

PLYMOUTH CITY COUNCIL

Subject: Internal Audit Progress Report
Committee: Audit and Governance Committee
Date: 1 October 2018
Cabinet Member: Councillor Lowry
CMT Member: Andrew Hardingham (Strategic Director
Transformation & Change)
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Ref: Your ref. AUD/BD
Key Decision: No
Part: 1

Purpose of the report:

This report provides Members of the Audit and Governance Committee with a position statement on the audit work carried out since April 2018 and based on work performed to date during 2018/19, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control environment.

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 Plan 2018/19 (March 2018)

Background papers:

None

Sign off:

Fin	Pl.18.19 .98	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

Internal Audit Progress Report 2018-19

Plymouth City Council
Audit Committee

October 2018

Robert Hutchins
Head of Audit Partnership

Auditing for achievement

Introduction

This report provides a summary of performance in the year up to 31 August 2018 against the internal audit plan for the 2018/19 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 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 2018/19 financial year. Progress in the period up to 31 August 2018 has included completion of work carried forward from 2017/18, 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 2018 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 2018/19, 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.

Acknowledgements

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

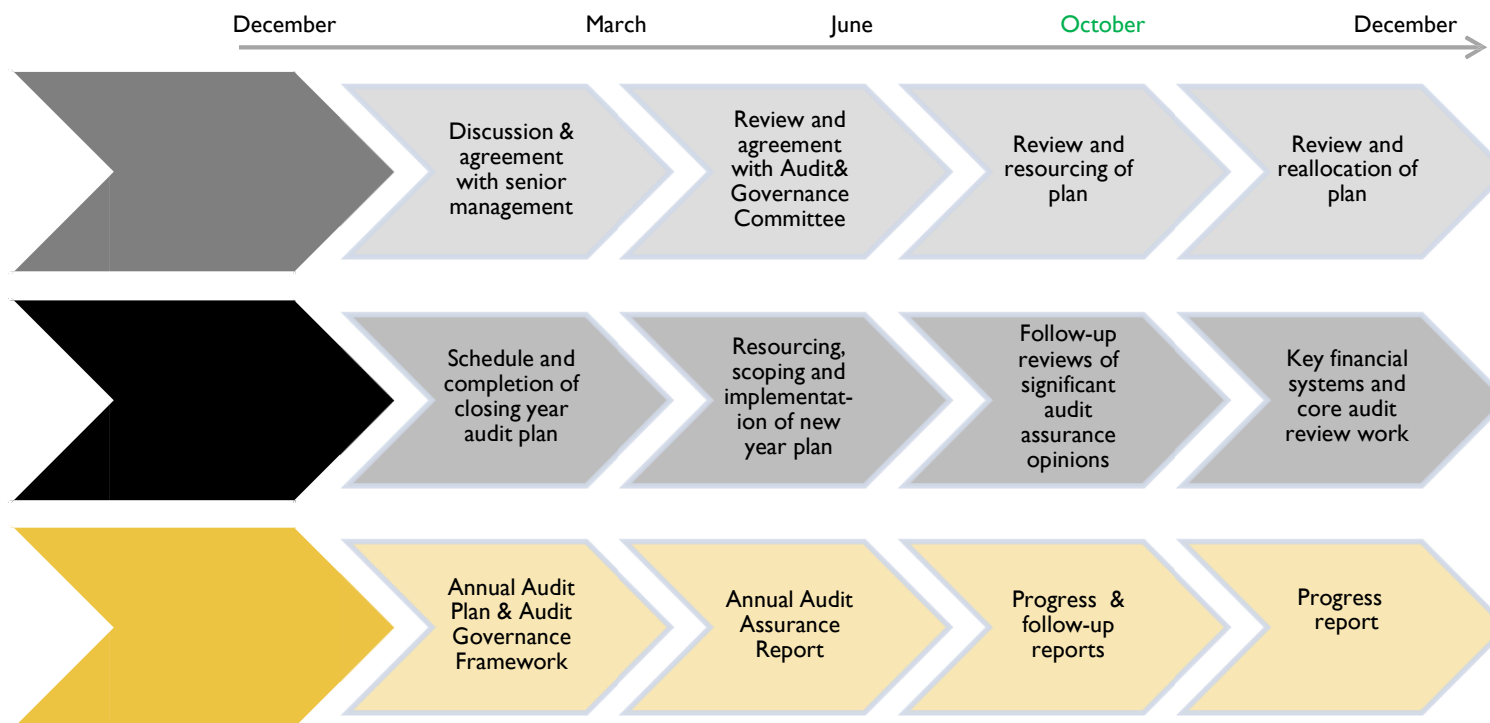
Recommendations

It is recommended that the report be noted.

