

## PLYMOUTH CITY COUNCIL

**Subject:** Internal Audit Follow-Up Report  
**Committee:** Audit and Governance Committee  
**Date:** 1 October 2018  
**Cabinet Member:** Councillor Lowry  
**CMT Member:** Andrew Hardingham (Strategic Director  
Transformation & Change)  
**Author:** Robert Hutchins, Head of Devon Audit Partnership  
Brenda Davis, Audit Manager  
**Contact details** Tel: 01752 306710  
email: [robert.hutchins@devonaudit.gov.uk](mailto:robert.hutchins@devonaudit.gov.uk)  
[brenda.davis@devonaudit.gov.uk](mailto:brenda.davis@devonaudit.gov.uk)  
**Ref:** Your ref. AUD/BD  
**Key Decision:** No  
**Part:** 1

---

### Purpose of the report:

At the Audit and Governance Committee on 31 May 2018 members were presented with the 2017/18 Internal Audit Annual report which provided a summary of the work undertaken by Devon Audit Partnership during 2017/18 along with an audit opinion on the adequacy of internal control.

This report is to provide assurance to Members of the Audit and Governance Committee that where an audit has been undertaken and 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. 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 undertaken in 2017/18.

---

### Corporate Plan

The internal audit service assists the Council in delivering robust standards of public accountability and probity in the use of public funds and 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.

Our work supports delivery of the values and priorities set out in Corporate Plan by ensuring that resources are used wisely and service areas understand and deliver quality public services which meet customer and community needs and keep people safe.

---

### 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:

The Audit and Governance Committee:

- Note the findings within the report.
- 

### 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 2017/18 (May 2018)

### Background papers:

None

---

### Sign off:

Fin	Pl.18.19 .97	Leg	ALT/30508	Mon Off	HR		Assets		IT		Strat Proc	
Originating SMT Member Andrew Hardingham, Strategic Director Transformation & Change												
Has the Cabinet Member(s) agreed the contents of the report? Yes												

Internal Audit Report

Follow Up Report on  
Areas Requiring  
Improvement

**Plymouth City Council**

October 2018

Robert Hutchins  
Head of Audit Partnership



Auditing for achievement

## Introduction

---

At the May Audit and Governance 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 2017/18, along with our assurance opinion. Where a “high” or “good” standard of audit opinion was 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 2017/18; ‘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 remain 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

---

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 necessarily reflect a 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 2017/18, were identified as 'improvements required'. The appendix shows the original and current assurance opinions together with a 'direction of travel' indicator. 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 2017/18 presented to the Committee in May 2018.

## Process

---

For areas where an overall audit opinion of "improvements required" was provided at the end of 2017/18 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 each review we considered the progress made against each of the agreed recommendations and updated each assurance opinion as 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 2017-18

## 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 Assurance Opinion as at 31 March 2017	Updated Audit Assurance Opinion as at 31 August 2018	Audit Report	
				Commentary and residual risk	Direction of Travel
<b>Transformation &amp; Change</b>					
Housing Benefit Overpayments	ORR - Amber ANA – High Client Request	Improvements Required	N/A	Details of our work were included in the interim follow-up report presented to Audit and Governance Committee in July 2018. Further work will be undertaken on the administration of housing benefit overpayments as part of the annual audit of housing benefits due to commence in the second half of the year.	
Information Governance	ANA - High	Improvements Required	N/A	The original review was conducted as a Situation Report to update on the combined subject areas required to manage the Council's information and data assets. The purpose of the report was to identify actions that would further improve Information Governance.  Whilst there has not been a formal follow-up review, progress is being monitored through audit participation in the Information Lead Officers Group and the Devon-wide Management Information Security Forum along with other areas within the Audit Plan e.g.General Data Protection Regulation (GDPR) and Corporate Information Management.	

Legal Care Proceedings (Children's)	SRR - Amber ANA – High Client Request	Improvements Required	Improvements Required	<p>Positive actions have been taken in response to audit recommendations including:</p> <ul style="list-style-type: none"> <li>• Awareness raising;</li> <li>• Development of a new monitoring tool;</li> <li>• Improvements to record keeping;</li> <li>• Ensuring all necessary information is made available in a timely manner to the Legal Team prior to legal planning meetings.</li> </ul> <p>Staff resourcing continues to be an issue in both the Legal and Social Care services, with caseloads remaining high but it is anticipated that by December 2018 both teams will be fully resourced with the additional capacity enabling any outstanding recommendations to be addressed.</p>	
Purchasing Cards	ANA – Medium Client Request	Improvements Required	N/A	<p>We are in the process of performing purchasing card spot checks to ensure compliance with Council and regulatory (VAT) requirements. Initial findings indicate that steps have been taken to implement previous audit recommendations and a further update will be included in our half-year report.</p>	
People Income Collection (Adults – Deferred Payments)	ANA - High	Improvements Required	Good Standard	<p>There were major changes to staff within the Client Financial Services Team (CFST) in 2017, including the appointment of an interim team leader. There is now a permanent structure in place with one team leader in post responsible for both the CFST and the Income Recovery Team; this stability has seen audit recommendations being implemented, a consistent approach to debt recovery and regular liaison with officers for Adult Social Care and Livewell Southwest.</p> <p>There is however, currently only one officer with the knowledge and experience to carry out deferred payment applications and monitoring but steps are being taken to address the situation and training is planned to be rolled out to the rest of the team.</p>	



Pre-Paid Cards - Direct Payments (Adults) Follow-up	ANA - Medium	Improvements Required	Good Standard	<p>A comprehensive suite of documentation has been produced for Adult Social Care workers which includes handouts for service users. Direct Payments are now also included in Livewell Southwest's mandatory Care Act training which is being rolled out to all Adult Social Care workers and process and guidance for Plymouth City Council Business Support was almost complete at the time of this review.</p> <p>The CareFirst dashboard was found to be well developed and reports include:</p> <ul style="list-style-type: none"> <li>• Number of reviews outstanding;</li> <li>• Where contribution does not match the assessed contribution.</li> </ul>	
Place Trade Waste	ANA – Medium Client Request	Improvements Required	Improvements Required	<p>A further review of the invoicing arrangements in operation within the Trade Waste Service has confirmed that billing for service continues to be administered accurately and in a timely manner. However, the Service still lacks documented procedures and the systems in operation to manage workloads and record and analyse operational information remain inefficient with information needing to be duplicated across separate databases and spreadsheets.</p>	
Fleet Management System	ANA – Medium Client Request	Improvements Required	N/A	<p>Work is ongoing to confirm progress made with the service area and our findings will be included within our half year report to Audit and Governance Committee. Initial findings indicate that there have been improvements made in respect of stock control, however, the system could still be utilised more effectively to improve the efficiency and resilience of key processes such as the annual validating of driving licences.</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.

### 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](mailto:robert.hutchins@devonaudit.gov.uk).