



devon **audit** partnership

Internal Audit

Half Year Audit Report
2018-19

Plymouth City Council
Audit Committee

December 2018

Robert Hutchins
Head of Audit Partnership



Auditing for achievement

Introduction

The Audit 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 2018/19 was presented and approved by the Audit Committee in March 2018. The following report and appendices set out the background to audit service provision; a review of work undertaken to date in 2018/19 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 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 that the internal control framework continues to be maintained at an adequate level to mitigate risks and inform the Executive for governance requirements.

Robert Hutchins
Head of Devon Audit Partnership

Opinion Statement

Overall, based on work performed to date during 2018/19 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 provide Members with an indication of the direction of travel for their consideration for the Annual Governance Statement see appendix 1.

The Authority's internal audit plan for the current year includes specific assurance, risk, governance and value added reviews which, together with prior years audit work, provide a framework and background within which we are able to assess the Authority's control environment. These reviews have informed the Head of Internal Audit's Opinion on the internal control framework. Heads of Service have been provided with details of Internal Audit's opinion on each audit review carried out in 2018/19 to date. If significant weaknesses have been identified in specific areas, these will need to be considered by the Authority in preparing its Annual Governance Statement later in the year when preparing the Statement of Accounts for 2018/19.

In carrying out systems and other reviews, Internal Audit assesses 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 address control issues identified during a review. Implementation of action plans rests with management and these are reviewed during subsequent audits or as part of a specific follow-up.

This statement of opinion is underpinned by:

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.

Each year, core financial and administrative systems are 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. Formal business planning processes that are closer aligned with risk and performance management will further strengthen corporate governance and effective decision making. The risk management framework will be reviewed in quarter four to allow time for the changes to embed.

Governance Arrangements

Governance arrangements are considered in key areas such as the Integrated Fund (Livewell and PCC) to ensure that the Council's interests are protected. Management also make very specific requests such as the review of the governance arrangements / relationships, both financial and legal for the Plymouth Energy Community (PEC).

Performance Management

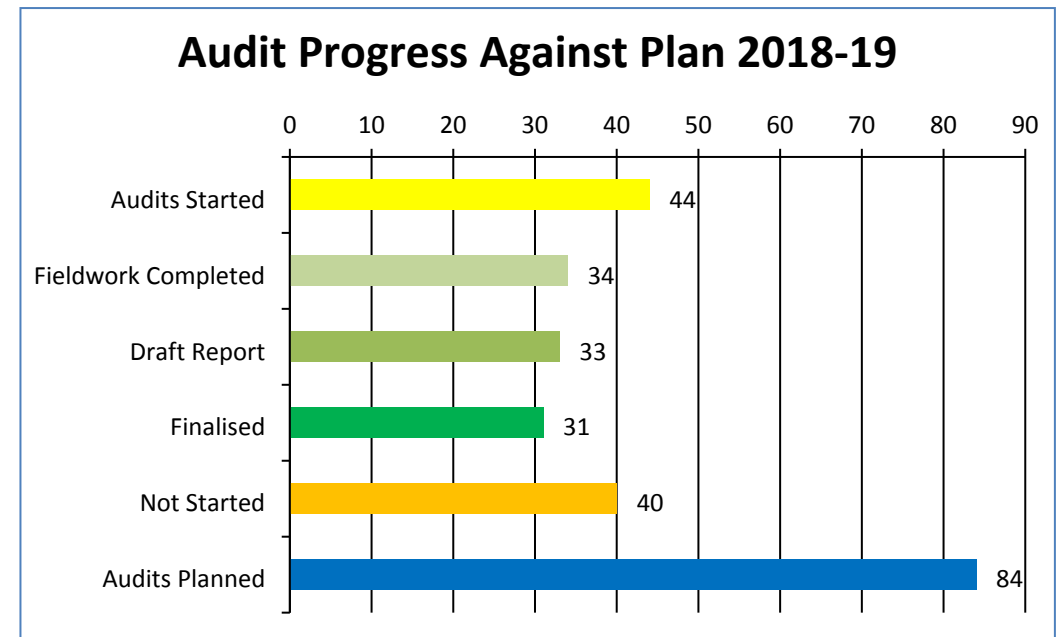
The strategy is key to the successful delivery of services and is established for 'business as usual' and change programmes. Regular reporting to management, leadership team and the Council should ensure effective performance management. This is of particular importance as the Council continues to develop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

Progress Against Plan

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 to date.

