Assurance Opinions chart on page 3 provides a high level "Themed" and RAG rated overview of audit coverage for 2017/18.

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 reintroduction of a formal business planning process that is closer aligned with risk and performance management processes will further strengthen corporate governance and effective decision making.

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. The Information Lead Officers Group and the Information Governance Manager continue to lead on good governance in relation to management of information.

Performance Management

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

Summary Assurance Opinions

Service Area Overview of Audit Coverage										
Summary of key audit reviews	Transformation and Change	People	Place	ODPH	Cross Cutting	Executive Office	Value Added			
	Organisational Structure	Care Leavers (Payments)	Waste PFI	Public Protection Service	Legal Care Proceedings (Children's)	Risk Management	Libraries Transformation			
	Purchasing Cards	Fostering (Payments)	Highways Term Maintenance Contract	Management of Commissioned Pharmaceutical Services	Finance & Assurance Review Group		Licensing of Houses in Multi Occupation			
	Schools Financial Value Standards	Pre-Paid Cards – Direct Payments	Fleet Management System		Lessons Learned from Schools in Deficit		Regulatory Reform Orders			
	Academy System (Revenues & Benefits)	F-Up Children Independent Placements (Payments)					Adult & Community Learning Contract			
		DOLS								
	Deferred Payments (ASC)									
Core Assurance	Business Processes & Governance	Corporate Information Management			Grant Certification			Annual Governance Statement		
	Key Financial Systems	Main Accounting	Treasury Management	Payroll	Debtors	Creditors	Council Tax	Business Rates	Housing Benefits	
	ICT	Cyber Security				IT Material Systems				

Note: Assurance opinions are 'RAG' rated to support the overall assurance opinion for the year (Red = fundamental weaknesses, Amber = improvements required, Green = good and high standard). The ratings are relevant at the time of the audit review and assurance may have improved since that time. Areas shaded blue denote opportunity or value added work.

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 2017/18.

Transformation and Change

Delt Services say "Working with DAP on internal audits commissioned by our customer, has been a constructive and collaborative process. Our auditor took the time to fully understand our business and the assurance needs of our customer and worked with us in partnership to deliver a result that was beneficial to both organisations."

Feedback from the Service Centre was that "the provisions of suggestions that will help shape the service in the future" is particularly helpful and that the audit process added value by "highlighting areas that may need attention".

In response to the Payroll review "As I've come to expect the Audit was conducted in a professional and courteous manner. I do appreciate the benefit of the auditor being familiar with my service and shows a genuine understanding of our strategy of improvement and the challenges we face within our operational function".

Place

We have been advised that work undertaken previously with the Events team helped to raise the profile of the risks associated with the resilience of the service during the build up to major events as the service strives to address increased demands relating to civil protection and public safety.

Supporting the service in the escalation to Civica of known local issues with the Tranman Fleet Management system has led to the resolution of these

longstanding concerns, providing improved financial visibility and control.

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 continued since the contract went "live" in April. This has involved attendance at Project Board and assistance in the development of a Benefits Realisation plan.

People

We received the following feedback in response to a follow-up review of Domiciliary Care. "Can you thank all the Audit team for their support in helping us turn this around. It is a clear example of Audit's role in service improvement."

Being able to discuss issues with the auditor was particularly helpful as "the whole Child Independent Payment process was new to me and it has allowed me to take the task forward with more confidence. Thank you to the auditors for their outstanding support."

"Thank you for the IA final report on Care Proceedings and the areas you have highlighted as requires improvement! It is also good to see the areas identified as 'good practice'. We will continue to improve on areas for improvement."

Office of the Director of Public Health (ODPH)

We reviewed the digital profile of the Public Protection Service which has supported the service area so they can "focus on making further improvements to our offerings".