Robert Hutchins

Head of Audit Partnership

Our Audit Team and the Audit Delivery Cycle



Date	Activity
Dec / Jan 2018	Directorate planning meetings
March 2018	Internal Audit Plan & Audit Governance Framework to Audit & Governance Committee
	Year-end field work completed
April 2018	Annual Performance reports written
May 2018	Annual Internal Audit Report to Audit & Governance Committee
	Follow-up work of previous years audit work commences
Oct 2018	Follow-up and progress reports to Audit & Governance Committee
Dec 2018	Half-year progress reports to Audit & Governance Committee
Dec / Jan 2019	Directorate planning meetings
March 2019	2019/20 Internal Audit Plan to Audit & Governance Committee

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Appendix I – Assurance Opinion and extract Executive Summaries – Up to 31 August 2018

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	Risk / Audit Needs Assessment (ANA)	Residual Risk / Audit Comment	Audit Report	
			Assurance Opinion	Assurance Direction of Travel
Transformation and Change				
Core Assurance – Key Financial System				
The key financial reviews will be commenced in the second half of 18/19				
<ul style="list-style-type: none"> ◆ Civica Financials: <ul style="list-style-type: none"> ! Creditors ANA - High ! Main Accounting ANA - High ! Debtors ANA – Medium ! Cash/Bank Receipting ANA – Medium ◆ Treasury Management ANA – Medium ◆ I.T.Systems ANA - High 		<ul style="list-style-type: none"> ◆ Academy Revs & Bens: <ul style="list-style-type: none"> ! Housing Benefits ANA - High ! Council Tax ANA - Medium ! Business Rates (NNDR) ANA - Low ◆ iTrent – Payroll ANA - Medium 		
Core Assurance - Other				
Corp Information Management	ANA – High	DAP continues to provide “trusted advisor” support to the Information Lead Officers Group (ILOG) and Management Information Security Forum (MISF). Excellent work continues to be conducted by ILOG and the Information Governance Manager. We anticipate a good working relationship will be formed with the new Corporate Records Manager which will mirror the strong relationship with the previous incumbent.	Status: On-going	N/A
<ul style="list-style-type: none"> • ILOG, Fol, DPA, Policies & P's, EDRMS, End User Computing 		The Council is facing many challenges in the form of ever increasing cyber security threats, managing its data effectively and compliantly. The		

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Audit Report	
		Residual Risk / Audit Comment	Assurance Opinion Assurance Direction of Travel
ICT Operation and Security (Cyber)	ANA - High	<p>Corporate Information Manager has conducted a considerable amount of work to embed new processes, procedures and documentation to meet with the requirements of the new Data Protection Act 2018 (commonly referred to as the GDPR). Work is to be conducted later in the year to review and support this work.</p> <p>The overall level of 'cyber' security remains of a good standard, with examples of good practice being identified within the two cyber security audits conducted in the past fourteen months. Of note is the added value obtained from the knowledge and wisdom provided by key individuals within the Council and Delt Services and the investment made to keep technologies up to date.</p> <p>As a consequence of rapid change and personnel within the Council in recent years, it is a challenge to ensure that the various policy governance processes remain understood and visible to all stakeholders. This is true of the Council's Information Security Policy (ISP) and the associated policy governance processes would benefit from review and update in the coming months. This would also benefit the periodic educational initiatives required by best practice.</p>	Good Standard Status: Draft
Management of Employee Data	ANA – High Client Request	<p>We have liaised with HR & OD as they have developed a corporate framework to ensure that all personnel and supervision records are held securely, formally passed to the employee's new manager if the employee changes their role within the Council and archived when an employee leaves the Authority. Once this policy and associated documentation has been finalized and approved by the Corporate Management Team, a period will be allowed for implementation prior to audit commencing further work to assess policy compliance.</p>	On-going
Client Financial Services	ANA – High Client Request	<p>This audit is planned to commence mid-September and will review the adequacy of controls, processes and procedures operating within Client Financial Services Team to ensure that service users receive timely and accurate financial assessments; are charged accordingly and outstanding debts are followed up.</p>	


Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Audit Report	
		Residual Risk / Audit Comment	Assurance Opinion Assurance Direction of Travel
Deputyships	ANA – Medium Client Request	Our work will consider the effectiveness of the processes and procedures in place for the management of the affairs of people who lack the mental capacity to manage themselves and where the Court of Protection has appointed Plymouth City Council as a Deputy.	In-Progress
Purchasing Cards	ANA – Medium	We are in the process of undertaking some purchasing card spot checks to ensure compliance with Council and regulatory (VAT) requirements.	In-Progress
Travel & Subsistence	ANA – Medium Client Request	The mileage and expense claim process requires employees to retain evidence to support their claims for four years. We are contacting officers throughout the Council to understand if officers know what is required of them and whether or not they are complying with those requirements.	In-Progress
Schools Financial Value Standards (SFVS)	Statutory ANA - Low	SFVS Dedicated Schools Grant Chief Finance Office assurance statement for 2017/18 submitted to the Department for Education.	Good Standard Status: Final
<p>The following reviews will be commenced in the second half of 18/19</p> <ul style="list-style-type: none"> ❖ ICT Operation and Security (Cyber) - ANA – High ❖ Devon Business Rate Pilot - ANA - High ❖ Retained Client – ICT ANA - Medium, Client Request ❖ Customer Feedback - ANA – Medium ❖ e-Budgeting - ANA – High, Client Request ❖ Risk Management - ANA - High ❖ Purchasing - ANA – Medium, Client Request ❖ Retained Client ICT – ANA -Medium ❖ Retained Client Shared Services – ANA – High, Client Request 			
<p>Executive Office</p> <p>Core Assurance - Other</p>			
<p>The following reviews will be commenced in the second half of 18/19</p> <ul style="list-style-type: none"> ❖ Data Quality - ANA – High, Client Request ❖ Community Grants - ANA – Medium, Client Request 			

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Audit Report	
		Residual Risk / Audit Comment	Assurance Opinion Assurance Direction of Travel
People			
Core Assurance – Key Financial System Income Collection (Deferred Payments) – Follow-Up	ORR - Amber ANA – High	See follow-up report included elsewhere on this agenda for details.	Good Standard Status: Final 
The following reviews will be commenced in the second half of 18/19			
<ul style="list-style-type: none"> ❖ Payments (Care Leavers) – ANA – Medium ❖ Payments (Fostering) - ANA – Medium 			
Core Assurance - Other			
Livewell South West	ANA – High Client Request	Good collaborative working relationships between Livewell Southwest and the Council, with regular and effective communication between managers and staff across the organisations has helped to reduce spending, achieve savings and review specific cases with outstanding debt. The Scheme of Delegation is in place and up to date and is reviewed regularly. Workforce development continues to strengthen with a comprehensive induction programme and, mandatory joint training sessions in place.	Good Standard Status: Final 
Pre-Paid Cards - Direct Payments (Adults) Follow-up	ANA - Medium	See follow-up report included elsewhere on this agenda for details.	Good Standard Status: Final
Pre-Paid Cards - Direct Payments Delivery Method (Children's)	ANA - Medium	Overall control of Direct Payments within the Special Educational Needs and Disability Team was deemed to be operating to a good standard with both new and amended Direct Payments authorised at panel. Suggestions were made as to how the DP Agreement (Children's) could be furthered strengthened.	Good Standard Status: Final
Legal Care Proceedings (Children's)	ANA – Medium	See follow-up report included elsewhere on this agenda for details.	Improvements Required Status: Draft

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Audit Report		
		Residual Risk / Audit Comment	Assurance Opinion	Assurance Direction of Travel
Finance & Assurance Review Group (FARG)	ANA – High Client Request	DAP continues to monitor and support the actions of the Integrated Fund. 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.	Ongoing	N/A
The following reviews will be commenced in the second half of 18/19				
<ul style="list-style-type: none"> ❖ Children’s Services (Contractual Arrangements with Torbay) - SRR - Red ANA – High, Client Request ❖ Children’s Safeguarding Board (PSCB) - ❖ Multi-Agency Hub - SRR – Amber ANA – High, Client Request 		<ul style="list-style-type: none"> ❖ Extra Care Housing - ANA – Medium ❖ Carefirst Dashboard - ANA – Medium ❖ Community Connections - ANA – Medium 		
The following audits have been deferred or cancelled at the request of the client:				
<ul style="list-style-type: none"> ❖ Plan for Education (ANA – Medium, Client Request) ❖ Deficit Budgets (Early Years) ❖ On Course South West Contract 				
Public Health				
Bereavement Service	ANA – Medium Client Request	The objective of this audit is to evaluate and report on the adequacy of the financial controls, processes and procedures operating within the Bereavement Service.	In-Progress	
Licensing	ANA – Medium Client Request	The focus of this audit is a review of the administrative processes in operation within the Licencing service to ensure that they adequately manage risk and meet regulatory requirements whilst being as efficient and streamlined as possible.	In-Progress	
Environmental Protection	ORR - Amber ANA – Medium Client Request	Our work for the service is to consider the systems and processes the Services has in place to ensure that there is adequate separation of duties taking into account: <ul style="list-style-type: none"> • the regulatory enforcement activities undertaken, • the business advice the service provides, and • the requirement to grow commercial income. 	In-Progress	