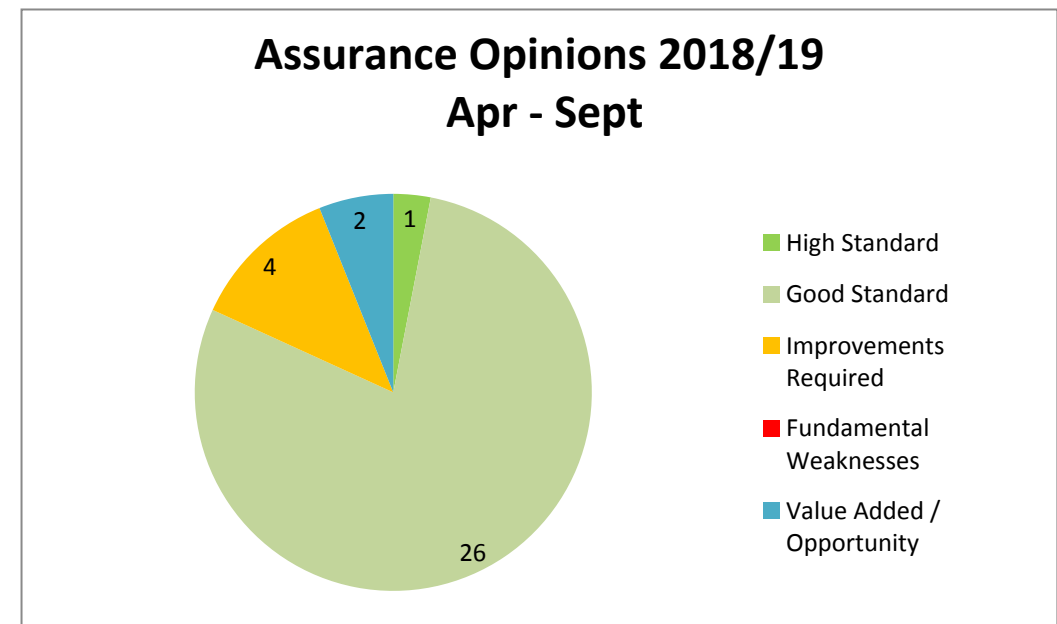
The extent to which our work has been affected by changes to audit plans has not been notable during the first six months of the year. The level of irregularity work has been low which has not impacted on completion of the plan. The bar charts right show the status of audit progress against plan and audit the days delivered against target planned. The charts demonstrate that progress is largely in line with expectations for the first six months of 2018/19.



Assurance Opinion

In our opinion based on our audit work for 2018/19, we are able to report that internal controls continue to operate effectively and where recommendations for improvements have been made, action plans have been agreed with management.

Based on audits completed and on indications from previous and on-going work, we are able to report that key financial system controls are well maintained and where weaknesses have been identified, management have responded positively to our recommendations.



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 2018/19 exercise, DAP have co-ordinated the extract of relevant Council datasets, as defined by the Cabinet Office. Departments have supplied their datasets (listed below) and these were uploaded onto the NFI secure website in October in accordance with the NFI timetable. The subsequent matching reports are due back from the Cabinet Office in February 2019.

NFI datasets:

- Council Tax;
- Creditor Payments;
- Housing Benefits;
- Payroll / Pensions;
- Housing Waiting Lists;
- Payment to Residential Care Homes;
- Personal Budgets – Direct Payments;
- Licencing (including taxi licences and personal alcohol licences);
- Market Traders; and
- Transport Passes (including blue badges and concessionary bus passes).

Irregularities – DAP have provided management with a range of advice and support on courses of action or improvements to controls. An investigation into employee conduct concluded that there was no cause for concern.