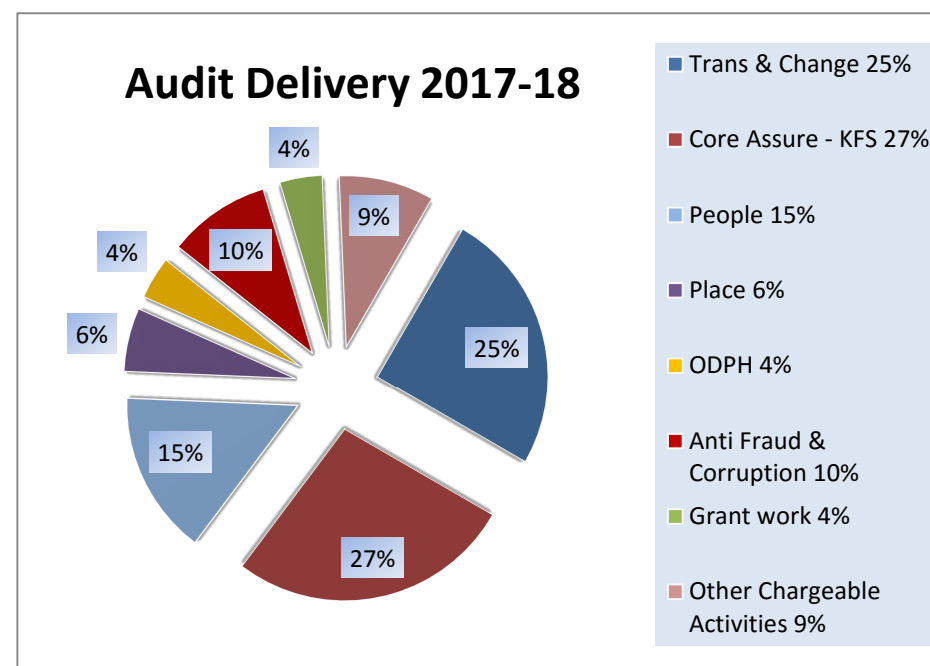
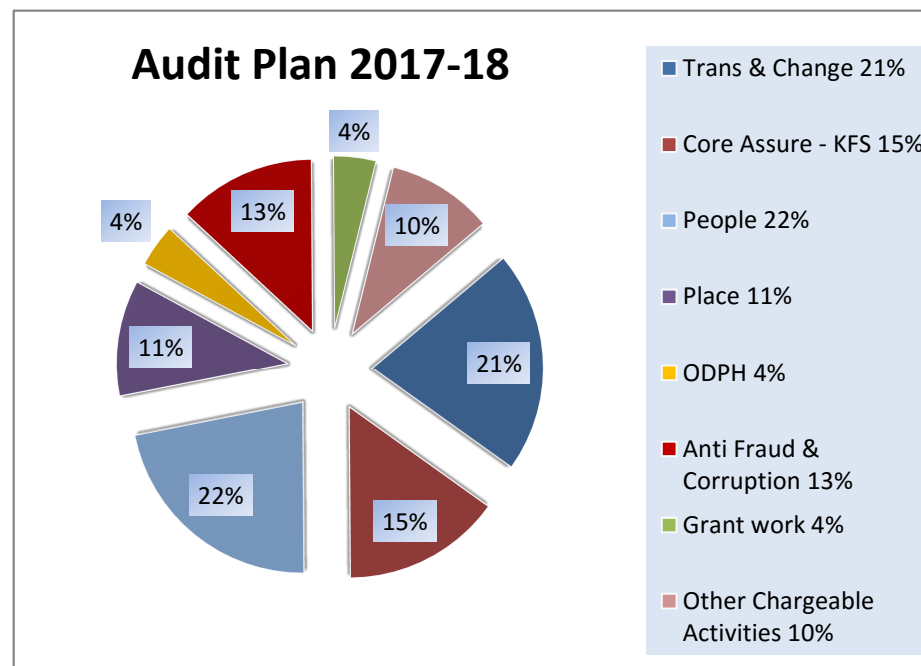
Work to support the service in the design of a system to ensure that appropriate and proportionate processes and procedures in place to manage pharmacy accreditations via the PharmOutcomes web based system. Our recommendations will serve to improve business continuity and ongoing resilience in the system of internal control. Changes to payment mechanisms will enable reclamation of approximately £2,000 of VAT each year.

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 2017/18, 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 2017/18 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.



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 were reviewed, either by DAP, or provided to relevant departments for their investigation during 2017/18.

Notable outcomes reported from the above exercise included the cancellation of 326 concessionary bus passes and 47 disabled parking permits which belonged to persons whom the Council were unaware had passed away since their passes were issued. A total of 5 housing benefit claims were also reassessed with £3052 of overpayments identified due to changes in circumstances that had not previously been reported to the Council.

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

Irregularities - During the 2017/18 financial year, Internal Audit has carried out or assisted in 5 investigations. Analysis of the types of investigation and the number undertaken shows the following:-

Issue	Number
Financial irregularities	2
IT Misuse	2
Poor procedures	1

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.

Appendix 1– Assurance Opinion and extract Executive Summaries for 2017/18

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 / Direction of Travel




Green – Good standard / 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			
Treasury Management ANA - Medium	Good Standard Status: Final	Reported to Audit Committee December 2017.	
Housing Benefits ANA - High	Status: Final Improvements Required	<p>Performance is closely monitored, with weekly performance meetings focussed on productivity and outstanding workloads. Performance for processing of new claims has continued to improve with the average processing time at the end of October 2017 reducing significantly to 18.07 day from the average processing time of 30.68 days recorded at the end of October 2016. Whilst performance relating to changes in circumstances is slightly above target (at 10.23 days against a target of 7), this has to be balanced against the efforts put into addressing new claims performance.</p> <p>Against a national context of increasing housing benefit overpayment debt, improvements are required to the department’s recovery processes. An action plan is in place and moving forward, the adoption and consistent application of the plan should greatly improve performance in this key area.</p> <p>Since the finalisation of this review:</p> <ul style="list-style-type: none"> • The Risk Based Verification (RBV) policy has been updated and approved, and • A more efficient, digital process has implemented to administer the annual declarations of conflicts of interest and understanding of personal responsibilities. 	
Council Tax 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.</p> <p>An exercise to review Single Persons Discount in collaboration with Call Credit 360 resulted in 300 accounts having the discount removed to the value of £101,000. Long-term empty properties are effectively monitored with more than 450 having been brought back into use</p>	