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Audit Report	
		Residual Risk / Audit Comment	Assurance Opinion Assurance Direction of Travel
The following review will be undertaken toward the end of 18/19			
◆ Business Continuity Follow -Up ANA - High			
Place			
Concessionary Fares	ANA – Medium Client Request	We will review of the effectiveness of the procedures and controls in operation for the administration of Concessionary Fares to ensure that payments to bus operators are calculated and processed using the correct reimbursement rates and concessionary fare usage.	In-Progress
Building Control	ANA – Medium Client Request	The scope of this review is to evaluate and report on the adequacy and effectiveness of Building Control processes We will also consider the impact of the Hackett Review and the Housing, Communities and Local Government Select Committee report on the current management and operation of Plymouth Building Control.	In-Progress
Highways Management – Works Ordering	ANA -	Effective systems ensure that highways works orders are identified, raised and issued to the approved contractor accurately, completely, consistently and promptly in accordance with policy, contract arrangements and best practice. The information systems Yotta Mayrise, E-works, Reflow, and Civica Financials efficiently enable the automatic transfer of data at appropriately controlled trigger points, providing complete and accurate real-time information that ensures payments are made correctly and promptly whilst enabling effective budget management and timely decision making.	High Standard Status: Draft
Fleet Management System Follow-Up	ANA - Medium	See follow-up report included elsewhere on this agenda for details.	In-Progress
Trade Waste Follow-Up	ANA - Medium	See follow-up report included elsewhere on this agenda for details.	Improvements Required

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Residual Risk / Audit Comment	Audit Report	
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Commercial Properties	ANA - Medium	<p>A review of the commercial property proforma process, led by the Council's Asset & Data controller, identified a number of improvements to aid communication and interpretation, of the often complex information, relating to commercial property transactions.</p> <p>An audit review of the proforma process concluded that the proposed changes would reduce the risk of different departments working with differing versions of documentation and help ensure that actions taken following distribution of the proforma remain consistent with the final legal documentation issued.</p> <p>There does remain scope for errors if the information is not accurately actioned, as a result of either an untimely or inaccurate pro-foma, un-notified changes, or just human error in data entry and Audit advice has been provided to help mitigate this risk.</p> <p>The proforma process is currently being reviewed within Portfolio Transformation with a view to digitalising the process and assessing the suitability of the Firmstep platform to administer it. DAP will keep a 'watching brief' to assess whether finalised procedures adequately mitigate the risks identified.</p>	Position Statement Status: Complete	
<p>The following reviews will be commenced in the second half of 18/19</p> <ul style="list-style-type: none"> ◆ Plymouth Energy Community - ANA – Medium, Client Request ◆ Highways (Ability to Defend Insurance Claims) - SRR – Red, ANA – High, Client Request ◆ Street Services (Financial Management System) - ANA –High, Client Request 				
<p>Cross Cutting</p>				
<p>The following reviews will be commenced in the second half of 18/19</p>				
<p>General Data Protection Regulation (GDPR) - SRR – Amber, ANA – High, Client Request Health & Safety - ANA – High, Client Request</p>				

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Residual Risk / Audit Comment	Audit Report	
			Assurance Opinion	Assurance Direction of Travel
Grants				
Families with a Future (Payment by Results)	Statutory Client Request	DAP have verified and certified five claims in the year to date and 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.	Certified Status: Ongoing	
Grants x 5	Regulatory Requirement	Grants certified without amendment <ul style="list-style-type: none"> • Derriford Transport Scheme – Growth Fund • Derriford Hospital Interchange – Growth Fund • Northern Corridor Improvement – Growth Fund • Eastern Corridor SCN – Growth Fund • Oceansgate – Growth Fund 	Certified Status: Complete	

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.