Active Counter Fraud Investigation - On 01/05/2018 the Plymouth City Council Corporate Fraud Team was transferred to the Devon Audit Partnership (DAP) and is now known as the Counter Fraud Services Team within DAP. The team continue to offer a full and comprehensive investigation service to Plymouth, whilst offering a commercialised service to other DAP partners in an attempt to give Plymouth City Council a return on its investment.

The team have produced a full annual report in June 2018 showing statistics for the previous 4 years as follows. The Corporate Fraud Team have dealt with over 1,500 allegations of fraud from internal sources as well as the public, resulting in 113 prosecutions, 298 formal cautions and 51 other forms of sanctions against offenders. In the same period our Compliance Officer has found 818 cases where the incorrect entitlement has been applied for various reasons that have since been adjusted. They have generated and or assisted in generating much needed savings in several areas of the Councils business in the form of proven cashable and non-cashable savings to the tune of £6,555,158.93 which is an incredible achievement for such a small professionally trained group.

Below are the financial results for the first 6 months of 18/19 which are the result of 139 allegations of fraud that have been investigated and resolved so far this financial year. The Compliance Officer has found 109 cases where incorrect information is held by PCC which have been adjusted. The team are currently dealing with a further 119 allegations across the business for Plymouth and the Compliance Officer continues to review various records.

Statistical counter fraud figures for 18/19 to 06/11/2018

	Cashable	Non-Cashable	Total
Blue Badge	£0.00	£11,500.00	£11,500.00
Concessionary Travel	£0.00	£3,500.00	£3,500.00
Council Tax	£26,133.09	£15,266.15	£41,399.24
CTS	£79,601.30	£41,514.72	£121,116.02
Insurance	£0.00	£0.00	£0.00
Social Care	£0.00	£0.00	£0.00
Tenancy	£0.00	£1,082,040.00	£1,082,040.00
Notices	£0.00	£6,000.00	£6,000.00
Other	£5,958.56	£14,781.46	£20,740.02
Total	£111,692.95	£1,174,602.33	£1,286,295.28

(All values used are as advised by the Cabinet Office 2018)

The above figures exclude Housing Benefit (HB), as the Department for Work and Pensions (DWP) are now responsible for the investigation and sanctioning of HB fraud. A further saving to the public purse has been generated by the team as a result of the investigations they have undertaken for the related allegations above resulting in the figures below.

	Cashable	Non-Cashable	Total
Housing Benefit	£96,577.71	£150,061.08	£246,638.79

Therefore the actual figure for 6 months counter fraud work so far this year has resulted in **£1,532,934.07** savings to the public purse.

The team has implemented an eLearning Counter Fraud and Corruption package which as at creation of this report 40.10% of all PCC staff have completed.

A new Counter Fraud, Bribery and Corruption Policy has been produced by the team as well as the accompanying Strategy and Response Plan, these documents are in the process of being adopted by PCC at this time.

Appendix 1 – Assurance Opinion and extract Executive Summaries – Up to 31 October 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 for Project Work

Green – progressing well
 Amber – continuing to progress but some issues to address
 Red – significant delays or issues to address

Assurance Progress Key Where Report Issued

Green – action plan agreed with client for 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

Appendix 5 provides definition of assurance opinions.

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Audit Report		
		Residual Risk / Audit Comment	Assurance Opinion	Assurance Direction of Travel
Transformation and Change				
Core Assurance – Key Financial System				
Creditors	ANA – High	The objective of this audit is to evaluate the adequacy of controls, processes and procedures operating within the Purchasing and Creditors systems to ensure the Council's financial data is appropriate, complete and accurate.	In-progress	
Business Rates	ANA - Low	The review includes a follow-up of the 2017/18 report and a walk-through of the system to ensure that the design of each key control is effective and proportionate. The review will look in more detail at: <ul style="list-style-type: none"> • Collection rates; • Award of Hardship Relief • Enterprise Zone. 	In-progress	

The following key financial reviews will be commenced in the second half of 18/19

➤ Civica Financials:

- ❖ Main Accounting ANA - High
- ❖ Debtors ANA – Medium

➤ Academy Revs & Bens:


- ❖ Housing Benefits ANA - High
- ❖ Council Tax ANA - Medium

➤ iTrent – Payroll ANA - Medium

- Treasury Management ANA – Medium
- I.T.Systems ANA - High


Due to a pending software upgrade, it has been agreed with management that the review of Cash/Bank Receipting (ANA – Medium) will be undertaken in the next financial year once the new system is implemented.