Risk Area / Audit Entity	Audit Report		
	Assurance Opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		<p>in 2017/18, enabling the Council to claim funding under the provisions within the New Homes Bonus scheme in addition to council tax revenue.</p> <p>Where closed accounts show a credit balance, all credit balances older than the current plus one year should be written back.</p>	
Business Rates NNDR ANA – Medium	Good Standard Status: Final	<p>The administration and collection of Business Rates continues to operate effectively with a sound system of internal control.</p> <p>The most recent revaluation of business rates came into effect in April 2017. Following the revaluation, some additional discretionary funding has been made available to billing authorities to support those businesses that faced the steepest increases in their business rates bills; Plymouth received £443k.</p> <p>In 2013/14 councils across Devon came together to form a county-wide business rates pool, with Plymouth being the lead authority. In December 2017 notification was received that the 'Devon Pool' had been selected as one of 10 areas to take part in a national pilot allowing councils to retain 100 per cent of growth in business rates commencing April 2018. Audit will review these arrangements in 2018/19 with a view to providing assurance to all pool members.</p>	
Payroll ANA – Medium	High Standard Status: Final	<p>The Payroll system continues to perform to a High Standard with consistent application of internal controls ensuring that employees have been paid accurately, on time and in accordance with their contract of employment.</p> <p>Amendments to payroll data are subject to a robust process of control and agreement to ensure the accuracy and completeness of payroll expenditure and there is a continuous drive to challenge current working practices and further develop systems, such as exploring the use of Firmstep to improve workflow, the risks and opportunities of which are well managed by HR Business Services.</p>	
Creditors ANA - High	Good Standard Status: Final	<p>Controls within the payments system continue to operate to a good standard with a robust reconciliation process in place between Creditors and the General Ledger. Working procedure documents are in use and there is an adequate segregation of duties.</p> <p>Software is deployed prior to all payment runs to identify any potential duplicate payments which are investigated in advance of the payment run.</p>	







Risk Area / Audit Entity	Audit Report		
	Assurance Opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		<p>An independent "recovery audit" commissioned from Meridian to review purchase ledger transactions, duplicates & overpayments, supplier statements & complex suppliers and VAT for the period 1st April 2011 to 31st July 2016 reported that the level of duplicate payments found (2 transactions with a total value of £4,692) "<i>are significantly lower than we would have expected statistically</i>" providing further assurance that the processes and controls are operating effectively.</p> <p>Performance is regularly monitored and at the time of the audit, the service area was achieving targets for timely payments.</p>	
Main Accounting ANA - High	Good Standard Status: Final	<p>Cabinet receive quarterly Capital and Revenue monitoring reports highlighting how the Council is delivering against its financial measures using its capital and revenue resources as well as relevant budget variations and virements. However, evidence that virements are approved in accordance with financial regulations is not always readily available. This is recognised by Senior Finance Officers who have undertaken a significant amount of work to improve and better align budget information. With the e-budgeting module going live in April 2018, following a co-ordinated period of training, it is anticipated that this will ensure greater understanding and ownership amongst budget holders.</p> <p>All journals over £500k are subject to independent review and approval.</p> <p>Cash and bank is routinely reconciled to the main accounting system and overall, data from feeder systems transferred via interface to the main accounting system is well controlled.</p>	
Debtors ANA – Medium	Good Standard Status: Final	<p>Internal controls within the Debtors system continue to operate to a good standard.</p> <p>Effective debt management policies and procedures are in place with the Income and Credit Management Policy being approved by Cabinet in March 2017 and a Write Off and Cancellation of Debt Authorisation document approved in January 2018.</p> <p>Automated controls and the use of exception and management information reports ensure the accuracy and completeness of financial data. As at February 2018 the percentage of sundry debt recovered against the general fund was 95.8% (against a target of 96.6%).</p>	
I.T. Systems ANA – High	Good Standard Status: Draft	<p>The Council's ICT service provider, or 'IT Service Tower', is in its fourth year of operation and it is pleasing to report that since the last review there have been some notable improvements. Good organisational controls are supplemented by good standards in operational processes and functions. Crucially, investment to maintain up to date</p>	