Core Assurance - Other

Corp Information Management <ul style="list-style-type: none"> • ILOG, FoI, DPA, Policies & P's, EDRMS, End User Computing 	ANA – High	<p>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.</p> <p>The Council is facing many challenges in the form of ever increasing cyber security threats, managing its data effectively and compliantly. The 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>	Status: On-going	N/A
ICT Operation and Security (Cyber)	ANA - High	Reported to October Committee.	Good Standard Status: Final	
Management of Employee Data	ANA – High Client Request	We continue to liaise with HR & OD as they work to develop 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 in the next financial year to assess policy compliance.	On-going	



Client Financial Services	ANA – High Client Request	<p>This audit has commenced with discussions having taken place with key members of staff involved with Client Financial Assessments and Adult Social Care. Testing is now underway. The purpose of the audit is to 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>	In-Progress	
Deputyships	ANA – Medium Client Request	<p>Our findings indicate that although the work of the Deputyship team is performed to a good standard some referrals have not been processed in a timely manner. Reasons for delays include insufficient financial information on the initial referral from adult social care workers and workloads within the Deputyship team. Referrals do not always make clear the reasons why the Council who is deemed to be the “option of last resort” should take on the role of Deputy.</p> <p>The Deputyship bank account is a header account under PCC’s name and there are “virtual” sub accounts which sit underneath for each individual. Some occupational pension companies are not happy making pension payments into a PCC named account creating additional work for the Deputyship team who have to re-send the Court Order every year to confirm that they are still acting as Deputy.</p> <p>National Savings & Investments (NS&I) will only deal with one person within PCC’s Customer Service team on the administration of client accounts. It is recommended that the service investigate what other accounts are available in the market to ensure that there is no “single point of failure” and to strengthen controls.</p>	Improvements Required Status: Draft	*
Contract Management	ORR – Amber ANA - High	<p>Whilst work to develop a contract management framework which included supporting guidance and processes was undertaken in 2013, subsequent changes to staffing and structures resulted in finalisation and publication not occurring. Therefore, at present no guidance is available to staff who are carrying out Contract Management and no formal owner of contract management processes and standards.</p> <p>Due to the lack of defined ownership of contract management, the procurement function has not been able to include future contract managers in the procurement phase. This has resulted in a reduced ability for contract managers to understand the intricacies of what was agreed, in turn leading to an increased risk of poor delivery or even contract failure.</p>	Value Added Status: Final	



		<p>Training has been available in the past but the quality of the package was not sufficient to give staff the required skills to maximise the benefits of good contract management. Given the number of contracts in place and the need to ensure that they are providing value for money in a commercial environment, this is an area that when addressed should deliver immediate benefits to the Council.</p> <p>The ongoing changes to Procurement within the Council provide a basis with which to integrate and improve contract management by assigning to them responsibility for contract management standards. The earlier that interactions and internal relationships are developed, the greater the likelihood that ongoing contract management will facilitate the achievement of strategic priorities in a timely and cost-effective manner.</p>		
Purchasing Cards	ANA – Medium	<p>Spot checks have been undertaken on purchasing card use and it was found that not all purchases are supported by valid VAT receipts, particularly Amazon transactions. However, improvements have been seen since the last review with regard to hotel bookings where our sampling showed VAT being correctly identified and coded.</p> <p>Where receipts were not attached to the Barclaycard Spend Management system the majority of those tested were supported by manual receipts.</p> <p>Our work is not yet completed and any additional findings will be reported at a later date.</p>	In-Progress	
Travel & Subsistence	ANA – Medium Client Request	<p>We are nearing completion of a high-level review of travel and subsistence to test compliance with VAT requirements now that officers are required to retain receipts. Despite guidance being readily available and clearly stated on claim forms, we have identified that there remains a lack of understanding by some officers. There is also a lack of guidance relating to the retention of receipts when someone leaves the organisation.</p>	In-Progress	
Devon Business Rate Pilot	ANA - High	<p>Plymouth is currently the lead authority for the Devon Business Rates Pool which consists of Devon County Council, Plymouth City Council, Torbay Council and the 8 District councils. As the lead authority Plymouth successfully submitted a Pilot bid to the Department of Communities and Local Government on behalf of all Devon Authorities for 100% Business Rates Retention in 2018/19.</p> <p>Work is underway to review the governance arrangements in operation with assurance to be provided to the other members of the Pool.</p>	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	
The following reviews will be commenced in the second half of 18/19				
<ul style="list-style-type: none"> ➤ ICT Operation and Security (Cyber) - ANA – High ➤ e-Budgeting - ANA – High, Client Request ➤ Risk Management - ANA - High 		<ul style="list-style-type: none"> ➤ Retained Client ICT – ANA -Medium ➤ Retained Client Shared Services – ANA – High, Client Request 		
Executive Office				
Core Assurance - Other				
Community Grants	ANA – Medium Client Request	<p>We will review the arrangements in place for the administration and delivery of the Community Grant Scheme and will consider the following areas:</p> <ul style="list-style-type: none"> • How well the scheme is fulfilling its objectives; • If community benefits are optimised and value for money delivered; • That processes and controls adequately safeguard all stakeholders involved in administering the scheme; • That processes and procedures ensure compliance and consistency in application of the policy and, the core objectives of the scheme. <p>We will also consider the synergy in operation between Community Grants, the Living Street Fund and CrowdFund Plymouth to ensure that benefits to local communities are maximised and that there is clarity and transparency across the schemes.</p>	In-Progress	
Data Quality & Customer Feedback	ANA – High, Client Request	<p>The objective of our work is to provide an opinion on the effectiveness of the fifteen individual indicators that form the Customer Experience Theme within the Corporate Plan Indicators.</p> <p>We will assess:</p> <ul style="list-style-type: none"> • The accuracy and integrity of the source data sets used; • The effectiveness/ integrity of the process used to collect and publish the indicator; 	In-Progress	

		<ul style="list-style-type: none"> • Whether or not the service area 'learn' from service standard performance and use the 'intelligence' to re-design, plan and enable improvement to service delivery and customer experience; • How the indicators influence the Council and link up to the broader Customer Experience Programme initiative. <p>We also have time in the audit plan for "Customer Feedback" and have agreed that this work will focus on the framework for the administration of "corporate" complaints. Where appropriate the review will engage with the broader Customer Experience Programme, set up to respond to the findings of the recent Peer Review.</p>		
Purchasing Self-Service	ANA – Medium Client Request	Audit is working with the project team developing the controls and guidance for purchases up to £25k.	On-going	
People				
Core Assurance – Key Financial System				
Income Collection (Deferred Payments) – Follow-Up	ORR - Amber ANA – High	Reported to October Committee.	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	Reported to October Committee.	Good Standard Status: Final	
Pre-Paid Cards - Direct Payments (Adults) Follow-up	ANA - Medium	Reported to October Committee.	Good Standard Status: Final	
Pre-Paid Cards - Direct Payments Delivery Method (Children's)	ANA - Medium	Reported to October Committee.	Good Standard Status: Final	
Legal Care Proceedings (Children's)	ANA – Medium	Reported to October Committee.	Improvements Required Status: Final	
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	Ongoing	N/A

		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.		
The following reviews will be commenced in the second half of 18/19				
<ul style="list-style-type: none"> ➤ Extra Care Housing - ANA – Medium ➤ Children's Safeguarding Board (PSCB) - 		<ul style="list-style-type: none"> ➤ 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 		<ul style="list-style-type: none"> ➤ Multi-Agency Hub - SRR – Amber ANA – High, Client Request ➤ Children's Services (Contractual Arrangements with Torbay) - SRR – Red ANA – High, Client Request 		
Public Health				
Bereavement Service	ANA – Medium Client Request	<p>The objective of this audit is to evaluate the adequacy of the financial controls, processes and procedures operating within the Bereavement Service.</p> <p>The work undertaken within this area is being finalised, however, DAP consider that existing controls regarding the system for raising payments and receiving income and existing processes and procedures regarding the service's interactions with its customers are operating to a good standard.</p> <p>There are no significant matters arising from the audit and any recommendations made will serve to strengthen the reliable procedures already in place with a view to assisting the service's modernisation and its proposed move to a new, purpose built facility.</p>	In-Progress	
Licensing	ANA – Medium Client Request	<p>The focus of this audit was to review 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.</p> <p>The work undertaken within this area is being finalised, however, DAP consider that existing controls are operating at a good standard with the service having recently reviewed and refreshed its procedures, all of which are fully documented and available to staff.</p>	In-Progress	