Risk Area / Audit Entity	Audit Report		
	Assurance Opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		<p>infrastructure, and now user devices, ensures that the Council can fully utilise ICT as an enabler for service delivery change.</p> <p>Concerns remain in the challenging area of user access management, with the continually changing corporate establishment, and often poor levels of line manager compliance with user management procedures, creating weaknesses in network management. Furthermore, limitations with existing HR and Delt's IT Service Desk software all negatively impact the Council's ability to manage access to its computerised data assets.</p> <p>Delt and the Council's HR and Development team should address weaknesses identified wherever possible, seeking Senior Management support where necessary. This will reduce some of the operational inefficiencies introduced to compensate for existing weaknesses. Senior Management should remain informed in order to help ensure that the Council complies with its statutory obligations under the Data Protection Act 2018.</p>	
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	<p>DAP continues to provide "trusted advisor" support to the Information Lead Officers Group (ILOG) and Management Information Security Forum (MISF) and has regular and ongoing contact with both the Council's Corporate Information Manager and Corporate Records Manager. DAP also participate on the newly formed "Better Information" working group responsible for the information work strand of the Way We Work project.</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 imminent Data Protection Act 2018. Management should continue to support the cultural change required to embed effective information asset ownership within the Council, without which the benefits of any technical and procedural improvements that may be delivered by the Records Management and Better Information initiatives, will not be fully realised.</p>	
Information Governance	Status: Final Improvements Required	Reported to Audit Committee December 2017.	


Risk Area / Audit Entity	Audit Report		
	Assurance Opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
HR/Payroll System ANA – High	Value Added Status: Complete	Reported to Audit Committee December 2017.	
ICT – Cyber Security SRR – Amber ANA - High	Good Standard Status: Draft	<p>The overall level of ‘cyber’ security (including technical controls) remains of a good standard, with some examples of good practice being identified within the two cyber security audits conducted in the past fourteen months. Of particular note is the added value obtained from the knowledge and wisdom provided by key individuals and the investment made to keep technologies up to date. However, there is a need to continually improve end user awareness, an essential component in managing staff and their use of the information technology that they are increasingly required to use in their everyday duties.</p> <p>There remains a need to review and refine the Council’s Information Security Policy (ISP). This also impacts Delt as they require clear standards on which to base their service provision and develop their own policy suite.</p>	
It has been agreed with the Transformation Architecture Manager that review should commence early 2018/19.			
Retained Functions - IT Service Strategy & Design - ANA – Medium			
Strategic and Operational			
Housing Benefits Overpayments ORR – Amber ANA – High Client Request	Improvements Required Status: Final	Reported to Audit Committee December 2017.	
Organisational Structure ORR – Amber ANA – High Client Request	Good Standard Status: Complete	Reported to Audit Committee December 2017.	
Libraries Transformation ANA – High Client Request	Value Added Status: Final	Reported to Audit Committee September 2017.	
Academy System (Revenues & Benefits) ANA – Medium Client Request	Value Added Status: Complete	DAP continues to provide “trusted advisor” support, working co-operatively with officers within Revenues & Benefits as they continue to develop more streamlined and efficient processes.	



Risk Area / Audit Entity	Audit Report		
	Assurance Opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		<p>During 2017/18 Internal Audit has provided advice in the following areas:</p> <ul style="list-style-type: none"> • The streamlining of NNDR processes including the writing off of debt, the visiting of empty properties and greater use of digital document retention, • Changes to the Department for Work & Pensions 'Real Time Information' data matching scheme, • Risk based reviews of Council Tax single person's discounts. <p>Additional claims testing as part of the Housing Benefit review has also provided further assurance in respect the department's subsidy claim.</p>	
Purchasing Cards ANA – Medium Client Request	Improvements Required Status: Draft	<p>Overall the controls surrounding the use of Purchasing Cards and the system (BSM) which administers it are generally satisfactory but some issues were identified relating to:</p> <ul style="list-style-type: none"> • cards being used by other team members; • cardholders splitting purchases to circumvent insufficient transactional values; • purchases not always coded and approved on a weekly basis; • receipts not always obtained for emergency hotel accommodation; • VAT not always coded correctly. 	N/A
Finance Fit ORR – Amber ANA – Medium Client Request	Value Added Status: Complete	DAP has continued 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. Most recently this has included participation in the Contract Standing Orders working group.	N/A
Schools Financial Value Standards (SFVS) Statutory ANA – Low	Good Standard Status: Final	Reported to Audit Committee September 2017	
Contract Management ORR – Amber ANA – High	Status – In Progress	Our work will provide an independent review of council wide contract management arrangements, including what appears to be working well, what doesn't work as well and why.	N/A
Risk Management ANA – High	Working Status: Final	A significant amount of work has taken place to initiate improvement and plans are in place to ensure risk management becomes more embedded and integrated. Of particular importance is the reintroduction of formal business planning processes that is closer aligned with risk and performance management processes which will strengthen Corporate Governance and support effective decision making. With the Corporate Risk Advisor	