Environmental Protection	ORR - Amber ANA – Medium Client Request	<p>We have assessed the systems and processes necessary for the Service to ensure that there is adequate separation of duties taking into account:</p> <ul style="list-style-type: none"> • the regulatory enforcement activities undertaken, • the business advice the service provides, and • the requirement to grow commercial income. <p>Income generation is a priority but it is essential that a simple governance framework is in place to enable the service to demonstrate that it has acted ethically and in the best interests of its clients; thereby protecting the reputation of the Council and officers working within the Public Protection Service (PPS). Audit has advised that this can be achieved through implementing the following recommendations:</p> <ul style="list-style-type: none"> • Where business advice / coaching services are provided, managers should check business records and wherever possible allocate the work to an officer who has had no involvement with the particular business and / or business owner in the previous 12 months; • That managers have the flexibility to allocate the work where it is not possible to meet the above standard but always strive to avoid allocating to a member of staff who conducted the most recent piece of work with the business. <p>Work undertaken across PPS and previous input from the Commercial Enterprise Team has identified that there is potential for a significant increase in commercial activity and income generation across the service but this would require a resource with the commercial experience and skill-sets to drive sales and income. Recommendations have also been made on the potential benefits of presenting a more commercial and co-ordinated offering but this would need additional resource to what the service currently has. and expertise to ‘own’ and co-ordinate this process.</p>	Improvements Required Status: Draft	 *
Business Continuity Within the Supply Chain	SRR - Amber ANA – High Client Request	<p>Our review 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</p>	Improvements Required Status: Final	

		should be undertaken. Recommendations relate to the identification of key suppliers, maintenance of the Council's contract register and the identification of an appropriate contract manager for each contract.		
The Business Continuity Follow-Up will be deferred until 18/19 to allow sufficient time for the agreed action plan to be implemented.				
Place				
Concessionary Fares	ANA – Medium Client Request	Work is underway to review 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	<p>The Building Control Service operates to a good standard, in accordance with legislation, procedure and best practice. The service has recently been awarded ISO 14001 Quality Assurance Certification by Local Authority Building Control (LABC).</p> <p>The Building Control Team are very customer focused and have a good reputation which is reflected in the above average (67%) market share of 80% this has remained consistent even in a very competitive market. Demands on the service are increasing with a 51% increase in applications received as at the end of August 2018 compared to the same period in 2017. Service demands due to significant development across the city and the ongoing impact of the Hackitt Review continue to increase.</p> <p>The service has implemented a new management information system and moved to smart working and there is an opportunity to further develop use of these systems and to make better use of management information. This along with implementation of risk-based processes and robust succession planning will enable the service to make better use of resources, develop capacity to proactively manage service demand and improve service delivery.</p>	Good Standard Status: Draft	 *
Highways Management – Works Ordering	ANA – High SRR – Red Client Request	Reported to October Committee.	High Standard Status: Final	
Fleet Management System Follow-Up	ANA - Medium	Work is ongoing to confirm progress made with the service area with initial findings indicating that there have been improvements made in	In-Progress	

		respect of stock control. There is also scope for the system to be utilised more effectively to improve the efficiency and resilience of key processes such as the annual validating of driving licences.		
Trade Waste Follow-Up	ANA - Medium	Reported to October Committee.	Improvements Required Status: Final	
Commercial Properties	ANA - Medium	Reported to October Committee.	Position Statement Status: Complete	
Plymouth Energy Community	ANA – Medium Client Request	The scope and objective of this review is to establish and evaluate the existing governance arrangements and financial and legal relationships with Plymouth Energy Community to inform future risks and opportunities for Strategic Planning and Infrastructure management to take into account when considering the future partnership arrangement between Plymouth Energy Community & Plymouth City Council.	In-Progress	
The following review will be commenced in the second half of 18/19				
➤ Street Services (Financial Management System) - ANA –High, Client Request				
The following review has been deferred or cancelled at the request of the client.				
➤ Highways (Ability to Defend Insurance Claims) - SRR – Red, ANA – High, Client Request				
Cross Cutting				
The following reviews will be commenced in the second half of 18/19				
General Data Protection Regulation (GDPR) - SRR – Amber, ANA – High, Client Request				
Health & Safety - ANA – High, Client Request				
Grants				
Families with a Future (Payment by Results)	Statutory Client Request	DAP have verified and certified seven 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 10	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 • Ocean Studio - Arts Council • Highways Maintenance Challenge Fund • Pothole Action – Local Transport Block Fund • National Productivity Investment – Local Transport Block Fund • Integrated Transport & Highway Maintenance – Local Transport Block Fund 	Certified Status: Complete	

Appendix 2 - Audit Standards and Customer Delivery

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.

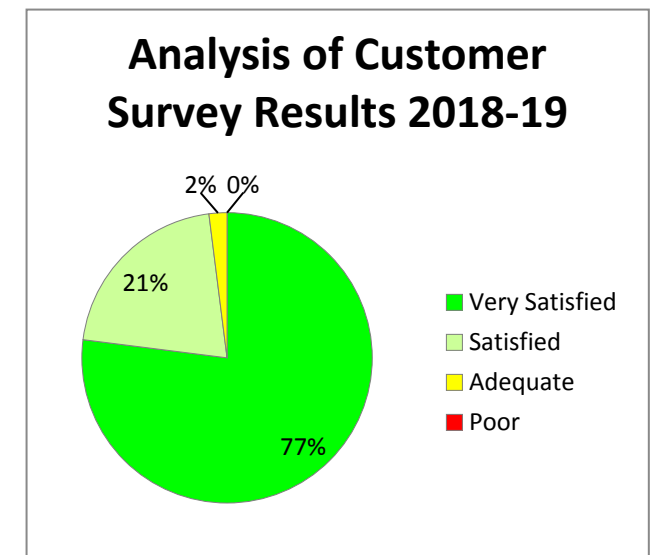
Improvement Programme – DAP maintains a rolling development plan of improvements to the service and customers. All recommendations of the external assessment of PSIAS and quality assurance were included in this development plan and have been completed. This will be further embedded with revision of our internal quality process through peer review.

Customer Service Excellence

DAP maintains accreditation by G4S Assessment Services of the CSE standard during the year. 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. 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.

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.