Risk Area / Audit Entity	Audit Report		
	Assurance Opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		moving into the Chief Executive Office there will be better synergies with business planning and performance management building further resilience into the system of internal control.	
Plymouth Community Homes Contract ANA - Medium	Status – In Progress	The transfer by the Council of its housing stock to Plymouth Community Homes (PCH) in November 2009 resulted in the Council retaining certain long-term environmental risks and potential liabilities; one of which relates to asbestos. The focus of this review is to provide assurance to the Council on the adequacy of the systems used to record potential asbestos liability.	N/A
Due to a review of the scheme by the service department, it has been agreed that the following audit will be deferred until 2018-19.			
Customer Feedback ANA – Medium, Client Request			
Transformation & Change and People – Cross Cutting Assurance			
Legal Care Proceedings (Children's) SRR – Amber ANA – High Client Request	Improvements Required Status: Final	Reported to Audit Committee December 2017.	
Lessons Learned From Schools in Deficit ANA – Medium Client Request	Value Added Status: Final	Reported to Audit Committee December 2017.	N/A
Finance & Assurance Review Group (FARG) SRR - Red ANA – High Client Request	Status: Complete	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 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
People			
Core Assurance – Key Financial System			
CareFirst - Income Collection (Adults – Deferred Payments) Risk / ANA: ANA – High	Improvements Required Status: Final	Reported to Audit Committee December 2017.	
CareFirst - Care Leavers (Payments) ANA – Medium	Good Standard Status: Final	Reported to Audit Committee December 2017.	
Follow-Up of 2016/17 Children Independent Placements (Payments)	Good Standard Status: Final	Reported to Audit Committee September 2017.	
CareFirst - Fostering (Payments) ANA – Medium	Good Standard Status: Draft	The payment of allowances, expenses and grants are processed through the Boarding Out Payments system which is maintained by the Child Payments Team. Reliance is placed on the social care staff to be aware of 'changes' in circumstances of children in care of the Plymouth Foster Carers. One area where overpayments can occur is in relation to 'Connected Carers'. However, any overpayments are closely monitored by one of the Clerical Officers in the Child Payments Team with regular reports being submitted to the Service Manager. Where an overpayment cannot be offset against other payments to the foster carer an invoice is raised for the sum owing.	
Core Assurance - Other			
Adult & Community Learning Contract Client Request	Value Added Status: Final	Reported to Audit Committee December 2017.	
Pre-Paid Cards - Direct Payments Delivery Method SRR – Amber ANA – High Client Request	Good Standard Status: Final	Good working relationships between LiveWell Southwest and PCC staff were demonstrated during the audit with key officers collaborating to formulate workforce development processes and address specific issues. The Council is preparing guidance and handouts to assist Social Workers within Livewell Southwest. Numbers of Direct Payment recipients have been steadily falling over the past 18 months from 705 in April 2016 to 589 in November 2017; the reason for this is not completely understood and may require further investigation.	

Risk Area / Audit Entity	Audit Report		
	Assurance Opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Deprivation of Liberty Safeguards (DOLS) Follow-Up ANA - Medium	Improvements Required Status: Final	Reported to Audit Committee September 2017	
Community Connections - Licensing of HMO's ORR – Amber ANA – Amber	Value Added Status: Final	The requirements of new legislation expanding the mandatory licensing of Houses in Multiple Occupation are recognised and initial action has been taken to identify properties that should be licensed. Finance and Community Connections are working together to develop a robust cost recovery model licence fee structure.	
Community Connections - Regulatory Reform Orders ORR – Amber ANA – Amber	Value Added Status: Complete	Real-time feedback has been provided regarding the options for means testing in relation to Disabled Facilities Grants. There is a definite need to streamline the means testing process to support the success of the Independent Living Plan, however current financial assessments within Client Financial Services are not efficient with a current back log in assessments that may prove a barrier to realising the plans objectives. The success of this work will be to reduce the need for means testing, utilise financial assessment information already held by the Council when necessary and develop the use of effective online tools or established systems for financial assessments when means testing is required. Opportunities to explore this further with the Transformation Team are now being taken.	
Social Care Business Solutions - will be incorporated into the CareFirst Dashboard work which forms part of the 2018/19 audit plan. ANA – High Client Request			
One System One Aim			
Plymouth & Western System Development Board SRR - Red ANA – High	Status: Complete	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. In July 2017 the Plymouth & Western System Development Board was stood down following a review of governance. This was replaced by the Western System Improvement Board.	N/A
Early Help Gateway (CSC) SRR - Amber ANA – High	Value Added Status: Final	Our recommendations will, if considered alongside Ofsted and the Post Implementation Review findings, support management in implementing phase three of the project. This will continue to strengthen and develop collaborative, integrated and sustainable models of	