Appendix 3 – Performance Indicators

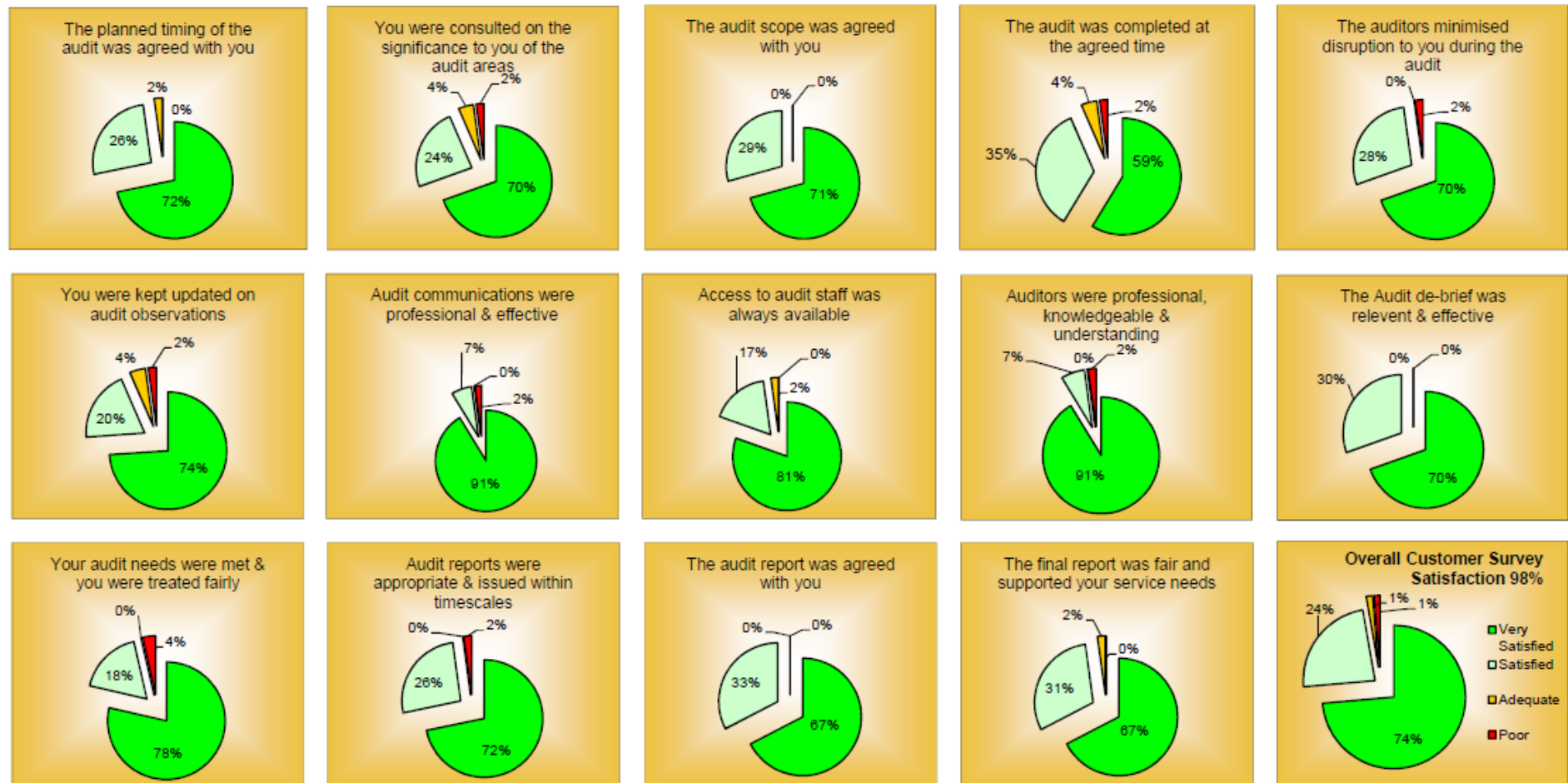
There are no national Performance Indicators in existence for Internal Audit, but the Partnership does monitor the following Local Performance Indicators LPI's:

Local Performance Indicator (LPI)	2016/17	2016/17	2017/18	2017/18	2018/19	2018/19
	Target	Actual	Target	Actual	Full Year Target	Six Month Actual
Percentage of Audit plan Commenced	100%	99%	100%	100%	100%	57.8%
Percentage of Audit plan Completed	93%	95%	93%	96%	93%	43.1%
Percentage of fundamental / material systems reviewed annually	100%	100%	100%	100%	100%	On Target
Percentage of chargeable time	65%	71.4%	65%	71.5%	65%	66%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	98%	90%	98%	90%	98%
Draft Reports produced within target number of days (currently 15 days)	90%	95%	90%	97%	90%	97.8%
Final reports produced within target number of days (currently 10 days)	90%	98%	90%	100%	90%	97.7%
Average level of sickness absence (DAP as a whole)	2%	3.2%	2%	4% *	2%	1.4%
Percentage of staff turnover (DAP as a whole)	5%	21%	5%	11% **	5%	3.3% *
Out-turn within budget	Yes	Yes	Yes	Yes	Yes	Yes

* 1 New starter, an apprentice.

Appendix 4 - Customer Service Excellence

Customer Survey Results April - September 2018



Appendix 5 - Definitions

Definitions of Audit Assurance Opinion Levels

Confidentiality under the Government Security Classifications

Assurance	Definition	Marking	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.	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.
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.	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.
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.	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.
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.		

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Devon Audit Partnership

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

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