Risk Area / Audit Entity	Audit Report		
	Assurance Opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Client Request		working with schools, health, police and other partner agencies. As well as increasing the future resilience of the team, improving management information, data quality, customer satisfaction and realise further efficiencies through better utilisation of resources.	
Livewell South West ANA – High Client Request	Status: In Progress	<p>In April 2015, Plymouth City Council's Adult Social Care workers transferred to a new provider organisation; LiveWell South West (formally PCH) to allow for an integrated delivery of Adult Social Care Services.</p> <p>We will review the adequacy of the controls, processes and procedures for the integrated delivery of Adult Social Care Services.</p> <p>Consideration will also be given to the effectiveness of the retained client function and its ability to support and facilitate LiveWell in leveraging ideas and innovations necessary to deliver the business outcomes required by Plymouth City Council in the delivery of Adult Social Care services.</p>	N/A
One System One Aim (Client Financial Services) – Following a recruitment exercise within the service area and subsequent training delivered by OLM the CareFirst software provider at the end of January 2018, it was agreed that site work would be deferred until 2018/19 to allow a period of time for learning to be implemented.			
Multi-Agency Hub SRR – Amber, ANA – High Client Request	- Deferred until 2018/19 at the request of management.		
Maintained Schools Audit Programme	Good Standard	<p>Systems and controls in schools mitigate the risks identified in many areas.</p> <p>The key matters arising from the audits are the:</p> <ul style="list-style-type: none"> • Single Central Record and the retention of evidence for 'right to work' in the UK; • Business Continuity / Disaster Recovery Plan. <p>Recommendations have been made to reduce risks and in other areas, will serve to further strengthen procedures.</p>	

Risk Area / Audit Entity	Audit Report		
	Assurance Opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Office of the Director of Public Health (ODPH)			
Business Continuity Planning SRR - Amber ANA – High Client Request	Improvements Required Status: Draft	<p>Audit continued to participate on the Council's Business Continuity Strategy Group.</p> <p>In addition, a review of Business Continuity within the Supply Chain was carried out. This focussed on the Council's approach to managing the Business Continuity Plans (BCP) maintained by its key suppliers.</p> <p>The review found a lack of standard processes as to when a supplier should submit a BCP as part of a procurement exercise and how such plans should be reviewed to ensure they are suitable.</p> <p>The on-going monitoring and review of a supplier's BCP is the responsibility of the respective contract manager within the Authority but there is no strategy, policy or procedure that formally sets out how this should be undertaken.</p> <p>The review also uncovered issues with the identification of key suppliers, the maintenance of the Council's contract register and the identification of an appropriate contract manager for each contract.</p>	N/A
Public Protection Service SRR – Amber ANA – Medium Client Request	Good Standard Status: Final	Reported to Audit Committee December 2017.	
Management of Commissioned Pharmaceutical Services Client Request	Value Added Status: Final	Reported to Audit Committee December 2017.	
Place			
Review of Major Contracts SRR - Amber ANA - High	Status: On-going	Supporting officers in the early management of the new Highways Term Maintenance contract. A review of the works ordering processes around the new highways management system, planned for later in the year, was deferred until 2018/19 at the request of management. This review has now commenced.	

Risk Area / Audit Entity	Audit Report		
	Assurance Opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Trade Waste Follow-Up ANA – Medium Client Request	Improvements Required Status: Final	Reported to Audit Committee December 2017.	
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.	
TranMan Fleet Management System ANA – Medium Client Request	Improvements Required Status: Final	Reported to Audit Committee December 2017.	
Commercial Properties SRR95 – Red ANA – High	Status: In Progress	<p>During 2017/18 Audit have supported officers in an ongoing review of the commercial property proforma process. Initial work undertaken has identified potential risks and weaknesses with the current process and changes have been proposed to streamline the process and ensure data is correctly communicated to the right people at the right time.</p> <p>Audit will continue to provide advice during 2018/19 as new processes are agreed by stakeholders to ensure that there are robust controls in place regarding the accurate and timely recording of property data within the Tech Forge system.</p>	
Street Services ANA – High Client	Status: In Progress	The department have a recognised budget pressure regarding the cost of replacing damaged, lost and stolen households bins / garden bags and are in the process of reviewing policy and procedures with a view to improving stock control and reducing cost. Audit are reviewing the new procedures to ensure that they are robust and benchmarking, to compare the Council's approach to that of other authorities.	
Grants			
Early intervention – Families with a Future Regulatory Requirement ORR - Amber	Certified Status: Complete	DAP have verified and certified twelve claims and have continued 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.	

Risk Area / Audit Entity	Audit Report		
	Assurance Opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Grants x 9 Regulatory Requirement	Certified Status: Complete	Grants certified without amendment <ul style="list-style-type: none"> • GD18 Northern Corridor Junction Improvements • Local Transport Capital Block Funding (Integrated Transport & Highways Maintenance) • Pothole Action Fund • Highways Maintenance Challenge Fund • Local Growth Fund - Derriford Transport Scheme • Local Growth Fund - Eastern Corridor Cycle Route • Local Growth Fund - Northern Corridor Junction Improvement • Regional Growth Fund 2015/16 • Regional Growth Fund 2016/17 	

Appendix 2 - Professional Standards and Customer Service

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.

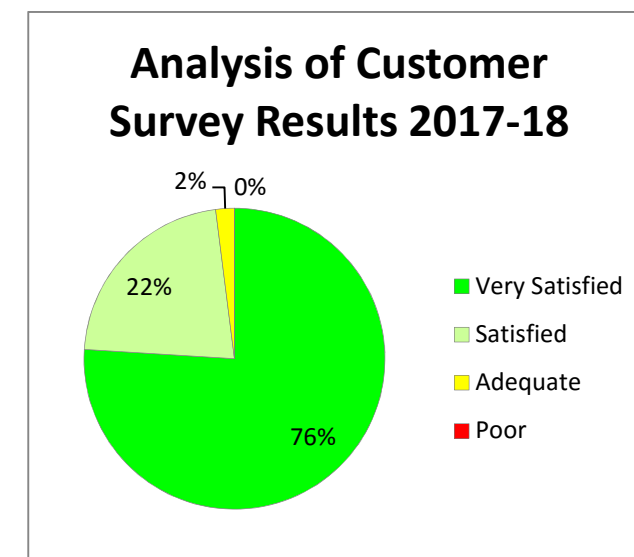
Improvement Programme – DAP maintains a rolling development plan of improvements to the service and customers. All recommendations of the external assessment of PSIAS and quality assurance were included in this development plan and have been completed. This will be further embedded with revision of our 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). We are aware that some of our draft and final reports were not issued to the customer within the agreed timeframes (15 working days for draft report and 10 working days for final report). We continue to review where performance in this area can be improved.

Customer Service Excellence

In June 2017, DAP was successful in re-accreditation by G4S Assessment Services of the CSE. We continue to issue client survey forms with our final reports and 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 4 - Annual Governance Framework Assurance

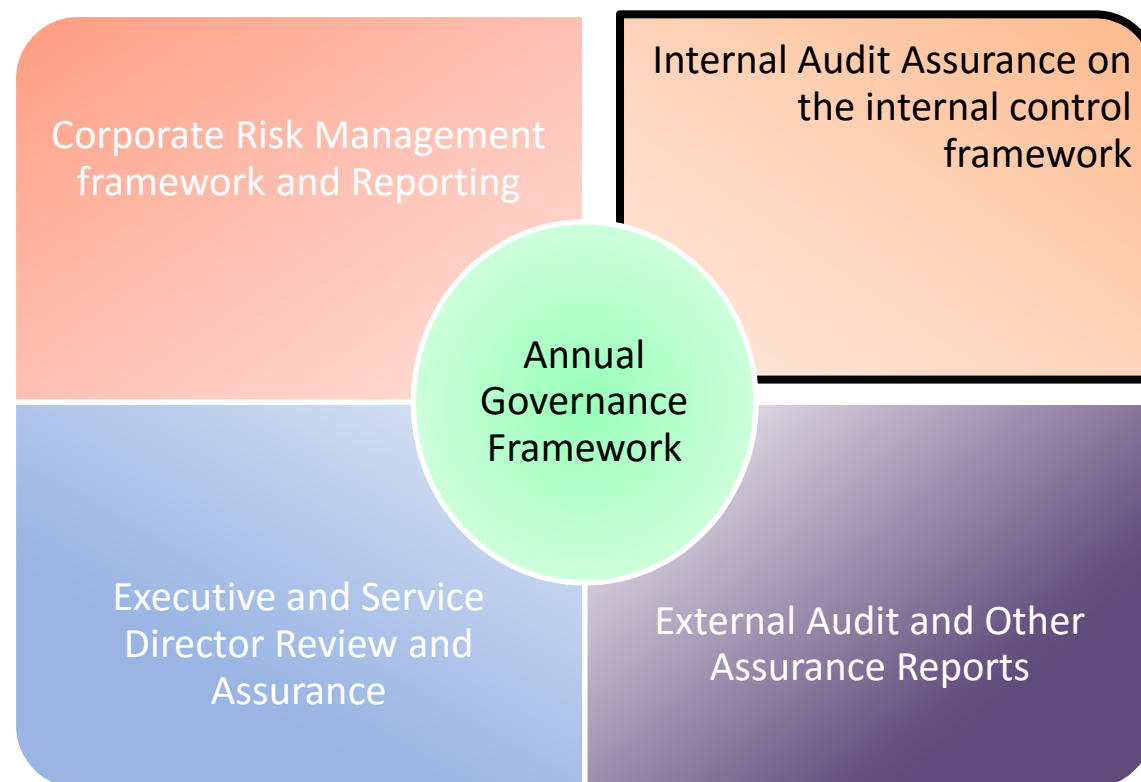
The conclusions of this report provide the internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.

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 and Governance 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 and Governance 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 and Governance 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 5 - 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.

The extent to which our work has been affected by changes to audit plans has not been notable this year. Whilst certain changes have been made from the plans originally agreed this has been due to changes in operational business needs

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 do not limit the overall audit assurance opinion.

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

all audits completed during 2017/18, including those audits carried forward from 2016/17;

any follow up action taken in respect of audits from previous periods;

any significant recommendations not accepted by management and the consequent risks;

the quality of internal audit's performance;

the proportion of the Council's audit need that has been covered to date;

the extent to which resource constraints may limit this ability to meet the full audit needs of the Council;

any limitations that may have been placed on the scope of internal audit.

Appendix 6 – 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:

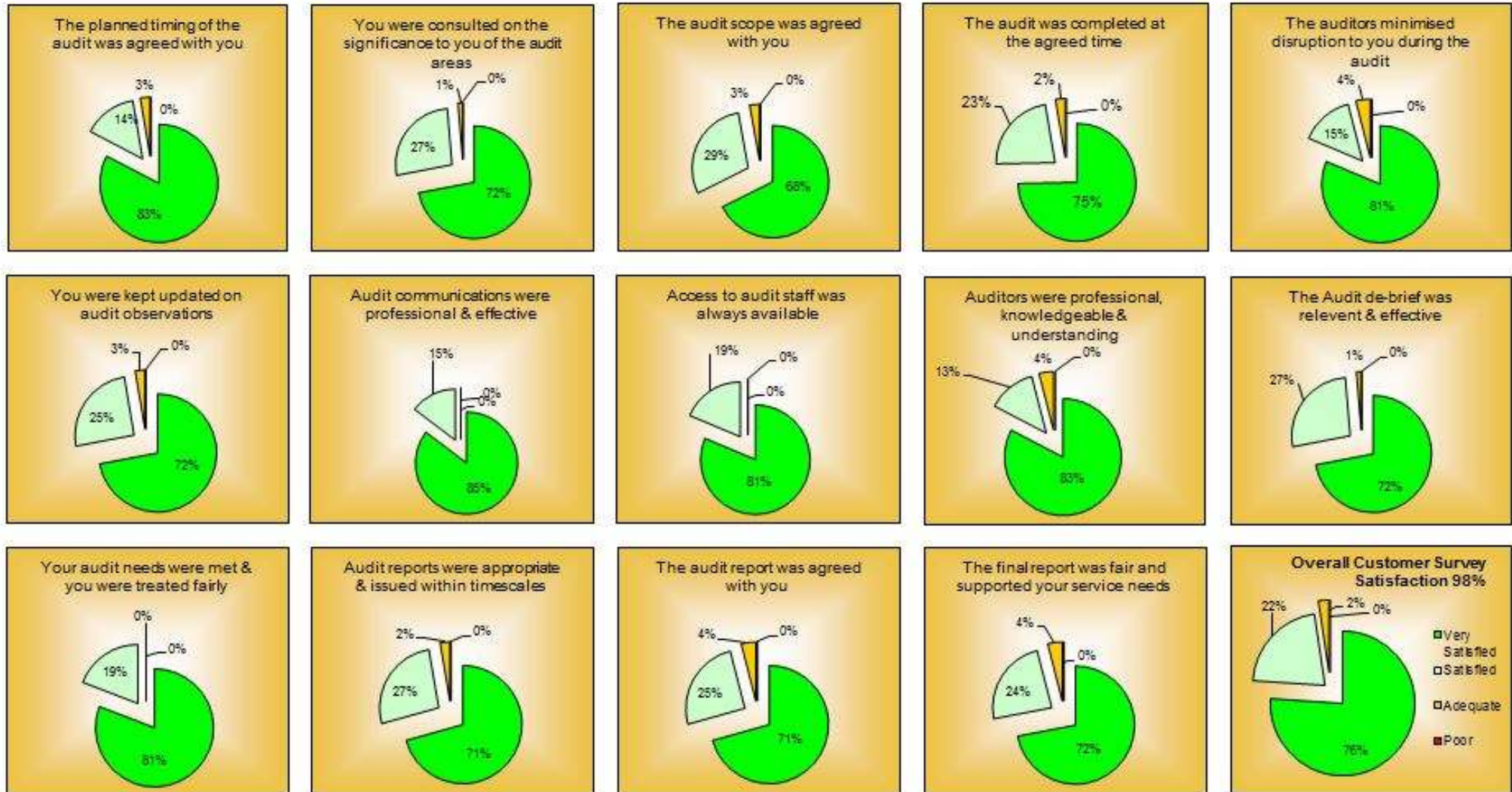
Local Performance Indicator (LPI)	2017/17	2016/17	2017/18	2017/18
	Target	Actual	Target	Actual
Percentage of Audit plan Commenced (Inc. Schools)	100%	99%	100%	100%
Percentage of Audit plan Completed (Inc. Schools)	93%	95%	93%	96%
Percentage of fundamental / material systems reviewed annually	100%	100%	100%	100%
Percentage of chargeable time	65%	71.4%	65%	71.5%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	98%	90%	98%
Draft Reports produced within target number of days (currently 15 days)	90%	95%	90%	97%
Final reports produced within target number of days (currently 10 days)	90%	98%	90%	100%
Average level of sickness absence (DAP as a whole)	2%	3.2%	2%	4% *
Percentage of staff turnover (DAP as a whole)	5%	21%	5%	11% **
Out-turn within budget	Yes	Yes	Yes	Yes

* Sickness relates to DAP overall

** Staff turnover is relates to 1 starter and 2 leavers

Appendix 7 - Customer Service Excellence

Customer Survey Results April 2017 – March 2018



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Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement. 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 .